



## Local Economic Development:

Unpacking potentials for accelerated  
transformation of Tanzania

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## LEVERAGING WATER DIPLOMACY FOR SMARTER WATER BASIN GOVERNANCE TOWARDS RESILIENT LOCAL ECONOMIC DEVELOPMENT TRANSFORMATION IN TANZANIA

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## ABSTRACT

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Both the Tanzania Development Vision 2025 and the Five-Year Development Plan (2016/17-2020/21) converge on accelerating economic transformation and improving human development outcomes. Further, the FYDP II recognizes that economic growth needs to be achieved in an environmentally sustainable manner, aligning with the natural water-food-energy nexus. Inevitably, adequate water conditions are a cornerstone for local economic development, a critical point of evidence for transformation. In view of the multifaceted harmful effects of inadequate water amidst growing impacts of climate change, the sector must improve not only internally, but with consideration of the knock-on effects it has on other sectors as evidenced by SDG 6 inextricably linked with a number of the other SDGs. Current estimates indicate that 40 % of the country's population, some 21 million people, lack access to improved drinking water. The current generation of policies guiding regulation of water resources largely focuses on legal frameworks, technology and engineering, enforced through a basin-wide approach. A risk-based analysis into regulatory trends in the Lake Victoria Basin identifies methodological gaps in the framework. In exploring a more adaptive system, the paper suggests embedding water diplomacy in the policy discourse- an intersectional approach for collective understanding, measuring and managing the resources across sectors and stakeholders.

An escapable conclusion is that popularizing water diplomacy will add value to institutional competencies in local water resources management whereby the new generation of water managers in the basin serve as first-line water diplomats for managing negotiations and conflict prevention. Recommendations emerging from the analysis suggests a synthesis of smarter water governance through integrating water diplomacy in regulatory frameworks alongside prioritizing nature-based solutions for climate proofing, enhancing water stewardship, decentralizing water dialogues, promoting access to data-informed resilience building at basin level, granting appropriate incentives for stakeholder participation and formalizing recognition of community inclusive approaches.

**Key words:** Adaptation, Economic transformation, Governance, Policy, Water diplomacy.

## 1.0 INTRODUCTION

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The convergence of The 2030 Agenda for Sustainable Development and both Tanzania's Development Vision 2025 and the Second Five Year Development Plan 2016/17-2021 provides a strategic intersection for driving and monitoring economic progress in the country. With Tanzania's commitment to decentralization by devolution, the shift of locus of power to sub national and local authority levels enables local ownership of development strategies, harnessing the values of endowments and driving processes through localism. It is an accomplished fact that the long-term prosperity and welfare of local development areas through local authorities depends on the capacity to take advantage of opportunities for sustained economic growth. The varied development of local authorities has been acknowledged in debates on the contours of the new global sustainable development agenda and the approaches needed to promote its successful implementation. (ECOSOC, 2015). *It is therefore* important to get a clear overview of what needs to happen to understand the local economy and assess its competitiveness. Developing an analysis of sub national and local level political, social and economic processes can reveal spaces for more engagement between actors, institutions and the state.

## 2.0 LOCAL ECONOMIC DEVELOPMENT AND CONTEMPORARY DEVELOPMENT FRAMEWORKS

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The Tanzania Development Vision (TDV) 2025 envisioned that Tanzanians would have graduated from a least developed country to a middle-income country by the year 2025 with a high level of human development. The economy will have been transformed from a low productivity agricultural economy to a semi-industrialized, one led by modernized and highly productive agricultural activities which are effectively integrated and buttressed by supportive industrial and service activities in the rural and urban areas (United Republic of Tanzania, 1999). Tanzania's FYDP II has a dual focus on growth and transformation and poverty reduction. There are four priority areas for action: (i) fostering economic growth and industrialisation; (ii) fostering human development and social transformation; (iii) improving the environment for business and enterprise development; and (iv) strengthening implementation effectiveness. The FYDP II contains a number of interventions to promote human development and social transformation. These focus on education and skills development; health delivery systems; water supply and sanitation; urban planning, housing and human settlements; food security and nutrition; social protection; and good governance (*Overseas Development Institute ,2017*). Equally, the 2030 Agenda for Sustainable Development reflects the priorities of citizens around the world. In an unprecedented effort, intergovernmental negotiations of the new agenda were informed by the views and priorities of people on the ground. As a result, the agreed global sustainable development agenda places people at the centre of future development. As goal 6 focuses on water and sanitation, Goal 9 asserts build resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation.

