



CALL FOR CONCEPT NOTES FOR UNDERTAKING STUDIES ON DEVELOPMENT FINANCING IN TANZANIA

DEADLINE: AUGUST 30TH 2019 - 1200 HOURS EAST AFRICAN TIME

1. INTRODUCTION

The Economic and Social Research Foundation (ESRF), a think tank on Policy Research in Tanzania, undertakes research aimed at enhancing the understanding of policy options and development management in Tanzania. ESRF, in collaboration with United Nations Development Programme (UNDP) and Ministry of Finance and Planning (MoFP), have established a Research and Capacity Development Programme on Development Financing in Tanzania. The objective of this programme is to provide stakeholders of Tanzania's development process with a deeper understanding of the opportunities and options for scaling up resource mobilization to support the implementation of Tanzania's development aspirations. The particular focus of the project is on deepening our understanding of the role and space of private sector in Development Financing in Tanzania including emerging innovative options of private sector financing. The main output of the project will be a report on Development Financing in Tanzania. The process is scheduled to commence in August 2019 with preparation of thirteen (13) independent/separate papers on selected topics; the papers will then be synthesized into the final report on *Development Financing in Tanzania*.

2. LIST OF RESEARCH TOPICS

It is in relation to the above background and context that ESRF is hereby issuing this call for concept notes for researchers interested in conducting studies in the area of Development Financing in Tanzania. In particular, this call invites researchers to respond and prepare concept notes in one or more topics itemized in Table 1. The table indicates titles of the thirteen research topics for investigation and context on the key issues the respective papers should address.

Table 1: List of studies to be implemented

S/#	Title and description of studies
1.	<p data-bbox="292 409 1399 443">The landscape of Tanzania’s development planning and financing</p> <p data-bbox="292 477 1399 936">This paper provides the planning perspective on development finance. More specifically, it should provide an in-depth overview and analysis of FYDP I and FYDP II – their ambitious transformative scope in terms of socio-economic transformation and its implications for the nature of development financing. More specifically, this paper should explain the change in focus from needs-based planning based on available resources in FYDP I (2011 / 12) -2014/15) towards opportunity-based planning relying on thinking beyond existing resource constraints in FYDP II (2016/17 – 2020/21), which posits a greater role for resource flows from the private sector, including financing institutions. Given the focus on industrialisation in development planning, this paper should also explore how the relation between finance and industrial policy is conceived within development planning.</p> <p data-bbox="292 969 1399 1048">This paper should also provide background information on the experience with mobilising development finance for FYDP I and for the ongoing FYDP II.</p>
2.	<p data-bbox="292 1081 1399 1160">Financing Development: Examining the Evolving Tanzanian Financing structure</p> <p data-bbox="292 1193 1399 1429">This paper should look at how the financing of the private sector evolved over time. More specifically, this paper should investigate how the financial (and fiscal) institutions and mechanisms of financial intermediation enable or limit private sector development. This also requires linking external and internal sources of financing to private sector development. In addition, the paper should address, among others, the following questions.</p> <ul data-bbox="339 1451 1399 1762" style="list-style-type: none"><li data-bbox="339 1451 1399 1563">(a) Quite often data are being released on indicators like domestic credit to private sector as a percentage of GDP in Tanzania but what is not clear is which are these private sector entities getting access to credit?<li data-bbox="339 1585 1399 1619">(b) What is the nature and salient feature of private sector in Tanzania?<li data-bbox="339 1664 1399 1762">(c) Is there trade-off between Government domestic and external borrowing? Put it differently, does Government domestic borrowing crowd out private sector credit in Tanzania?

