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**SMALLHOLDER DAIRY SUPPORT PROGRAMME (SDSP)
TANZANIA**

INSPECTION OF ITS IDENTIFICATION, FORMULATION AND TENDERING PROCESS

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Report

SMALLHOLDER DAIRY SUPPORT PROGRAMME (SDSP)

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9 November 2001

PREFACE

In August and September 2001, at the request of the Minister for Development Co-operation, IOB carried out an inspection mission for the first time since 1987. During the intervening period a transition was in progress towards evaluation at the policy level. Evaluative research at the activity, project and programme level was, and is, still being undertaken, but in the framework of the evaluation of the policy which directs these levels. Consequently, results on the activity level are usually mentioned only in a summarising or comparative sense. This inspection mission, however, has put one particular activity in the IOB spotlight once again.

The 1987 inspection mission was concerned with the delivery of fishing boats to Peru, which had been subject to controversy. Now, questions had arisen regarding the identification and formulation of the Smallholder Dairy Support Programme (SDSP) in Tanzania, and regarding the tendering of the technical assistance component. The most important queries concerned whether the embassy had involved the Tanzanian agencies to a sufficient degree in the decision-making process, and whether it had handled the tendering process with sufficient care. Within the scope of such a small-scale inspection, it appears that IOB has been able to answer these questions satisfactorily.

The report contains six Main Findings which provide answers to the questions raised. Some particular points are mentioned which, in the opinion of IOB, require solution.

The inspection mission was carried out by the undersigned, in close co-operation with the consultant Roland Rodts. Erik Schreijen fulfilled a supporting role as IOB researcher. IOB wishes to thank all who were concerned with the mission most sincerely for their co-operation and for the candid manner in which discussions were held. The most important of those involved have been able to comment on the draft of the report, the English version of which was submitted to the Tanzanian Ministries of Finance and of Water & Livestock Development, and to the regional administration in Kagera. IOB is solely responsible for the contents of this report.

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1. SUMMARY AND CONCLUSIONS

1.1 Background

In a letter dated 30 March 2001 Mrs H. Molenaar, member of the Lower House of the Netherlands Parliament, asked the Minister for Development Co-operation a number of questions regarding the manner in which the Smallholder Dairy Support Programme (SDSP) in Tanzania had been identified and formulated and about how the contract had been awarded. The Minister answered these questions on 4 April 2001. Further discussion took place between Mrs Molenaar, the Deputy Director-General and the Minister for Development Co-operation on 28 May and 11 July 2001. During that discussion questions were raised regarding the meticulousness with which the embassy is said to have implemented the tendering process, the involvement of Tanzanian agencies in decision making in view of the ownership concept, and regarding SDSP's gender focus. The latest talk was reason for the Minister to pass the SDSP file to the Policy and Operations Evaluation Department (IOB) for independent examination of the state of affairs.

Dutch involvement in Tanzania's dairy sector dates back to 1975. In the initial period support was given to a number of large-scale dairy firms and breeders. In the period 1982-85 the emphasis changed towards giving aid to small-scale livestock breeding in Kagera (Kagera Livestock Development Programme [KALIDEP]) and in Tanga (the Tanga Dairy Development Programme [TDDP]). In the 1990s these projects were continued and expanded. The core activity was the Heifer-in-Trust (HIT) programme, under which improved cattle (young heifers) were distributed to small farmers on credit, together with technical and financial support. In October 1997, Prime Minister Kok and Minister Pronk visited the KALIDEP project, and Minister Pronk announced that Dutch support would be continued. In the course of 1999 that undertaking came under pressure when the Netherlands and Tanzania started negotiations regarding the choice of sectors that would receive future aid from the Netherlands. The Tanzanians asked that it should be given to the agricultural sector, among others. The Dutch, however, declared that not all sectors proposed by Tanzania could be given aid: ultimately, the 'roads' and 'agriculture' sectors proposed by Tanzania were rejected. With regard to the livestock breeding projects in progress, the Netherlands Embassy suggested that these should be continued under aid provided to the private sector. Privatisation of the support given to Kagera and Tanga seemed self-evident.

Evaluation of the Kagera and Tanga projects in July 1999 showed that, although reasonably successful, they were too expensive to be carried on on a permanent basis. A follow-up mission suggested that support be continued as part of aid to the private sector. During 2000 tenders were invited for the advisory component of the new Smallholder Dairy Support Programme (SDSP). Seven consultants applied for the pre-qualification, two of whom were eventually asked to make a technical and financial estimate. Both estimates were evaluated in the period September-October 2000 by a team of four staff members of the Netherlands Embassy in Dar es Salaam. They were both judged of high quality and very similar as to the technical aspect. In the end, the financial estimate formed the deciding factor.

Contract negotiations with the new technical assistance team were slower than anticipated, however, and both projects (KALIDEP and TDDP) were extended until the end of March 2001. On 4 January 2001, in anticipation of approval of the official Memorandum of Understanding (MoU) and the Administrative Arrangement (AA), the embassy signed a contract with the winning consultant, Arcadis BV. The MoU and AA were submitted to the Tanzanian Ministry of Finance a week later. Official reaction was delayed. During the concluding KALIDEP Steering Committee meeting in March 2001, representatives of the Ministry of Finance and of the specialist Ministry of Water &

Livestock Development distanced themselves from the MoU proposed by the embassy. One person present accused the embassy's representative of giving an incorrect version of affairs when the latter referred to the project's formulation phase in which Tanzanian government agencies, both central and local, were said to have been involved.¹

Under these circumstances, the new SDSP was slow in getting off the ground. Until the start of June 2001, it had no official status and communication with the departing KALIDEP and TDDP teams and the Tanzanian authorities was irksome. On 31 March 2001, in the absence of a transfer and new HIT finance agreement, all KALIDEP project assets were placed under temporary management of the Regional Livestock Advisor in Kagera. At the end of 2000, the KALIDEP team had established a foundation; the Kagera Dairy Development Trust (KADADET) that would manage HIT credits on behalf of the farmers. This required an agreement with the embassy which, at the time of the Inspection Mission in late August 2001, had not yet been concluded.

1.2 Purpose and Implementation

In view of the background outlined above, the purpose of the mission was threefold.

1. To gain further insight into the manner in which tenders for SDSP were asked and evaluated and, on that basis, to evaluate the procedure followed. Particular points of attention were: (i) the pre-qualification/tendering selection procedure followed and the reporting thereon; (ii) the evaluation procedure of technical and financial estimates and the reporting thereon.
2. To assess the manner in which SDSP was identified and formulated. Special points of attention included: (i) the follow-up to commitments made by Prime Minister Kok and Minister Pronk during their visit to Tanzania; (ii) the involvement or lack of involvement of parties interested in the current programmes; (iii) changes in the implementation modality; (iv) the gender focus.
3. To assess what has happened since the tender until the present.

If necessary, the inspection could be reason for further investigation.

The investigation was carried out in three phases. First, between 1 and 25 August 2001, documents were studied and inventorised. In the same period, discussions were held with parties directly involved in the identification and formulation of SDSP and with tendering for the technical assistance component. Subsequently, between 26 August and 1 September 2001, a working visit was made to Tanzania during which discussions were also held with parties involved and a short field visit was made to Kagera. From then until 28 September further file research was carried out and more discussions held. Reports were made of all discussions and submitted to the discussion partners. A list of people contacted in Tanzania and in the Netherlands is provided in Annex II.

1.3 Findings

The inspection gave rise to the following findings.

1. The identification and formulation process of SDSP was effective but not efficient.

¹ The Ministry of Finance of the Republic of Tanzania in a reaction to a draft version of this report points out that the issues have meanwhile been resolved through later

In all, the identification and formulation process lasted a year and placed a disproportionate demand on the embassy's relatively limited manpower. First, two external missions were contracted (evaluation-cum-formulation and follow-up), neither of which delivered a satisfactory project document. Furthermore, the embassy lacked sufficient knowledge and a univocal view on the subject to allow it to round-off the document. Eventually, a third formulation mission produced a relatively well-formulated project document which clearly described the objectives and activities of SDSP's technical aid component. Relatively little attention, however, was given to the investment element, for which the implementation mechanism in particular was insufficiently elaborated upon.

2. The formulation phase was characterised by strong Dutch control and limited Tanzanian involvement.

During the initial period of the evaluation/identification process in particular there was active involvement on the part of the sitting KALIDEP and TDDP management teams which, with the exception of expatriate advisors, were entirely Tanzanian. Both teams had the opportunity to speak with the evaluation and follow-up missions, to react to their reports, to submit counter-proposals, and to take part in a brainstorming session. In the later and more crucial formulation phase there was no further involvement in that the sitting management team participated in the tendering process. Under the given circumstances, the restraint shown by the embassy (and the formulation mission) was reasonable: direct involvement in preparatory activities would have given an unfair advantage over the other competitor,

Paradoxically, the strict control exercised by the Dutch was narrowly linked to the introduction of the new sector policy. The scrapping of aid to the agricultural sector caused institutional ties with the directly-involved Ministry of Agriculture & Co-operatives (now Ministry of Water & Livestock Development) to be broken; as a result of which further contacts were merely of an 'informative' character. Moreover, the embassy came to the conclusion that no appropriate operational or intermediary organisation was available. As a result, the embassy decided on a mode of implementation (commission contract) which gave final implementation responsibility to the Netherlands. Other modes, such as a contribution or financing agreement (under which a Tanzanian agency would have taken care of the tendering and acted as principal) which would have been more in line with sectoral policy, were consequently not considered. In this respect, the embassy's opinion that the Tanzanian government could not play an implementing role (or act as principal) in a private sector activity applies equally to the Netherlands government and consequently to the embassy itself. IOB has not been able to judge in how far the search for an implementing or intermediary institution was given up too quickly..