### 3.0 LOCAL ECONOMIC DEVELOPMENT STRATEGIES IN TANZANIA

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Analysis of Local Economic Development (LED) enables the development of a systematic approach to engage with local actors and, especially, local processes, in the most appropriate contextual arrangements. This entails making effective linkages between local-level understanding and policy influencing, adapt policies to fit with local conditions, improving targeting through a better analysis of supply- and demand-side roles and relationships at the point of delivery, differentiating the impacts of decentralisation by location as well as by capacity, building context-specific, and participatory, monitoring, evaluation and quality assurance processes. Local economic development strategies present an alternative to traditional top-down and sectoral policies for economic development and allow local authorities and their wider economic regions to take greater control of their economic development processes .The point of departure for LED strategies is a thorough understanding of all sectors of the local economy and a focus on how the enabling environment can be improved in order to retain and scale up current economic activities alongside attracting new investments .Local economic Development strategies encourage economic activity by addressing specific economic conductions and sources of competitive advantage ,supporting firms and employment opportunities to make them more resilient in the national and to the global economy. For most local authorities, understanding local economy also includes assessing the informal economy and harnessing it to create sustainable sources of income for local people.

There is no standard set of LED indicators .The focus; breadth and depth vary substantially with development level and availability of resources and experience (*Institute for Public Policy Review, 2016*) .LED indicators typically measured and monitored in the strategic planning process focus on economic structures (size and

sector structures of the economy );Local endowments :focusing on territorial specific factors which influence competitiveness , including resources and market access, property, infrastructure Human capital focusing on key characteristics of the local population and labour force (employment/education levels) Institutions focusing on the softer determinants of competitiveness (quality and effectiveness of both formal and informal institutions) .Nevertheless, economic performance will never be geographically uniform within a nation. Functional economic areas are amorphous and notoriously difficult to define with boundaries varying depending on activity.

Tanzania is a hugely diverse nation-state, which means that ranges of different responses, tailored to local context, are required. The central state cannot respond adequately to such diverse needs –it cannot master the multitude of details required to actually deliver from the centre, nor can it promote or incentivise innovation and joint working in such a way that would enable flexible, local responses to complex, local challenges. What is evident is that actors within regional and local authority boundaries representing and serving citizens are diverse, encompassing a range of territorial jurisdiction with varying relationship to national programmes and investment frameworks.



## 4.0 WATER IN LOCAL ECONOMIC DEVELOPMENT AND THE NEW CLIMATE NORMAL

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Freshwater is an indispensable resource for human life and integral to all societal activities, including sanitation, food and energy production, transportation, industrial development and recreational and cultural practices. A significant amount of the globally accessible freshwater is available either through surface water bodies, such as rivers or lakes, or is stored beneath the land surface as groundwater. Many river basins and groundwater aquifers are not confined within national boundaries but are instead shared by two or more sovereign nations (*Adelphi, 2016*). Similarly, in-country basins are designated across multiple areas of jurisdiction –regions and districts in case of Tanzania.

The available empirical evidence has led to findings confirming that water insecurity acts as a constraint to global economic growth. The studies stress the importance of investment in water security for development and the importance of development to enable investment in water security. Economic growth provides resources to invest in water management to reduce water-related risks. At the same time, economic growth may increase risks by increasing the value of exposed assets (United Nations,2018). Water pollution, scarcity and flooding are intensified by the occurrence of extreme weather events and climate change. Water-related disasters and the destruction of freshwater ecosystems are affecting economic development and having profound impacts on social and environmental stability beyond the immediate areas. Improved water management, across regional and local authorities, is therefore an imperative for disaster risk reduction, resilience-building and risk management.

Water supply for domestic purposes, sanitation, agriculture, industry and energy are inter-linked and all generate wastewater and cause pollution. Water resources must be managed sustainably if supplies are to be maintained for people and economic uses. Development Goals for poverty reduction and food security, energy and others cannot