3.	<p>Towards implementing blended finance and matching funds in Development Financing in Tanzania.</p> <p>Blended finance and matching funds are some of the innovative instruments of development finance whose application is limited in Tanzania.</p> <p>(a) Blended finance is defined as the strategic use of development finance (such as ODA) and philanthropic funds to mobilize private capital flows to emerging and frontier markets resulting in positive results for both investors and communities. Blended finance instruments which include <i>Public Private Partnership (PPP)</i> serve to lower investment-specific risks and incentivize additional private sector funds across key development sectors led by regional, national and sub national governments policies and priorities for sustainable development.</p> <p>(b) On the other hands, matching funds are defined as funds that are set to be paid in equal amount to funds available from other sources.</p> <p>This study will explore the meaning of these instruments from a definitional and conceptual perspective as well as best practices. The paper shall elucidate how the instrument functions/operates, what are the necessary and sufficient conditions for successful operation? The paper shall then delve in bringing to light experiences from countries/places where the instrument has been tested and how it can work in Tanzania. Finally, the paper shall illustrate the extent to which the instruments can be applied in Tanzanian context, challenges/bottlenecks hindering their application in Tanzania context and useful lessons which can help to catalyze the use of these instruments as viable instruments of development financing in Tanzania’s context.</p>
4.	<p>Towards implementing crowd funding in Development Financing in Tanzania.</p> <p>This background paper will explore the extent of application of crowd financing in Tanzania’s financing architecture. Crowd funding is broadly defined as the practice of funding a project or venture by raising small amounts of money from a large number of people, typically via the Internet. In addition to defining the instrument, the paper shall illustrate the working of the instrument and experiences of using the instruments from other countries. The study shall also illustrate pre-conditions for successful utilization of the instrument in Tanzania.</p>
5.	<p>Space of for Social Impact Bonds applicability in Development Financing in Tanzania.</p> <p>A Social Impact Bond, also known as pay for success financing, a pay for success bond or a social benefit bond or simply a social bond, is a contract with the public sector in which a commitment is made to pay for improved social outcomes that result in public sector savings. In developing countries, a Development impact bond (DIB) is a variation of the SIB model that would provide new sources of financing to achieve improved social outcomes in developing country contexts. This study shall explore the meaning of social impact bonds and experiences from other countries</p>

	<p>which have successfully utilized the instruments in financing of development processes in their countries. The paper shall outline the pre-conditions for successful application of the instruments in Tanzanian context.</p>
6.	<p>Feasibility of “impact investing” in Development Financing in Tanzania</p> <p>Impact investments are described as investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. The growing impact investment provides capital to address the world’s most pressing challenges in sectors such as sustainable agriculture, renewable energy, conservation, microfinance, and affordable and accessible basic services including housing, healthcare, and education. Impact investing challenges the long-held views that social and environmental issues should be addressed only by philanthropic donations, and that market investments should focus exclusively on achieving financial returns. This background paper aims at exploring the space of impact investing in Tanzanian.</p>
7.	<p>Feasibility of implementation of green and blue bonds in Development Financing in Tanzania.</p> <p>This background paper shall dwell in examining the role of green bonds and blue bonds as instruments of development financing and scope of applicability in Tanzania.</p> <p>(a) Green bonds are fixed-income financial instruments linked in some way to climate change solutions. Climate bonds are a relatively new asset class, but growing rapidly.</p> <p>(b) Blue bond is a debt instrument issued by governments, development banks or others to raise capital from impact investors to finance marine and ocean-based projects that have positive environmental, economic and climate benefits. Put it differently, blue bond is an innovative instrument used to raise finance from capital markets investors for projects that support the sustainable use of ocean resources. The blue bond is inspired by the green bond concept, which people are more familiar with.</p> <p>This background paper shall explore the meaning and essence of the two instruments in mobilizing resources for financing of Tanzania’s development agenda. Similar to other papers, the background paper shall bring up useful lessons on experiences from other places which have so far utilized the instruments. The paper shall also study preconditions for successful utilization of the instruments in Tanzania.</p>
8.	<p>Role of pension funds in development financing in Tanzania</p> <p>Pension Fund is described as any plan, fund, or scheme which provides retirement income. Pension funds typically have large amounts of money to invest and are the major investors in listed and private companies. They are especially important to the</p>

	<p>stock market where large institutional investors dominate. Given the high liquidity position of pension funds, the funds are typically looked upon by governments as a potential source of resources for financing of the country's development processes. However, the best use of pension funds has always been a contestable debate. This background paper shall explore the nature of this debate using Tanzania as a case study. The paper shall illustrate liquidity position of Tanzanian pension funds, the way pension funds have been used historically in financing of Tanzania's development processes. The paper shall also illustrate any challenges and opportunities for more viable use of pension funds in financing of Tanzania's development agenda. Lessons from other countries should form an important part of the current study.</p>
<p>9.</p>	<p>Scaling up Innovative Private Credit Guarantee Schemes:</p> <p>Accessing finance is a challenging task for firms. However, these financing constraints tend to be more difficult for SMEs to overcome than for larger firms. This limited access is mainly associated with the high administrative costs of small-scale lending, the underdeveloped financial system, the high-risk perception attributed to small enterprises, asymmetric information and small firms' lack of collateral. In order to debottleneck the financing constraints faced by SMEs, Governments, NGOs and the private sector have developed initiatives such as credit guarantee schemes (CGSs) which provide guarantees to groups that do not have access to credit by covering a share of the default risk of the loan. In case of default, the lender recovers the value of the guarantee.</p> <p>This paper shall particularly investigate the space of private guarantee schemes in facilitating access to finance by SMEs in Tanzania. In addition to undertaking case studies from successful private guarantee schemes in Tanzania, the study shall also bring in international best practices for successful implementation of guarantee schemes in Tanzania. One example of such schedules is Private Agricultural Sector Support (PASS) supported by Embassy of Denmark in Tanzania which has been providing credit guarantees for agribusinesses for more than 17 years in Tanzania.</p> <p>The paper shall also analyze the role of insurance markets in facilitating trade and investments in Tanzania. Some of the potential areas of analysis include the role of insurance in such areas as crop insurance, trade financing as well as in incentivizing Foreign Direct Investment.</p>
<p>10.</p>	<p>Role of Private Equity Funds in supporting business developments and investments in Tanzania.</p> <p>This research will analyze the potential role of private equity funds such as Norway's Development Finance Institution (Norfund), Japan International Trade Organization (JETRO) and Finish Development Finance Institution (FINNFUND) in</p>