With regard to programme content, there was evidence of strong Dutch pressure when important basic elements of the new programme, with which the involved Tanzanian ministries (Finance, Water & Livestock Development) partially or even wholly disagreed, were laid down in ToRs for external missions and included in the project document on the embassy's own discretion. The most important points concerned: (i) the definite ending of the current KALIDEP/TDDP projects; (ii) the nature and extent of the SDSP technical assistance programme; (iii) the size of the SDSP HIT-investment component.

The embassy was of the opinion that it should take decisions without involving Tanzanian ministries and particularly the regional administration in Kagera so as not to obstruct the tendering process. Tendering for a project requires that all potential submitters of bids

meetings (reference TYC/E/450/8/21 dated 29th of November, 2001).

should be able to compete on an equal footing. In view of the advisory role to the Tanzanian government filled by one of the applicants, the embassy thought that the Tanzanian ministries and the regional administration should not be involved *en détail*. The embassy assumed that its decisions were in line with the transition towards aid to the private sector, regarding which agreement had been reached with the Tanzanian government. IOB is of the opinion that the embassy under-estimated the extent of the decisions that had been taken: in other words, that it thought incorrectly that the decisions were self-evident. Secondly, IOB considers that the embassy should have weighed the requirements of the tendering process against the necessity to commit the receiving parties to decision making.

3. The tendering process was carried out conscientiously and honestly by the embassy

The procurement policy of Netherlands development cooperation is oriented towards using available finance as efficiently and effectively as possible through competitive bidding. The starting point for procurements is a transparent and controllable process, guaranteeing all participants a level playing field in competing for an assignment. In agreement with procurement regulations, the embassy has compiled a project file in which the procedure and motivation of all decisions are recorded. The file gives a detailed image of those procedures and motivations and includes almost all pertinent important documents.

The embassy chose to enter into a commissioning agreement under which it would contract the services of an independent consultant or organisation. In accordance with regulations, an evaluation committee was set up and charged with selecting potential bidders, the evaluation of bids received, and with advising on the awarding of the contract. That evaluation committee consisted of four members of the embassy staff (a minimum of three was required) who were not directly concerned with implementation of the activity. The integrity and competence of the committee, regarding which queries were raised in the process leading to this inspection, is not doubted by IOB. Evaluation of the tenders, which had a distinctly institutional development character, did not require any particular knowledge of livestock breeding techniques. Two of the four members were very experienced in the field of development co-operation and familiar with the livestock breeding programmes. The others were younger motivated colleagues whose briefer involvement enabled them to give impartial advice.

Weight and score figures were used to objectify the technical-content evaluation of the two bids as far as possible and to make them comprehensible. Those weighting factors were in agreement with rules made known in advance in the invitations to tender. The evaluation was supplemented by a written test and personal interviews with the candidate expatriate advisers. The accusation later made that the proposed Tanzanian project leaders had not been interviewed was understandable but did not really affect the scrupulousness of the evaluation or its result. Both project leaders were known to the embassy. The committee's decision not to check the antecedents of the applicants and not to screen their curricula vitae was understandable. Such an investigation was (and is) not customary and would have been difficult and time-consuming. In both cases the consultants had an international reputation that made it reasonable to assume that their respective bids were trustworthy. The weighing of the input of foreign versus Tanzanian experts also played no role of any significance. Even if the Tanzanian experts had been allotted a score of 75 against 25 for the foreign experts, the same applicant would eventually have won the contract.

4. A few critical remarks may be made about the tendering process, the most important being: (i) the lack of Tanzanian involvement; (ii)

inadequate tender notice; (iii) the formulation of high requirements of suitability and restriction of the shortlist to two potential applicants, and (iv) the inadequate financial evaluation framework.

The lack of any *Tanzanian involvement* in the evaluation and selection process is to be regretted. Although it was not required procedure, the participation of one or more Tanzanian experts in the evaluation committee would have been in line with the new Dutch sectoral policy which aims at ultimate responsibility of the receiving country. The embassy's argument that the required independent expertise was not available, is not convincing. It may be assumed that such expertise could have been found in Tanzanian universities, for example, and at the level of the Ministry of Finance (under which falls the national Central Tender Board).

The intention to ask for *international tenders* and pre-qualification was submitted to the procurement section of the ministry (FEZ/IE), in agreement with regulations. However, through no fault of the embassy, the criteria and the weighting factors were not mentioned in the tender notice, and this was a serious technical fault. That failure was not advantageous or disadvantageous to potential bidders, however, and was not of such a nature as to affect the quality of the pre-qualification process.

Looking back on the result of the pre-qualification process, IOB concludes that high *suitability demands* were made on potential bidders in this phase of the tendering process. The selection criteria used were very similar to those used in the tendering phase, and minimum score thresholds were equally high. The result was a shortlist of only two consultants: this not only transgressed internal regulations (at least three subscribers are required for international competitive bidding), but the further selection procedure was also undermined to some extent.

The evaluation framework and the reporting on the evaluation of the *financial bids* was inadequate. With the exception of an undated, unsigned and scribbled note by the financially-knowledgeable committee member, the project file contained no documents that might have provided insight into the financial analysis that was made. Final decision-making, however, was in accordance with the evaluation framework announced earlier. A few critical comments should be made regarding that evaluation framework. The setting of financial limits for the individual remuneration and operational cost components (NLG 500,000 on an annual basis), the limitation of the shortlist and the combination with a detailed task description and required composition of the team of consultants, strongly restricted the market effect mechanism which forms the basis of a tendering process. Restriction of the financial evaluation to the remuneration component was equally unfortunate. Such a limitation can lead to false competitive relations insofar as remuneration-compensating elements in the sphere of operational expenses (e.g. travel expenses, private use of transport, renting of houses, telephone costs, etc.) are left out of consideration. IOB is not able properly to judge whether competition falsification really occurred, but it is a remarkable fact that the successful bidder presented an operational budget that was quadruple that of the competition.

The argument that the winning applicant also submitted the lowest total financial bid is inappropriate. That criterion was specifically not deemed an evaluation criterion and could therefore not be used in the evaluation.

5. The pledge of further aid to the livestock sector in Kagera made by Prime Minister Kok and Minister Pronk in 1997 has been formally honoured through approval of SDSP in general and extension of the HIT programme in particular, but, up to the time of the inspection mission, had only partly been operationalised.

During the visit made by Prime Minister Kok and Minister Pronk to Kagera in October 1997, the KALIDEP Phase II project was in the third year of its five-year implementation. Impressed by the programme, Minister Pronk made it known that he did not want the project to fail due to lack of means on the Tanzanian side, and he promised to inform the Regional Administrative Secretary (RAS) accordingly. That announcement and the promise of a letter was interpreted by the parties involved, and rightly so in the opinion of IOB, as a promise of further Dutch aid to the livestock breeding sector in Kagera. The embassy's follow-up, however, was not very meticulous. The promised letter was written only six months later (on the RAS's insistence), was extremely curt, written in defective English, and was not signed by the ambassador or the Head Development Co-operation but by the staff member who dealt with the matter.

At the time of the Inspection mission in late August 2001, continuation of the HIT programme – an important element of the SDSP project – had not yet been finalised. IOB regrets the delay in the financing agreement with the newly-established Kagera Dairy Development Trust (KADADET). That delay was caused partly by the embassy's view that the Trust should be of a temporary nature. It was some time before the embassy realised that interfering in a trust set up by the Tanzanians themselves was not feasible and that, moreover, Tanzanian legislation does not provide for trusts being set up for limited periods. The design of the trust seems to fit into the private sector orientation of SDSP and offers the prospect of more permanent continuation of the livestock breeding programme in Kagera.

6. SDSP does not have a specific gender focus. Declarations of intent to integrate the theme 'women and development' have not (yet) been operationalised.

In the past, the livestock breeding programme has frequently been praised for its gender focus. Progress reports and evaluations of KALIDEP and TDDP state that 30-40 percent of contacted farmers are women who for the most part operate independently. On this point IOB has not undertaken any detailed research. On the basis of talks held, however, IOB concludes that although both programmes have contributed in the quantitative sense towards improving women's access to capital and credit, the figures say nothing about women's position in the society of the areas concerned. No systematic and orderly research has taken place into women's working conditions, into the distribution of food and income within the family, or into the general living circumstances of women, and it is consequently unclear whether their position has undergone any structural improvement.