be met without reliable water supplies. In some cases, this will entail difficult trade-offs between different water users (*United Nations, 2014*) Fulfilling global water requirements for drinking, sanitation, irrigation, power generation, food production and environmental protection requires an effective, coordinated and urgent response in managing the increasingly scarce resource. This requires trust and engagement- a combination of commitment, competence, honesty and ethical standards in which principles of good water governance, technical developments and investments converge into improved sector performance (*The Water Integrity Network, 2016*).. Strategic intervention under the FYDP II emphasize on strengthening water resources management to cater for social-economic activities (irrigation, hydropower generation, industrial, domestic use and for ecosystem) with heavy delegation of responsibilities to on river basins. The nine water basins in the country are delegated with powers to regulate water resources through the Integrated Water Resource Management (IWRM) narrative. Based on the National Water Policy (2002) and the Water Resources Management Act No. 11 of 2009, management of water resources across regions and local authorities is delegated to nine drainage basins. These are Lake Victoria Basin, Lake Tanganyika Basin, Lake Nyasa Basin Internal drainage Basin, Ruvuma River and Southern Coastal Basin, Rufiji River Basin, Wami /Ruvu River Basin and Pangani River Basin. Like the trans boundary water basins, in-country basins, key responsibilities of basin governance are to maintain sound basin environmental observation system constituting of technical aspects, institutional aspects, capacity building on environmental information and geographical information systems, communication, financing as well as monitoring water management practices within their jurisdictions. Despite the wide range of institutional collaborations within each basin, stability of such collaborations could be threatened by evolving stakeholder interests and relations, upstream –downstream water resource management strategies and stresses such as climate change and its adverse socio-economic impacts.

Good water governance is the key to implementing Integrated Water Resources Management (IWRM). As pressure on water resources has increased over the recent past, the demand for greater cooperation across the water sector has grown. The concept of IWRM has gradually been accepted and is embedded in the 2030 Agenda

(target 6.5). IWRM defines the enabling environment for integration, the need for a strong institutional framework (including participation), the need for management instruments for effectively managing shared water resources and financing requirements for water resources development and management. IWRM is a relatively simple concept but putting it into practice is complex. There is no universal solution, and each country and sub units must seek their own unique approaches. Implementing IWRM at the basin level provides further justification for the critical need to strengthen cooperation over shared water resources and the benefits they provide. Regions and districts need to cooperate to ensure that Trans-district Rivers, lakes and aquifers are managed in an equitable and sustainable manner. As we face a future with the potential for more frequent, more severe droughts, it will be important that we give serious consideration as to how we build resilience to water scarcity into our water planning, management and investment decisions. Investment in water infrastructure will continue to be highly important but it will need to be undertaken within a policy and planning environment that understands the evolving, residual risk of drought and water shortage and mitigates it with a variety of policy and regulatory tools that will remain effective in a less certain future. Managing water resources locally requires recognition of customary practices and collective actions, key interest groups, assessment of water demands, mapping boundaries, monitoring water resources, operating principles and access to continued central government support. Consequently, basin organizations increasingly require capacities to manage the impacts of climate change in order to ensure long-term and stable contribution to local economic development.

## 5.0 LEARNING FROM THE LAKE VICTORIA BASIN

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Based on the premises that water is at the core of sustainable development and its dimensions on the range of services it provides, underpinning poverty reduction, economic growth and environmental sustainability, the goal of the study was to critique the preparedness of water basin authorities in providing strategic support to local economic development in the country. The Lake Victoria Basin was the candidate for this study, taking into account that it stands both as an in-country basin linked to trans boundary basins of Lake Victoria and River Nile. Lake Victoria Basin is located between  $1^{\circ} 00' S$   $3^{\circ} 45' S$  and  $30^{\circ} 15' E$   $35^{\circ} 45' E$  covering an area of 115,400 km<sup>2</sup> across the administrative regions of Mwanza, Simiyu, Geita, Mara, Kagera and Shinyanga Regions. Sub catchments in the basin are Mara – Mori, Mbarageti- Gurumeti, Simiyu, Isanga, Magogo – Moame and Kagera . Various water user groups including community, public service institutions and private sector establishments are within the mandate of the basin authority to monitor compliance. To examine this question, informal consultations were randomly conducted with public institutional teams, private sector networks and community stakeholders in the basin to capture the wide ranging perspectives on hydrological monitoring, information sharing ,systematic dialogues and resources mobilization to support technical aspects and identifying the depth of contemporary threats to the resource particularly climate changes and disaster risks. In particular, the paper aims to address the following questions: *Are Water Basins in Tanzania prepared to leverage water diplomacy for smarter water governance towards resilient local economic development?*

Drawing from unstructured interviews, the results indicated that:

- Most stakeholders outside the core basin authorities were not systematically included in dialogues for setting strategies for integrated Water Resources Management
- Only stakeholders from public institutions acknowledged that periodic consultations were being held for joint planning and monitoring
- Albeit the hugely reported water disputes and compliance failures in the basin, there

was no evidence of consistent reporting and information dissemination appeared to be largely selective. Moreover, institutional responses to disputes and compliance failures were hinged on regulation or sanctions only

- There was no consistent flow of monitoring information to various user groups at local level and
- Governance instruments for participatory resources monitoring were not popular amongst use groups.