	catalyzing Tanzania's development process. Norfund invests in countries where the private sector is weak and access to capital is scarce. This is primarily in Sub-Saharan Africa, but also in some countries in South East Asia and Central America.
11.	<p>The role of financial markets in Tanzania's development financing</p> <p>Financial market is a broad term describing any marketplaces where trading of securities including equities, bonds, currencies and derivatives. Experience over the past 20 or so years indicates that the contribution of financial markets in catalyzing Tanzania's development process has consistently been less than desired. This has been the case of Dar es Salaam Stock exchange (DSE) as well as Unit Trust of Tanzania (UTT) where they both reveal lower than expected trade volumes. This study should explore the performance and challenges facing financial markets in Tanzania and propose remedies which can stimulate activities of financial markets in Tanzania.</p>
12.	<p>Feasibility of expanding Non-Tax Revenue Base in Tanzania</p> <p>Non-tax revenue refers to the fees, charges and levies collected by the Government which are not generated from taxes. These include, but are not limited to, contributions and dividends from Public and Statutory Corporations, revenues from investment funds, revenues from the sale of state assets, fines, fees for permits or licenses, user fees, and voluntary contributions. These form an important component of the domestic revenue base. However, the contribution of non-tax revenue excluding LGAs own sources, though improving over time, remains consistently low. This study shall analyze the scope of expanding non-tax revenue in Tanzania.</p>

3. GUIDELINES FOR PREPARATION OF CONCEPT NOTES

3.1 General Guidelines

Potential applicants are alerted that this is not a commissioned work with some predefined Terms of Reference for the applicants to respond and adhere to. The context and focus provided for the papers in Table 1 are not cast in stone for the researchers to follow (strictly); instead, the objective of the descriptions provided is just to show initial thinking on the themes. With this call, researchers are provided with an opportunity of thinking through on scope and methodology for undertaking the assignment etc. The final frame for the project shall be reached after consultation with Steering Committee in charge of driving the project. It is expected that the concept notes to be submitted to ESRF will include key information akin to an inception report by illuminating researchers' thinking on the project. In other words, it is expected that the concept notes shall include such items as title of the project, background, rationale, objectives, methodology for doing the assignment, expected out, team composition and timeframe.

3.2 Eligibility

This call for concept notes is open for prospective researchers within and outside United Republic of Tanzania

3.3 Timeframe/activity schedule for projects implementation

Preparation of papers shall be implemented according to the timeframes indicated on Table 2.

Table 2: Time frame for preparation of papers

S/#	Activity	Time/date
1.	Release of public notice on the call for concept notes	Wednesday 6 th August 2019
2.	Submission of concept notes	Friday 30 th August 2019
3.	First review of concept notes	Monday 30 th September 2019
4.	Submission of revised drafts of concept notes	Wednesday 30 th October 2019
5.	Second review of concept notes	November 2019
6.	Preparation of first draft report	December 2019 – February 2020
7	Submission of draft research report	Friday 29 th February 2019
8	Review of first draft reports	March 2020
9	Revision and submission of revised research report	Friday 29 th May 2020

3.5 Structure of final reports

It is expected that the final report for each of the paper shall at minimum have the following structure

- a) Introduction
- b) Situation analysis
- c) Literature review
- d) Methodology
- e) Pre-conditions for success/failure and Tanzania benchmarks (Policy; regulatory framework; Capacity – human, knowledge, capability)
- f) What it takes to realize
- g) Next steps forward
- h) Conclusion

3.4 Deadline for submission of concept notes

The deadline for submission of concept notes is **Friday 30th August 2019 at 1200 hrs East Africa Time.**

3.5 Procedure of submission of the concept notes and correspondences

All the concept notes should be submitted by e-mail to project coordinator, Mr. Danford Sango through e-mail address dsango@esrf.or.tz and danford600@gmail.com. The project coordinator can also be reached through mobile #: +255 715 666 160.