In the SDSP project document, the consultant was asked to formulate a 'gender development strategy' in his bid which would fit into the new private sector approach. The consultant went little further, however, than to announce that a 'gender mainstreaming' plan of action would later be elaborated. There is no evidence of such a plan in the initial report that has meanwhile been presented (April 2001). The SDSP team has at least replaced an economist who left early (in consultation with the embassy) by an experienced female community development specialist who is directing her attention partly towards raising women's participation in local HIT committees.

The SDSP document further indicates that, in November 2000, the embassy was to provide the consultant with recommendations and instructions regarding mainstreaming of the theme women and development. That commitment has not been met by the embassy. The drawing-up of directives and suggestions with regard to mainstreaming is still on the agenda.

1.4 Points for Attention

IOB has ascertained that during the formulation of the SDSP contract two principles clashed with one another. 'Ownership', which is very important under the sectoral approach, requires maximum involvement on the Tanzanian side and preferably that decisions are taken by the Tanzanians. Such involvement was minimal during the formulation phase. In Kagera, in the course of 2000, the Tanzanians themselves decided to establish a trust in order to create a structure that would be able to manage the HIT programme. That initiative was long regarded with distrust by the embassy.

The second principle is that of the level playing field required in the tendering process. The embassy has conscientiously and carefully adhered to this. In brief, it can be said that the embassy found the level playing field principle more important than that of ownership.

The two principles do not conflict, however, and should not be opposed to one another. Even if maximum ownership is desired, the level playing field should still be an objective of every contract. The conflict was due to the fact that the embassy considered that it had no choice other than to implement the follow-up phase under Dutch legal responsibility. Implementation under Dutch responsibility is not compatible with the ownership concept, however. The Tanzanian Ministry of Water & Livestock Development opposed the decision, but the Ministry of Finance ultimately agreed with the Dutch viewpoint. A factor in that decision was undoubtedly an assessment of the problems that Tanzanian resistance could entail for the continuation of Netherlands aid in Kagera and Tanga.

It is questionable whether, if circumstances had necessitated a choice for implementation under Dutch responsibility, the procedures would have been sufficient to ensure maximum involvement. Nothing is laid down in the procedures in this respect. With some developing countries, however, the Netherlands has agreed that the former will be involved in tenders that take place under Dutch responsibility. This could have been agreed in Tanzania. It is also possible to adapt procedures to such an extent that formal moments of endorsement are agreed upon. At present, the procedure for Dutch financed procurement under responsibility of the receiving country states that the Netherlands must approve (1) the tender document, and (2) the award proposal. It would be in harmony with sectoral policy and the emphasis on ownership if the Netherlands were to include analogous requirements in the procedure for procurement under Dutch responsibility, i.e. that the receiving country must agree with (1) the tender document, and (2) the award proposal. It would moreover be preferable that the receiving country be involved in the evaluation procedure.

2. THE NETHERLANDS-TANZANIAN CO-OPERATION PROGRAMME IN THE LIVESTOCK SECTOR

2.1 Large-scale modern dairy cattle farms (1975-1985)²

Dutch involvement in the Tanzanian dairy cattle sector dates back to 1975 when the Netherlands contributed towards the Dairy Development Programme (DDP), financed by the World Bank, among others. DDP was intended to increase milk production through setting-up and developing 17 large-scale dairy cattle farms, the establishment of a number of smaller farms for cattle breeding, and the setting-up of milk processing and distribution facilities. Initially, a number of Dutch experts were brought in as supplementary DDP experts. As from 1978, they were deployed on a bilateral contract on three dairy cattle breeding farms (Kikulula, Mruazi/Magunga and Ngerengere) and a number of large-scale government dairy and beef cattle farms, particularly in the Tanga region where support was also given to the Practical Training Centre and the Livestock Research Centre.

From the policy viewpoint, support to the large-scale livestock breeding sector was justifiable: improvement of the food situation and import substitution were important priorities. Efficiency was only moderate, however. Ambitious plans for breeding farms had to be adjusted significantly, while the dairy and beef producing farms were too large and too far from the markets. Climatological problems caused bottlenecks in the provision of cattle feed, heavy mechanisation proved vulnerable, and productivity remained far below expectations. The general economic malaise with which Tanzania had to cope was another significant factor.

The Practical Training Centre and the Livestock Research Centre were equally unfortunate. Although both projects were satisfactory from the policy point of view, their efficiency and effectiveness were inadequate. Ambitious plans for the training centre had to be adjusted drastically and the research centre project had to be dropped.

Since the beginning of the 1980s, Netherlands development policy has increasingly emphasised the direct combating of poverty in rural areas. On the Tanzanian side, too, realisation grew that large-scale modern beef cattle farms were no panacea with which to improve the food situation. Dutch-supported beef cattle activities gradually became directed more towards small farmers, particularly in Kagera and Tanga. This shift of attention was accompanied by a changed view of the role of the livestock breeding sector. It was increasingly recognised that cattle played a far greater role than merely the provision of milk. This new phase gave rise to a more integrated view of developments in the livestock industry. Greater attention was also given to the role of women.

2.2 Small-scale livestock breeding in Kagera and Tanga (1985-1999)

Kagera

² This historical retrospective is based principally on two earlier IOB publications: *Ervaring van Ontwikkelingssamenwerking op het gebied van rundveehouderij opgedaan in de periode 1978-1984* [Experience of Development Cooperation in the field of beef cattle farming in the period 1978-1984], IOB 1987; and *Evaluation of the Netherlands Development Programme with Tanzania, 1970-1992*, IOB 1994.

In 1982 the Kagera Smallholder Dairy Extension Project was started, directed wholly towards the small farmer. The core activity was the *Heifer-in-Trust* (HIT) programme, under which improved cattle (young heifers acquired by the Kikulula breeding farm) were placed on credit with small farmers, with technical and financial support provided by the project. At the same time, the Kikulula Training Centre was set up for training purposes, and nine micro-factories were built in the district for the processing and sale of surplus milk.

During 1988-90 activities under the Kagera Indigenous Livestock Improvement Project (KILIP) were oriented more towards improving veterinary services for the traditional cattle sector.

After evaluation in 1989, it was decided that the smallholder support programme should be continued. KALIDEP Phase 1, of five-year duration (1990-1994), was extended in 1995 for another five years, up to and including 1999 (phase 2). During this period, a network of 37 Farmers Extension Centres was set up at the district level; also, a number of Livestock Co-operative Societies, Zonal Livestock Development Committees, and Livestock Farmers' Extension Groups were established which, in due course, were intended to take over the programme.

During the last 10 years the project has set-out an average of 400-500 heifers each year among new farmers. The project budget has grown from approximately NLG 0.8 million per annum in the start period to NLG 1.4 million per annum at the end.

In October 1997 the project was honoured by a visit from the Dutch Prime Minister Kok and Minister for Development Co-operation Pronk. Among other things, the delegation visited the Farmers' Extension Centre at Kyema. Minister Pronk announced on that occasion that he did not want the project to fail due to lack of finance on the Tanzanian side, and promised to write to the Regional Administrative Secretary (RAS) accordingly. The embassy reacted six months later (urged by the RAS), stating that: 'you can rest assured of our intention to optimise the impact and results of the Kalidep achievements so far, also past the date of the year 2000.'³

Formally, the Ministry of Agriculture & Co-operatives (later, after reorganisation, the Ministry of Water & Livestock Development) acted as administrative counterpart-organisation. In the field, the project was based in Bukoba, capital of the Kagera region, where it was accommodated in the offices of the Regional Livestock Advisor who himself came under the Regional Administrative Secretary.

Over the years, various mission and consultants' reports have drawn attention to a lack of durability. The 1993 evaluation report on phase I had advocated the rejection and privatisation of a number of project-supported and thus subsidised activities with a commercial character, such as artificial insemination, veterinary medicines and services, financial aid to livestock breeding, and milk processing. Two follow-up privatisation studies in 1995 (Coopers & Lybrand) and 1997 (Baisy & Engelbrink) did not bring any substantial change. While some degree of success was achieved by the privatisation of veterinary medicines and services, in practice it proved difficult (in the eyes of the KALIDEP team, impossible) to privatise such activities as artificial insemination, extension services and training, without endangering the programme's efficiency.

Tanga

³ Letter As2a/98/170 dated 14 April 1998, ref. Future of Kalidep activities.

A similar support programme was established in Tanga. In 1981 the Buhuri Dairy Practical Training Centre was opened for the training of farmers and local technicians. The setting-out of improved cattle (acquired by the Mruazi/Muganga breeding farm) was placed under the Smallholder Dairy Extension Programme which ran from 1985 until the end of 1991. Technical and financial support was continued under the Tanga Smallholder Dairy Development Programme (TSDDP; 1992-96) and the Tanga Dairy Development Programme (TDDP, 1997-99). Apart from individual farmers, the project supported initiatives towards setting-up 70 medium-sized dairy cattle farms (Pongwe scheme) and a credit institution for the dairy sector (Maziwa Coast Ltd). Here too, possibilities were gradually examined of how to privatise activities of a purely commercial nature and of how to reduce financial support, but without much success.