The findings suggest that there have been limited engagement of stakeholder groups in strategic management of water resources in the basin, this reality obscuring the value of Integrate Water Resources management through collective governance. Learning from trans boundary water resources management, the default position of regulation-only decouples policy effectiveness from securing the resource and ensues risks of those excluded not contributing the knowledge that could be integrated into the regulatory framework. Dispute resolution and compliance mechanisms strictly tied to legal frameworks without space for dialogues can also be counterproductive. Meanwhile, climate change is already having short- and long-term effects on marine, freshwater, and terrestrial ecosystems, with links to food production, livestock, livelihoods, health, floods, and droughts. (*Population Reference Bureau, 2017*). Amidst the growing climate change impacts on water resources, climate compatible local economic development can be effectively articulated through local learning pools.

## 6.0 WHY WATER DIPLOMACY, WHY NOW?

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Water is embedded in all aspects of development and in sustaining economic growth in agriculture, industry and energy generation. The Stockholm Statement (2011) described water as the “bloodstream of the green economy”. Pressures are increasing as the demand for more resources continues. It is estimated that demand could outstrip supply by as much as 40 per cent by 2030, if the world continues to use water at current rates (*United Nations, 2009*). This will put both water and food security at risk, constraining sustainable economic development. Unsustainable “borrowing” from water and land resources will not help to meet the TDV, FYDP and SDG targets. Climate change is focusing minds on sustainability and on the fact that natural resources of the future are being consumed to satisfy the economic demands of today. The ecosystem of policies needs rapid transformation to be more predictive of the future.

Water diplomacy is a process that operates under the authority of national governments, but which also unlocks cooperation among multiple stakeholders, including at the level of sub national, local government authorities, private sector the community. Methodologically, this is achieved through building negotiating skills of water managers, strengthening linkages across river basin governance levels through the establishment of specific organizational communication procedures, mobilization of financial resources for long term engagement, basin-wide data and information sharing, including for example specific climate change activities and facilitate their simultaneous use for confidence-building and ideally the elaboration of joint adaptation response. There are two tracks of water diplomacy: Track I Diplomacy in which formal communication between state actors with the authority and mandate to speak and make decisions on behalf of their institutions and track II Diplomacy in which informal communication between state actors or other actors that do not have an official mandate but that may hold significant influence in decision making circles. Twining both tracks is usually recommended.

The asset of a local development area or authority—its economic fabric, local endowments, skills and competitive industrial spirit are factors that, if not carefully

nurtured, may seriously undermine the positive effect of even the best development strategies. Aligning these factors with water resource management remains key. The focus on universality, safety, affordability and equity of water services, the link between Water, Sanitation and hygiene (WASH) and water resources management and the underlying concept of sustainability are likely to spur positive mutual dependence across institutions and communities to guarantee effective and efficient local economic development strategies through water diplomacy.

## 7.0 CONCLUSION

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Economic development through natural resources value addition, trade and industrialization are a prominent part of the post-2015 Sustainable Development Goals (SDGs), given its importance for structural economic transformation. As it is with other commons, water resources management is complex due to the web of stakeholders and the range ecosystem services it provides. As this paper observes, innovative approaches are required to ensure sustained access to water by all sectors of the local economy. Popularizing water diplomacy will add value to institutional competencies in local water resources management whereby the new generation of water managers in the basin serve as first-line water diplomats for managing negotiations, conflict prevention and building predictive intelligence on water resource potential through participatory monitoring. Much more work is needed to flesh out the future policy agenda for deliberate investment in Integrated Water Resource Management for meaningful contribution to local economic development through water basin governance.



## 8.0 POLICY IMPLICATIONS

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Water scarcity and guaranteeing water security are now recognized as a key global challenge. It has been consistently argued that water policies should be assessed by impact on people and not places. In order for the water sector to meaningful contribute to Local Economic Development in Tanzania; an overarching recommendation emerging from the analysis suggests a synthesis of smarter water governance through integration of water diplomacy in regulatory frameworks is urgent. Prioritizing nature-based solutions for climate proofing should support this trajectory, alongside enhancing water stewardship through private sector innovations, decentralizing water dialogues, promoting access to data-informed resilience building at basin level, granting appropriate incentives for stakeholder participation and formalizing recognition of community inclusive approaches.

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