During the last 10 years, 150-200 heifers have been set-out each year among new farmers. The project budget has varied from approximately NLG 0.5 million per annum in the start period to NLG 1.1 million per annum at the end.

THE SMALLHOLDER DAIRY SUPPORT PROGRAMME (SDSP)

3.1 Identification

The 1999 evaluation-cum-formulation mission

The history of the SDSP project started in May 1999 when the KALIDEP and TDDP projects, which were both coming to an end, were jointly evaluated.⁴ The task was assigned by the embassy to the Netherlands Economic Institute (NEI):

- *to review Netherlands' interventions in the livestock/dairy sector with a focus on the last four years; and*
- *to formulate clear recommendations for future involvement of the Netherlands in this sector and its related activities.*

The mission was also asked to give its opinion on 10 key issues that were appended to the ToR. These were:

- is there a possible synergy between the two projects – is it possible to lessen foreign expertise, to combine certain functions;
- should/can certain project activities be expanded or reduced;
- which elements should/can be subsidised further;
- how can the role of the private sector be stimulated;
- to which group of farmers should the project be oriented: small, starters, or settled medium-sized farmers;
- could co-operation with other donor-financed projects increase the impact of the project;
- what are the prospects for a sectoral approach;
- how can the institutional dependency of the projects be improved;
- what is a correct exit strategy;
- what should future policy be (1 project, 2 projects, sectoral aid, etc.).

The mission consisted of a Dutch mission leader and three Tanzanian experts, who were in the field from 21 June until 9 July 1999. Mission members reached the common conclusion that both projects had achieved good results in terms of expanding livestock numbers, the numbers of new farmers who had been reached, and the increase in milk production.⁵ As regards durability, it was concluded that a number of support services had been privatised successfully, but that the transfer of training and extension tasks to the Tanzanian government, NGOs or farmers' organisations had not yet got off the ground.

As regards the HIT programme, the mission stated that about another three years were necessary for the setting-up and transfer of (computerised) monitoring systems,

⁴ The mission also evaluated the Integrated Tick and Tick-borne Disease Control Project, which falls outside the scope of the present investigation.

⁵ The draft report was submitted for comment at the end of July 1999; the final version was presented in September 1999.

and for subsequent transfer of the programme to cohesive farmer groups or local NGOs.

Ultimately, it was concluded that ‘the impact and good results of TDDP and KALIDEP on smallholder development in Tanga and Kagera justify further support by the RNE.’ Under the proposed new project, *Support to Privatisation Activities in the Dairy Sector*, current TDDP and KALIDEP projects would be continued for another three years, under the supervision of a Dairy Support Unit (DSU), which would also liaise with the private sector and the national and regional governments involved. DSU should consist of an expatriate economist and a Tanzanian agricultural economist, and should be based in Arusha. In addition to a coordinating task, DSU should be given management of a *dairy privatisation fund* of NLG 200,000 for aid to privatisation initiatives. The budget of the new project should be as follows (in NLG 1,000).

<i>Components</i>	<i>Alternative I</i>	<i>Alternative II⁶</i>
Continuation TDDP	2,505	2,505
Continuation KALIDEP	3,848	5,245
of which HIT	(801)	(801)
Dairy Support Unit	2,523	2,523
Total	8,876	10,273

The mission stated that the project should be contracted-out, but not before a number of outstanding problems around TDDP had been solved.⁷

Reactions to the evaluation report were critical. In principle, both KALIDEP and TDDP managements could agree with the general conclusion that greater emphasis should in future be placed on the independence or privatisation of the two programmes. They reached the conclusion, however, that the evaluation mission had had far too little time to enable it to visit the regions and to become properly informed about the state of affairs. They advocated a longer duration (five years instead of the proposed three) and better integration of livestock breeding activities that were supported under the Dutch-financed district programmes (regarding which the evaluation mission was silent).

During September 1999 a reaction was received from the Ministry of Agriculture & Co-operatives which also concluded that: ‘the time which was allocated for the external evaluation mission was not enough for them to grasp the details of each project....The Ministry does not support the idea of the external evaluation mission of establishing a Dairy Support Unit in Arusha as this seems to be a temporary facility *and lacks sustainability. We feel that co-ordination role of the dairy sector be vested under the Ministry of Agriculture and Co-operatives. What is required at MAC is strengthening the Unit of which your support is very important.*’

At the embassy level, the report gave rise to long discussions regarding the further state of affairs. Those discussions were held in a period when attempts were being made to shape the new sectoral approach. During this process, partly under pressure from the Ministry of Foreign Affairs in The Hague, it was explicitly decided ‘not to go

⁶ As regards KALIDEP, the possibility is kept open for the intervention area to be extended to the Lake District.

⁷ Part of the KALIDEP management (team leader and expatriate advisor) and TDDP (expatriate advisor) had been involved since 1995 through a Dutch consultant; the remainder of the two projects was under embassy management.

into agriculture' in that there was evidence of inadequate government policy, as evinced in the Annual Plan 1999: '*Lengthy discussions with experts and the Ministry of Agriculture have strengthened the conviction that the sector did not fulfil the criteria of a sufficient institutional framework and coherence to justify the choice at this moment.*' Notwithstanding the Tanzanian Government's request, the agricultural sector was not chosen. This was also due to the fact that Tanzania had asked support for six sectors, while the Netherlands had indicated that it could provide support in four.

It was decided that the livestock breeding programme should be continued under support for the private sector because: (i) agriculture provided employment for the majority of the population; (ii) some progress had been made in the sphere of food processing; (iii) the programme was intended in particular for small farmers and for women; and (iv) in view of the pledge made by the former Minister for Development Co-operation, continuation for a few years more was reasonable.

The result of this sector choice was that, in the embassy's opinion, the new programme could no longer be implemented under responsibility of the Ministry of Agriculture & Co-operatives, and that it was in any case impossible, in the Tanzanian context, to develop the private sector on the basis of a government programme.

A review and re-orientation of the development co-operation programme was the subject of intensive and laborious (oral) consultation with the Tanzanian ministries of Finance and of Agriculture & Co-operatives. The latter regretted the Dutch decision but could do little other than accept it. An important development in this respect was that Japan meanwhile declared itself prepared to increase its aid to the agriculture sector considerably.

Within the embassy the image gradually developed of an entirely new, re-oriented livestock breeding project with a focus on the private sector, whereby the current KALIDEP and TDDP projects would be brought to a conclusion.

The 1999 Follow-up Mission

In accordance with the recommendations of the previous evaluation-cum-formulation mission, the Embassy contracted a second follow-up mission, which visited Tanzania during November 1999. This consisted of two Dutch and one Tanzanian expert, and was given the task of evaluating a number of outstanding issues in the TDDP programme and drawing-up a new draft ToR for the following phase 'on the basis of the scope outlined by the Review Report as well as on the basis of instructions of the Netherlands Embassy and discussions held in the field and possibly the Tanzanian Ministry of Agriculture.'

The mission report was submitted at the end of December 1999.⁸ The work programme shows that the mission visited and spoke extensively with the sitting KALIDEP and TDDP team but, in accordance with embassy directives, had had no further direct contact with the government agencies involved (Ministries of Finance and of Agriculture & Co-operatives).⁹

⁸ Follow-up Study RNE Livestock Programme, privatisation aspects: Final Report.

⁹ These were kept informed informally insofar as the KALIDEP and TDDP projects still fell under responsibility of the Ministry of Agriculture & Co-operatives and there was regular mutual contact (e.g. in the respective Steering Committee meetings).

The ToR for the following phase were very brief and broadly formulated.¹⁰ The mission went no further than to recommend that an international consultant be recruited who, for a period of five years, would 'assist' all parties concerned (the embassy, KALIDEP, TDDP and ministries) with the two current programmes. It was left to the consultant to indicate in his bid how many and which people he wished to employ for the new project. Consequently, no budget proposals were elaborated and it was implicitly assumed that the current KALIDEP and TDDP projects would be continued.

Comments made by the parties directly involved were again critical. The embassy concluded that: 'the draft ToR for the next phase is rather descriptive and does not touch upon fundamental issues (institutional set-up, legal ownership, prognosis regarding the sub-sector). The Embassy does realise however that the dual task of the mission (evaluation and formulation) was probably too broad and requires perhaps more time. The ToR does form a basis for a tender document which the Embassy is currently formulating.'¹¹ In the general sense, both the KALIDEP and TDDP TA teams concluded that competent and interested parties had not come forward since the earlier privatisation studies due to the fact that milk density was still very slight, special know-how was needed for the storage and processing of milk, and profitability was generally low. 'The time for full time privatisation is almost ready, however, the projects should come to realistic solutions....The projects should continue as they are, however, with a clear change of direction.'

Based on the expectation that the new SDSP would start in July 2000, both KALIDEP and TDDP were extended at the beginning of January 2000 by another eight months, to 31 August 2000. There was little evidence of any reduction of activities. Approved budgets deviated little from an average annual budget during the previous period: NLG 0.8 million for TDDP and NLG 1.5 million for KALIDEP.

3.2 Pre-qualification and Formulation

Pre-qualification

The SDSP tender document is dated January 2000 when the embassy decided to publish the pre-qualification procedure. The text of the publication (in the weekly *Bestedingen Buitenland* [EVD: Economic Information Service]) was approved by the embassy's Head of Development Co-operation on 6 January 2000 and, in agreement with regulations, sent through the Ministry's *Expertise Centrum Inkoop* (ECI; Expertise Centre Purchases) to the EVD. Publication was on 21 January 2000.

In a memorandum dated 8 February 2000 ECI and the *Dienst Juridische Zaken* (Legal Affairs Department, DJZ) of the Ministry of Foreign Affairs were informed by the Head Development Co-operation that: 'this concerns a tender which, for various reasons, has to be precisely worded, and it therefore seems advisable to establish a number of aspects and to ask your opinion of them.' The principal aspects were the following:

- *the embassy values continuity, which is why the tender notice stated that one of the experts, a Tanzanian, would be taken on by the winning bidder;*
- *there are objections to the exclusion of consultants who have earlier been involved. It is annoying, however, that the consultants concerned have made it known that they will submit a collective tender;*

¹⁰ The privatisation aspects of the Tanga programme will not be further discussed in this report.

¹¹ Letter 00-AS2B-028, dated 3 February 2000.

- *one of the competing bidders has already complained about possible unequal treatment, the advantage held by the incumbent consultant, and the lack of a level playing field;*
- *everything possible will be done to prevent that the incumbent consultant has any advantage in the tendering process: no documents that have been written by the consultant will be used as tender document;*
- *taking all this into consideration, the tendering process will nevertheless be initiated;*
- *please advise in how far oral consultation may/should occur;*
- *further, it is urged that on your part, too, the tender should be handled with care.*

ECI replied on 10 February 2000 that the EVD, unasked, had abbreviated the text submitted for publication and stated that, in principle, the publication did not meet the norms: only the objectives of the project had been mentioned; the minimum requirements for pre-qualification (ability to implement the work, experience with similar projects, names and addresses of recent employers in this field) had not been included in the text, ECI concluded that interested parties had not been informed regarding applicable selection criteria and suggested that the complete text be published anew. In consultation with ECI, the embassy eventually decided not to do this because replies already received were of sufficient quality to enable the pre-qualification to be carried out.

On 1 March 2000 ECI announced that seven consultants had applied. The standard form 'choice determination', listing the seven firms, was included in the file. Formally, the long list is required to be established by the budget holder, i.e. the ambassador. Such a statement is not included in the file.

In a memorandum dated 9 March 2000, the embassy staff member dealing with the affair laid down the further timepath for pre-qualification: received documents would be evaluated internally on 20 March 2000, with the intention of drawing-up a short list. The memorandum also laid down the evaluation criteria for pre-qualification:

- implementation capacity: maximum 40 points
- technical expertise and experience with similar projects: maximum 30 points
- experience in the region: maximum 30 points.

Consultants who gained an average score of at least 70 percent and a minimum of 60 percent on individual criteria would be considered for the shortlist [NB: neither the applied evaluation criteria nor the weighting and score figures were known to potential bidders]. The evaluation committee that was set up consisted of four embassy staff members, i.e. the Head Development Co-operation, the Deputy Head Development Co-operation, the staff member dealing with the matter (second embassy secretary) and the Head of the Financial Department. The committee met on 20 March 2000, but no report was made of the meeting. From a score table added to the file, it appears that only two of the seven interested consultants scored higher than the 70 percent threshold.

<i>Potential bidders</i>	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F</i>	<i>G</i>
Implementation capacity	29.75	23.75	28.50	27.00	19.75	25.75	25.00
Technical expertise/							

Experience	18.13	20.00	22.75	20.38	16.00	17.63	17.50
Experience in region	25.56	15.63	25.38	20.88	14.00	24.63	19.63
Total	73.44	59.38	76.63	68.25	49.75	68.00	62.13

Regulations prescribe that the shortlist should be approved by the budget holder (the ambassador). His decision should be included in the project file. That decision has not been found in the file.

On 29 March 2000, all interested parties were informed of the evaluation results. Five applicants were sent a letter of rejection; two, Arcadis (A) and Consultants for Development Projects (CDP [C]), were sent an invitation to submit a tender. CDP was the 'sitting consultant' who had provided technical support to the current KALIDEP/TDDP projects. In accordance with regulations, the letters are included in the file. On 6 April 2000, one of the rejected applicants (D) asked for a detailed explanation for his rejection.¹²

Referring to the copies of rejection letters, ECI (in consultation with DJZ) pointed out on 12 April 2000 that 'It is customary to place at least three applicants for the tender on the shortlist for IC-projects. For procurement and procedural reasons and to avoid undesirable consequences, I would advise you on future occasions to invite at least three applicants to submit a tender, this in accord with procedures.' That advice referred to the procurement procedure which states explicitly that at least three applicants for international co-operation assignments should be invited to tender.

The embassy maintained its opinion that it had acted in agreement with the evaluation procedure earlier laid down, and did not retract its decision. In its view, the five rejected candidates did not have sufficient knowledge and experience in the region, implying that to invite them to invest in a tender would not be effective and would incur unnecessary expense for the parties involved.

Formulation

During the pre-qualification period, January-April 2000, the project document that was to form the basis of the actual contract was elaborated. Based on a series of internal discussions and on the evaluation and follow-up reports, the embassy drew up a draft ToR or project document which, in the first instance, was submitted to internal staff members for comment in the course of February 2000. The written replies are included in the file. Opinions on the objectives, the institutional underpinning of the programme, and its contents, varied strongly.

A brainstorming session was held by the embassy at the end of February 2000, during which the KALIDEP and TDDP projects were given the opportunity to react to a discussion paper drawn up by the embassy. Both placed their views and wishes regarding future progress on the table, and also replied in writing. On the institutional level, the projects saw little advantage in setting-up a 'central programme support unit' which would be far distant from everyday reality, and advocated a decentralised set-up with two sub-units. Both projects subscribed to the general objectives of the new programme, but remained sceptical with regard to the privatisation of some important activities such as extension and training, and the HIT-programme.

The KALIDEP team advocated that the project be placed under responsibility of the Regional Administrative Secretary, and drew up an extension proposal for five years,

¹² That rejection was further elucidated by the embassy and by the Directorate Sub-Sahara Africa (letters dated 17 April and 12 July 2000 respectively).

which was essentially a continuation of the current programme. The proposed (net) budget of NLG 9.5 million covered the costs of technical assistance and continuation of the HIT programme. It was anticipated that, in this way, the programme would reach the critical mass needed to enable it to continue without further support.

TDDP drew up similar proposals for extension.

The annual Development Co-operation consultation with Tanzania was held during March 2000. No detailed discussion then took place regarding extension of the livestock breeding programme.

The draft tender document was submitted by the embassy to a ministerial theme-expert who visited Tanzania at the end of March 2000. He remarked that there was a lack of clarity regarding the economic feasibility and durability of the programme and that the document “can never form the basis of a tender document. It lacks cohesion; you cannot expect a serious applicant to operate on such a document.’ He also questioned the manner in which the programme was formulated as part of the private sector support programme.¹³

The embassy considered all this reason to have the tender document written by an external consultant. The Dutch consultant in question had earlier been involved in the follow-up mission and in formulating a Danish aid programme in the livestock breeding sector. The mission’s ToR laid down a number of important principles of SDSP: ‘the programme will be different in the sense that it is not institutionally linked to Government institutions but embedded in the private sector ...the idea is that the programme will be managed through a central (subsidising and promotional) unit ... the programme will provide subsidies for those activities which cannot be privatised but are essential in the short term for the survival of the sector. An overview will need to be made of which activities are absolutely needed, which can be privatised and which cannot be privatised in the near future.’ The deviations from earlier views on the further progress of affairs were due primarily to the fact that not the project’s interest but that of private sector development would be the guideline under the sectoral approach.

The mission made a one-week visit to Tanzania. In view of the fact that the sitting consultant participated in the tendering process, the mission and the embassy had no further consultation with the parties involved or with Tanzanian government agencies. At the beginning of July 2000, on the basis of principles formulated by the embassy, the draft document was submitted by the consultant (*SDSP Proposal and Tender Document*, July 2000).¹⁴

The general objective of SDSP, i.e. to stimulate private sector involvement, remained unchanged. Referring to a similar agreement with Denmark and concurring with the embassy’s view and earlier reports, the mission opted for a set-up in which SDSP would operate as a ‘free standing project-type organisation, under the responsibility of the RNE’, watched over by an Advisory Board in which all Tanzanian parties involved would be represented. Considerations of efficiency decided the choice for a central project management unit in Dar es Salaam, made up of six experts: an expatriate technical adviser and five Tanzanian experts (a team leader, two economists and two livestock breeding experts). The project budget was established at NLG 8 million, divided into three sections:

¹³ A note jotted down on 9 April 2000.

¹⁴ *SDSP Proposal and Tender Document*, July 2000.

- the consultancy component: technical assistance of maximum NLG 0.52 million for a period of three years;
- operational expenses to a maximum of NLG 1.5 million for a period of three years;
- transitional expenses: NLG 0.5 million for terminating current projects;
- investments: NLG 4 million, of which NLG 2 million for continuation of the two HIT programmes during a three-year period, NLG 400,000 for feasibility studies, and NLG 1.6 million loans with which to support privatisation initiatives (through existing financial institutions).

The document listed a number of important assumptions and risks, namely: (i) that the Tanzanian government would agree with an institutional independently-operating SDSP; (ii) that the Ministry of Finance would sign the administrative agreement; (iii) that sufficient private entrepreneurs would apply; and (iv) that sufficient micro-financing organisations would be prepared to work together with SDSP.

In the end-phase, the tender document for the consultant was altered by the embassy on a number of points:

- the applicant would be asked explicitly to formulate a view or strategy regarding co-operation with other projects in the livestock breeding sector and with the Tanzanian government; these points should be further elaborated in a Work Plan to be presented after three months;
- a mid-term external review mission (after a year-and-a-half) was inserted to evaluate the progress of the project;
- SDSP should also have a field office in Mwanza or Arusha;
- the investment component was raised from NLG 4 million to NLG 4.8 million, of which NLG 4 million were for the HIT programme during a five-year period, and NLG 800,000 for feasibility studies and support to privatisation initiatives (the loan component was dropped).

The evaluation memorandum was written on the basis of the final document, and approved by the ambassador at the beginning of August 2000. Starting from the assumption that the tendering process would be completed by the end of the year, KALIDEP and TDDP were extended by three months until 31 December 2000 (total costs NLG 946,000).

3.3 Tendering

On 4 August 2000, the two selected applicants were invited to submit a tender. The letters in which this was done were worded in accordance with regulations and are included in the file. The appended documents, apart from some standard forms, included the final tender document, the evaluation and follow-up reports written in July and December 1999, and a workshop paper presented at a national dairy conference held in June 2000. In accord with regulations, the two-envelope system was chosen whereby a technical and a financial tender were submitted separately. The letters of invitation indicated that the tender would only be concerned with the technical assistance component (maximum NLG 500,000 per annum). Criteria for the contract were also included in the letter:

- methodology and approach: maximum 30 points

- quality of project staff: maximum 35 points
- experience and expertise of the applicant: maximum 35 points.

Tenders had to be received by 20 September 2000.

During the tender period, KALIDEP's 18th Steering Committee meeting was held on 18 August 2000. Unfortunately, the embassy representative was unable to attend but sent a letter in which he confirmed that the current KALIDEP project would be extended by three months (until 31 December 2000), and in which the main outlines of SDSP were indicated. The new SDSP would not be a prolongation of the current projects. It would be contracted-out and based on a new approach; it would provide only (temporary) support to KALIDEP and TDDP activities that were not financed by the farmers themselves (e.g. the HIT programme). This explanation was somewhat superfluous since the complete tendering document was already known to the KALIDEP management which had participated in the tendering process. The project document was not formally presented for comment, and was thus not discussed in the Steering Committee. General concern was expressed, however, that the new programme would be too remote from actual field practice.

Also in August 2000 the Ministry of Agriculture & Co-operatives was informally briefed about the state of affairs. During a personal conversation, the embassy reported, a copy of the project document was presented for comment to the Director Livestock Breeding (who is unable to remember this, however). In a general sense, the Director regretted the Dutch decision to terminate aid to the agricultural sector in general and to the current KALIDEP/TDDP projects, and suggested an alternative possibility of transferring the projects to the jurisdiction of the local authorities.¹⁵

During August/September 2000, both consultants requested additional information and further elucidation, and visited Tanzania in order to prepare the tender. In response to these questions, the embassy provided the following supplementary information in a letter dated 30 August 2000:

- to increase flexibility in budgeting the RNE has decided to combine the technical assistance component and the operational costs (the whole component 1);
- the comparison of the consultants fees will be decisive in the cost-comparison;
- SDSP will not be a continuation of KALIDEP and TDDP;
- it is allowed, if so desired, to include CVs of persons involved in earlier missions in the technical proposal (with exception of consultants from NEI);
- short term expatriate and local consultancies should not exceed 3 months.

In response to further questions, the embassy sent another supplementary letter on 5 September 2000:

- the RNE adheres to the decision to combine the t.a. component and the operational cost component;
- as stated earlier, only the consultancy fees, being the salary costs of the six experts and the overhead costs charged by the consultancy company will be compared and appraised;

¹⁵ Statement by the Director Livestock, Dr Kweka, in a talk with the inspection mission on 28 August 2001.

- the operational costs will not be subject to comparison [further information was then given as to which expense categories were considered as operational costs];
- extra budgetary provisions will be made for procurement of vehicles and computers;
- as part of the assessment of the proposal, the expatriate advisers shall be interviewed by staff of the Embassy, possibly in consultation with independent experts;
- the bidding period will be extended by one week (27 September 2000).

During September 2000 the embassy's project file was transferred to a new Second Embassy Secretary entrusted with the 'private sector' portfolio. On 27 September 2000, closing day for submission of tenders, the newly responsible staff member established the tendering process in a memorandum, as follows:

- tenders will be sent to members of the evaluation committee for judgement on 28 September. The committee consists of Head and Deputy Head Development Co-operation, the responsible staff member and the Head Financial-Economic Affairs, and an external Tanzanian expert;
- interviews will be held on 6 October, evaluation forms must then have been completed; a local consultant will act as facilitator;
- interviews will be evaluated in a final discussion and the technical evaluation will be rounded-off on 6 October;
- as agreed, if bids achieve higher than the minimum score of 70 percent, the financial envelopes will be opened and evaluated by the Head Financial-Economic Affairs; the lowest bid will win;
- the award proposal and end-report will then be drawn up;
- the award proposal and report will be submitted to the procurement section of the Ministry (FEZ/IE) for marginal testing; the department has promised to reply by 10 October at the latest.

Lastly, the embassy stated that the Tanzanian member of the evaluation committee was involved with one of the tenders as advisor. He was therefore required to retire.

The technical bids were opened on 28 September 2000 (the official report is included in the file). The next day the embassy confirmed receipt of the two bids, announcing that interviews with the expatriate advisers would take place on 6 October 2000 (at the embassy expense: budget NLG 5,000 for each bidder).

The bids were judged individually by evaluation committee members (copies of evaluation forms are included in the file). Contract criteria and weighting factors listed in the invitations to tender were applied in the evaluation, with each of the three principal criteria being divided into three sub-criteria, each with its own weighting factor:

- _ methodology and approach: maximum 30 points
- _ concept (maximum 30 points)
- _ operationalisation (maximum 40 points)

- _ realism/durability (maximum 30 points)
- _ quality of the project staff: maximum 35 points
 - _ expatriate adviser (maximum 50 points)
 - _ team leader (maximum 25 points)
 - _ other team members (maximum 25 points)
- _ experience and expertise of the bidder: maximum 35 points
 - _ local experience (maximum 20 points)
 - _ experience with similar projects (maximum 50 points)
 - _ experience with development projects (maximum 30 points)

The expatriate advisers were interviewed on 6 October 2000. Both experts were given a written assignment requiring them to react in writing to four case studies (on the computer). At the end of the day, the evaluation was rounded off with a personal discussion.

The total scores were extremely close.

	Arcadis	CdP/RDP
Methodology and approach	20.96	21.53
Quality of project staff	26.71	23.14
Experience and expertise of Bidder	23.71	26.64
Total	71.38	71.21

In accordance with procedures, both financial bids were opened (the official report is included in the file). The final evaluation findings were laid down in a 'formal note on assessment of proposals'.¹⁶ The main findings were:

- on Friday, 6 October, the assessors met and assessed the proposed expatriate advisors by interviewing both of them and assessing written assignments;
- after this assessment, the individual scores were aggregated – individual scores were totalled for each sub-category and divided by four;
- moreover, the proposals were orally discussed and the merits and weaker points were debated;
- there was no reason not to accept the proposals; both scored the minimum of 70 percent;
- although the total scores of the two candidates were nearly equal, Arcadis offered a significantly better expatriate advisor. However, CDP offered a significantly better Tanzanian team;
- there appeared a substantial difference in the approach followed by both bidders;
- the financial bids were not totally comparable. Therefore in conformity with the specifications sent before the submission of the bids, the teams were compared on the basis of the experts' fees. On the basis of the fees, the winning bidder Arcadis offered a substantially lower bid. Thereby it is to be realised that also in terms of the total bid, the winning bid was lower, albeit marginally;

¹⁶ Note on assessment of proposals for the SDSP, 6 October 2000.

- in conclusion it is justified to award the tender to Arcadis.

On the same day, the award proposal was submitted to FEZ/IE for marginal testing. In the accompanying letter, the embassy stated: 'it should be pointed out that the winning bid, on the basis of the financial envelopes, offers a Tanzanian team for salaries that are far less than the customary local level for similar functions. We therefore anticipate major problems in continuity of implementation and the leadership of the local team leader versus the expatriate advisor, but assume that this is no reason not to start contract negotiations with this party. Your views will be appreciated.'

On 9 October 2000 the embassy asked Arcadis for further information regarding the input of the Tanzanian team. On the same day, Arcadis confirmed that input and the scale of charges. On 12 October 2000 FEZ/IE requested more concrete information regarding the financial analysis. 'On the basis of the financial data provided it is not possible to give an opinion. How have the data been made comparable and what were the amounts?' After receiving information by telephone, FEZ/IE advised on 13 October 2000 that contract negotiations should be started with Arcadis on the basis of:

- the great price difference between the two total teams (Arcadis NLG1.3 million and CDP 1.65 million);
- the fact that Arcadis has the winning score. It is noticeable that, compared with CDP, Arcadis scores exceptionally well on the expatriate advisor. On the other items CDP scores better. On the basis of available information it is difficult to estimate which proposal should win because the proposals are so close to one another. You can throw in your lot with Arcadis, and should then take the following into account during contract negotiations:
 - Arcadis should demonstrate and guarantee that it will be able to maintain this team during the entire contract period
 - the expatriate advisor must remain linked to the project for the entire period;
 - annulment conditions with penalty clauses should be built-in in case these requirements are not satisfied.
- However, the risk outlined in the tender document regarding continuity of implementation by the local team could cause major problems. You are best able to judge the seriousness of this risk, but I would advise you to consider it very carefully in order to prevent any delay in implementation.
- NB: your tendering advice does not mention how total costs of project implementation (including team), which vary only by NLG 2,000 between the two bidders (telephonic information from the embassy), are included in the financial analysis.

The ambassador did not formally endorse the award proposal; neither was a copy of the agreed tender advice returned to FEZ/IE, as regulations prescribe.

On 14 October 2000 both bidders were informed in writing of the evaluation results. In both cases, only the own aggregated score list was included, and not that of the competitor. The letter to Arcadis added: 'The decision to start negotiations with your company has not been taken without hesitations as the bid wins on financial grounds only. At the same time, the fees submitted are substantially below normal fees for comparable functions in this country. As such, the Embassy will seek adequate guarantees that the experts offered will stay in the programme for the programme

duration on the basis of the fees offered. Moreover, the bid of your company is remarkable as it seems to rely to large extent on the quality of the expatriate advisor. This Embassy will therefore seek assurances that the advisor will stay in the project while at the same time sufficient autonomy is created for the team to be established in such a way that a degree of sustainability can be achieved.'

On 30 October 2000 Arcadis confirmed its commitment as laid down in its bid. At the end of November/early December, the consultant made a field visit to Tanzania, when the modes of transfer were discussed and contract negotiations were completed.

3.4 Termination of KALIDEP and TDDP

On 23 November 2000, the Ministry of Finance was notified in writing by the embassy that the Netherlands intended formally to terminate KALIDEP and TDDP on 31 December 2000, and that the assets of both projects would be transferred to the 'relevant stakeholders'. The Transfer Document sent with the letter showed how the transition to the new SDSP, to start on 1 January 2002, would be made. It was added that, under the new arrangements, the two HIT programmes would not be managed by SDSP but by 'separate entities, which receive financial inputs from the RNE and technical advice and backstopping from SDSP.'

Faced with the prospect that KALIDEP and TDDP would definitely be terminated, considerable pressure was exercised on the two project teams to find a solution for the transfer of the current HIT programmes and related services to the state or to a 'separate entity', as laid down in the Transfer Document. The embassy's desire to transfer the HIT programme to well-organised farmers' organisations was not realistic under the given circumstances. The Kagera project team revived old plans to establish a trust that would manage the HIT programme and would take over all KALIDEP activities that were not transferred to the state or the private sector. Those plans were conceived in 1996 but had constantly been regarded with scepticism by the embassy (not to say, rejected).¹⁷ The project team worked with enthusiasm and the official deed establishing the *Kagera Dairy Development Trust* (KADADET) was executed on 5 December 2000. A member of the KALIDEP project team (the Livestock Advisor) was appointed to the Board of Trustees.¹⁸ This time, the initiative was given embassy support, seen as a temporary solution until the HIT programme could be handed over to the farmers themselves.¹⁹ In Tanga the first steps were taken towards a similar solution, i.e. setting-up a farmers' NGO.

Meanwhile, another three-month prolongation of KALIDEP and TDDP until the end of March 2001 was approved in order to guarantee a successful transition to the new SDSP and to regulate transfer of the HIT programme to the Trusts.

3.5 The Inception Period

On 4 January 2001, anticipating approval of the official Memorandum of Understanding (MoU) and Administrative Arrangement (AA), the embassy signed the SDSP consultancy contract dated 1 January. The MoU and AA were submitted to the Ministry of Finance a week later, with a copy to the Ministry of Water & Livestock Development (after reorganisation of the Tanzanian ministries).

¹⁷ The embassy's principal objection was that it had proved very difficult in Tanzania to build sufficient control mechanisms into such trusts to ensure that corruption would be impossible..

¹⁸ The Board consisted of 10 Trustees, including one woman.

¹⁹ In agreement with the approach taken by the parallel Swiss dairy cattle support programme, which was based in principle on a farmers' co-operative model.

Initial official reaction came on 9 March 2001 when the last KALIDEP Steering Committee meeting was held in the presence of representatives of the Ministry of Finance, the Ministry of Water & Livestock Development, and the embassy. The minutes of that meeting indicate that a fairly lively discussion took place, during which the Steering Committee made it clear that: (i) Tanzania had not been involved in selecting the consultant; (ii) the SDSP investment budget was less than requirements and the consultancy component was far too high; (iii) the extension component, essential for continuation of the HIT programme, had been omitted, and (iv) the government institutions involved had not been included in the SDSP Advisory Board.

In his own minutes of the meeting, dated 12 March 2001, the embassy representative confirmed that discussion had indeed been heated and that 'a fierce tirade' had been held by the KALIDEP Livestock Advisor who considered some items completely contrary to the new development policy of the Netherlands, and accused the embassy of carelessness and incompetence. Later talks showed that the Advisor was particularly annoyed by the representative's argument that the new programme was the product of consultations with the Tanzanian government and was entirely conform with both Dutch and Tanzanian government policy.

On 22 March 2001, on the representative's proposal, a meeting was held with the Ministries of Finance and of Water & Livestock Development in an attempt to break through the existing deadlock and to argue for speedy approval of the MoU. It was agreed that TDDP should be extended until the end of 2001 (specifically, because the Tanga Trust was not yet operational) and a couple of changes to the MoU were promised. The most important amendment concerned the level of investment which was set at: 'minimum NLG 4 million and a maximum of NLG 6 million.' After further urging, the MoU and AA were eventually signed by the Ministry of Finance on 6 June 2001, "in the interests of co-operation with the Netherlands in general and the livestock breeding programme in particular."²⁰

Under the given circumstances, SDSP was slow in getting off the ground. Until 6 June 2001 it had no official status, and communications with the departing KALIDEP team and the Ministry of Water & Livestock were laborious (relations with TDDP, on the other hand, were far smoother). At the end of March 2001, in agreement with the contract, the new SDSP team produced the inception report. Also, in the course of April and May 2001, two workshops were organised in Tanga and Kagera respectively, during which the set-up of the new programme was discussed with all concerned. On the basis of those workshops, a strategy, log frame and working plan were drawn up for the remainder of the project. During the initial period, the consultant had to cope with the early departure of an important Tanzanian team member (the chief economist) who had been offered a more attractive job (by another Dutch-financed project).

Meanwhile, further progress was made in setting-up KADADET and phasing-out KALIDEP, which was to be terminated formally on 31 March 2001.²¹ The embassy assigned a local accountant to inventorise all KALIDEP project assets and DJZ was asked for legal advice regarding the reliability of the proposed KADADET Trust construction. DJZ concluded that it did not have the necessary expertise and advised the embassy to seek the aid of a local 'advisor who was versed in trust law'. Such a local advisor, contracted in May 2001, concluded that the trust construction was

²⁰ So stated by Mr Mbena of the Ministry of Finance during a talk with the inspection mission on 28 August 2001.

²¹ Time pressure was less in the case of TDDP, which was prolonged until the end of 2001.

reliable 'subject to observation of the laws and conditions in the certificate of incorporation.' On the advisor's suggestion, and in consultation with the Board of Trustees, the KADADET statutes were to be adjusted on a number of points in order to increase transparency and to promote the democratic content of management.

On 31 March 2001, in the absence of a transfer and HIT-financing agreement with the embassy, all KALIDEP project assets were placed under temporary management of the Regional Livestock Advisor in Kagera. KALIDEP project staff who were not placed under authority of the advisor or who were not transferred (about 20 extension workers) were taken over by KADADET. At the time of the inspection mission, i.e. late August 2001, the transfer and HIT-financing agreement had not yet been completed. In line with its earlier position, the embassy declared in a letter dated 31 July 2001 that it was prepared to sign the agreement, on the abrogative condition that the Trust would disband itself within a three-to-five year period and/or would be converted into a full-fledged farmers' association. In a letter dated 21 August 2001, the KADADET Board of Trustees objected to that abrogative condition.

ANNEX I – TERMS OF REFERENCE

Smallholders Dairy Support Programme (SDSP) Review of project identification, formulation and tendering procedures

1. Background

The Dutch involvement in the Tanzanian dairy sector goes back to 1976. In the early years, support focused on setting up a number of large-scale state dairy and cattle breeding farms. In the period 1982-85, the emphasis shifted to small-scale dairy farming (in the Kagera and Tanga regions mainly) and the set-up of dairy training centres. The scope of the support further widened in the 90s. Apart from providing extension and training services, the programme stimulated the introduction of improved cattle, artificial insemination, veterinary services and the processing and marketing of surplus milk and milk products.

Both the Kagera and Tanga projects were evaluated in July 1999 by the Netherlands Economic Institute (NEI). The evaluators concluded that achievements against the targets were good but the projects were not sustainable in the longer run. A "follow-up" mission (December 1999) proposed to merge the two projects and extend the assistance under the newly formulated "private sector" support with the objective *"to create an enabling economic environment in which the smallholder dairy sector can successfully grow and become a viable private sector with income-generation opportunities for small-farmers and other entrepreneurs in the sector"*.

Early 2000, the Royal Netherlands Embassy (RNE) in Tanzania invited tenders for the technical assistance component of the newly formulated Smallholder Dairy Sector Programme (SDSP). Of the seven pre-qualified consultants, two consultants were invited to prepare a full technical and financial proposal: ARCADIS and Consultants for Development Programmes (CDP). The latter was involved in the execution of the on-going projects.

The proposals were reviewed and evaluated in the course of September/October 2000 by a team of four staff members of the RNE. The evaluation of the technical proposals was complemented with personal interviews with the two expatriate candidate project advisors. Both technical proposals were thought to be acceptable and almost equivalent. ARCADIS was ultimately selected on the basis of the lowest financial bid.

In a letter of March 30, 2001, Mrs. H. Molenaar, Member of Parliament, questioned the Dutch Minister for Development Co-operation about the way the SDSP was identified and formulated and the tender was organised. Two further meetings were arranged on May 28 and July 11, 2001, with respectively the Deputy Director General International Co-operation and the Minister, to clear up matters. After the last meeting the Minister handed over all project files to the Ministry's independent Policy and Operations Evaluation Department (IOB) and requested an independent investigation.

The review will be conducted by the Policy and Operations Evaluation Department (Inspectie Ontwikkelingssamenwerking en Beleidsbeoordeling, IOB). The Department is responsible for conducting external evaluations of Dutch development co-operation policy and is an independent unit of the Ministry of Foreign Affairs. The independence of IOB is in three areas: 1) IOB decides on subjects to be evaluated; 2) the evaluation or review is designed and executed by IOB; and 3) the conclusions are drawn by IOB upon the basis of its investigations. The reports of IOB are published (often in several languages) under the responsibility of IOB and are sent to the Dutch parliament.

2. Objectives

The objectives of the review are:

- 1) to review the organisation and evaluation of the SDSP tender and, on the basis of this review, to assess the tender process. Special points of attention are: (i) the pre-qualification and tendering procedure and the reporting thereof; (ii) the evaluation procedure of the technical and financial proposals and the reporting thereof.
- 2) to review the way the SDSP was identified and formulated. Special points of attention are: (i) the follow-up of assurances given by Prime Minister Kok and Minister Pronk; (ii) the involvement versus lack of involvement of Tanzanian parties directly or indirectly concerned and; (iii) the change in the project execution modality; (iv) the gender focus of the project.
- 3) To review what has happened in the period after the tender was concluded up till the present. Special points of attention are: (i) contracting the implementing agency and (ii) approval of the programme by the Tanzanian authorities.

3. The review team

The review team will consist of Rob D. van den Berg, Director IOB, Ir. drs. Roland P.A. Rodts, Independent Consultant and Erik Schreijen, researcher IOB.

4. Planning and methodology

The review will be executed in three phases.

First, a comprehensive desk study will be carried out on the basis of all relevant project files and documents. In this phase, interviews will be arranged in the Netherlands with parties directly or indirectly involved in the identification/formulation of the project and the tendering of the technical assistance component, such as:

- the Ministry of Foreign Affairs (country desk, financial and judicial matters)
- NEI
- ARCADIS
- CDP

Subsequently, in the *second phase* a field visit will be paid to Tanzania during which another round of discussions and interviews will be arranged with various parties and/or organisations involved, such as:

- the Royal Netherlands Embassy
- the Tanzanian Ministry of Finance
- the Tanzanian Ministry of Agriculture
- KALIDEP/TDDP projects (Tanzanian and Dutch team members)
- SDSP project (Tanzanian and Dutch team members)
- Mr. John de Wolff, animal husbandry expert and CDP advisor
- Link-Up Ltd (Mr. Al-Junaid Hasham).

In the *reporting phase*, the review mission will verify its findings and formulate its final conclusions.

5. Time frame

Desk study and interviews	: 1 August – 7 September 2001
Field Visit	: 26 August – 1 September 2001
Draft Final Report	: 22 September 2001

ANNEX II List of Contacted People and Visits

2001

Monday 13 August

Th. van Banning, former Head Development Co-operation, Embassy, Dar es Salaam

Tuesday 14 August

J. Zevenbergen, Directorate Sub-Sahara Africa, Ministry of Foreign Affairs

G. Eras, Procurement Unit, FEZ, Ministry of Foreign Affairs

Wednesday 15 August

D. Bol, Consultant CDP

W. van der Grinten, Consultant Arcadis BV

Thursday 16 August

L. Noort, former sector specialist, embassy Dar es Salaam (by telephone)

M. Diepenhorst, Deputy Director, Legal Affairs Service, Ministry of Foreign Affairs

Sunday 26 August

Departure from Amsterdam

Arrival in Dar es Salaam

Monday 27 August

K. Kramer, Second Secretary, embassy Dar es Salaam

S. Collet, Second Secretary, embassy Dar es Salaam

B. Berendsen, Ambassador, Dar es Salaam

J. Meijer, Comptroller, embassy Dar es Salaam

Tuesday 28 August

M. Mpate, Teamleader SDSP, and D. Wendover, Advisor SDSP

Representatives of the Ministry of Finance & Planning

Representatives of the Ministry of Water & Livestock

Dr Melewas, Regional Livestock Advisor, Dar es Salaam

J. de Wolff, ex-KALIDEP Advisor

Wednesday 29 August

File research, embassy

L. Schoonman, ex-TDDP Advisor (per telephone)

Thursday 30 August

Departure – arrival Bukoba

Dr Masaruli, Regional Livestock Advisor, Kagera

Dr Mashamba, KADADET

Field visit

Friday 31 August

Dr Omolo, ex-KALIDEP teamleader

Dr Masaruli, Regional Livestock Advisor, Kagera

P. Sijssens, Regional Coordinator

Return to Dar es Salaam

Saturday 1 September

J. de Wolff, ex-KALIDEP Advisor

K. Kramer, Second Secretary, embassy Dar es Salaam

S. Collet, Second Secretary, embassy Dar es Salaam

B. Berendsen, Ambassador, Dar es Salaam

G. Tempelman, Head Development Cooperation, embassy Dar es Salaam
Departure Dar es Salaam

Sunday 2 September
Arrival Amsterdam

Monday 10 September
A. van der Roest, former Head Financial-Economic Affairs, embassy Dar es Salaam (per telephone)

Thursday 27 September
F. van Rijn, former theme expert and Deputy Head Development Cooperation, embassy Dar es Salaam

Annex III Abbreviations

AA	Administrative Arrangement
DGIS	Directorate-General for International Cooperation
DJZ	Directie Juridische Zaken (Legal Affairs Service)
DDP	Dairy Development Programme
ECI	Expertise Centrum Inkoop (Procurement Centre)
EVD	Economische Voorlichtingsdienst (Economic Information Service)
FEZ	Directie Financieel-Economische Zaken (Financial and Economic Affairs Department)
HIT	Heifer-in-Trust Programme
IOB	Inspectie Ontwikkelingssamenwerking en Beleidsevaluatie (Policy and Operations Evaluation Department)
IC	International Cooperation
KADADET	Kagera Dairy Development Trust
KALIDEP	Kagera Livestock Development Programme
MoU	Memorandum of Understanding
NGO	Non-Governmental Organisation
NLG	Netherlands guilder
OS	Ontwikkelingssamenwerking (Development Cooperation)
RAS	Regional Administrative Secretary
SDSP	Smallholder Dairy Support Programme
TDDP	Tanga Dairy Development Programme
ToR	Terms of Reference