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## Donor assistance and political reform in Tanzania

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## **Donor Assistance and Political Reform in Tanzania**

Aili Mari Tripp\*

April 2012

### **Abstract**

Tanzania has been a relative success story in Africa in terms of political reform. While foreign aid has helped strengthen institutions that advance accountability, it simultaneously supports a status quo that undermines accountability and democratization. This study first explores the ways in which foreign donors directly strengthen civil society, parties, the media, as well as legislatures and the judiciary. It then looks at the ways in which donor support has unintended consequences in undermining accountability through the provision of general budget support and through support of policies that undercut vertical accountability in decentralization and in public goods provision.

**Keywords:** Tanzania, democratization, accountability, foreign aid, decentralization, public goods

**JEL classification:** D72, F35, N47

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## 1 Introduction

In 1994, I asked former prime minister Cleopa Msuya why the Tanzanian government and ruling party Chama Cha Mapinduzi (CCM) had initiated measures to liberalize the country politically when they were not being propelled to do so by massive popular pressures. He responded by saying that the party was responding to a variety of considerations given their reading of the political tea leaves. They had taken note of the democratizing winds sweeping Africa and sensed that there was a certain inevitability to the process that would eventually take hold in Tanzania. By jumpstarting political liberalization, they hoped to be able to manage it without risking their own political standing. More importantly they believed they would be able to stay ahead of the game and that by taking the initiative, it would enhance CCM credibility over that of the opposition. The CCM thought that by injecting an element of competition into the process, they would be able to reinvigorate their own party. And finally, they also wanted to stay in the good graces of foreign donors, who were beginning to exert pressure to democratize.

The CCM calculation at the time provides a sense of the extent to which donor influences from the outset were always part of the political reform equation, but never the driving force. It also sets the stage for explaining the multiple agendas within which the donor agenda is but one, and why the outcomes of donor interventions with respect to political liberalization have been contradictory in Tanzania, but also throughout Africa. Much of foreign aid supports political reform by strengthening institutions of horizontal accountability (e.g., the parliament and judiciary) that can check executive power as well as by enhancing sources of vertical accountability (e.g., mass media, civil society). But foreign aid also bolsters the status quo, including a dominant political elite and party, which in the case of Tanzania is ambivalent about political reform and often engages in massive corruption through the diversion of donor and taxpayer revenue. Thus, foreign aid plays a contradictory role in the current political landscape of Tanzania, simultaneously supporting mechanisms of accountability while at the same time undermining them.

Tanzania is a particularly good country in which to examine the relationship between political reform and foreign aid. It is one of the largest recipients in Africa of multilateral and bilateral aid, receiving US\$26.85 billion in assistance between 1990 and 2010. In fact, it is the largest aid recipient in sub-Saharan Africa (SSA) after Ethiopia. It is regarded as one of the donor 'darlings', and along with Uganda, Mozambique and Ghana, has been rewarded with incentive aid because it has followed through with structural adjustment policies prescribed by international financial institutions (Harrison 2001: 666). Accordingly, these countries faced far fewer pressures for political reform than a country like Kenya that came under explicit threats of withdrawal of aid in the 1990s. Instead, donors supported legal reform, media reform, human rights advocacy, voter registration, civic education, and the advocacy of various groups (e.g., women, children, indigenous people, the disabled, environmentalists).

Tanzania opened up its political process in the early 1990s when the CCM was delinked from the government and the trade unions and co-operatives became independent of the party. Tanzania passed legislation that shifted the country from a one-party to multi-party system, allowed greater freedoms for the press and civil society, and held

multi-party elections in 1995, the first since 1962. Associational life at the national level had been effectively crippled and only began to assert itself in the late 1980s as a result of general economic decline and the decrease in state provisioning of social and welfare services.

The political opening was a sharp break from the years of the presidency of Julius Nyerere (1962-85), who as party president later initiated many of these political reforms. After independence from British rule in 1961, Tanganyika—which became Tanzania after uniting with Zanzibar in 1964—embarked on a path of non-Marxist socialism. The country saw the emergence of a highly centralized state that placed itself at the center of the development agenda. The state's increased interventionism was directly related to the expansion of the party's role and its gradual assertion of dominance over the government. State involvement in the economy grew dramatically after the Party's<sup>1</sup> 1967 Arusha Declaration, which resulted in the nationalization of major financial, commercial and manufacturing institutions and limited foreign investment. Nyerere saw these institutions as responsible for widening the class divisions in the country. The Arusha Declaration deemed that the state was to be the great equalizer. The state would intervene in the economic life of the nation to ensure equality, the well being of all citizens, and the prevention of exploitation and the accumulation of wealth in order to create a classless society. In many ways, the party became virtually indistinguishable from the government.

Tanzania is also a country where power is not personalized, but rather is wielded by the ruling party, CCM, in a party dominant system. Political control is structured around the ruling party and not a single leader as it is in Uganda and Rwanda, for example. This means that even though the executive is strong and the CCM is dominant, presidents change regularly every ten years. These types of systems have generally had an easier time democratizing because the personal fate of a leader is not at stake in the political reform process and the use of patronage is weaker and is tied to the party, not to an individual. Consequently, presidents do not have incentives to build up strong personalistic powerbases while in office, although the accumulation of personal wealth no doubt occurs. Political violence is also less common because the president does not need to use violence or patronage to maintain power, unlike a system where personal rule prevails. At the same time, party dominance may be harder to dislodge.

Another reason why Tanzanian politics is less volatile than that of many of its neighbours—although it has experienced political violence in recent years—has to do with its political history. Political configurations are largely devoid of ethnic dynamics and the ethnicity of the president is largely irrelevant. This is due to the legacy of its founding president Julius Nyerere and some of the cultural and institutional policies he introduced, such as Swahili as a lingua franca, suppression of chiefs and ethnic leaders, and egalitarian social policies. Presidents also alternate between Christian and Muslim leaders, and this helps diffuse many of the factors that add to volatility in other countries in Africa. This ethos of not politicizing ethnicity and religion is widely shared throughout society, even among political parties like the Civic United Front (CUF), which has a strong perceived Muslim affinity.

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<sup>1</sup> Nyerere's party at this time was the Tanganyika African National Union (TANU), which was renamed Chama Cha Mapinduzi in 1977 when it united with Zanzibar's Afro-Shirazi Party (ASP).

This study discusses the extent to which Tanzania has undergone political reform since the early 1990s and provides some background on donor involvement in Tanzania. It shows the various ways in which donors have strengthened accountability within governance structures. The study then goes on to explore some of the ways in which donor aid has simultaneously undermined institutions of accountability. Examples include the reliance on general budget support, support for the abolition of the development levy and consequences of donor funding on local government and grassroots participation, and donor support of large infrastructure companies. These examples from Tanzania may shed light on why the comparative literature on the impact of donors on political reform is so mixed.

## **2 Foreign assistance and political reform**

The literature on foreign assistance and political reform, which is mostly based on cross-national comparative studies, offers a mixed picture. Some scholars argue that foreign assistance correlates positively with democratization in SSA under specific circumstances (Brown 2005; Dunning 2004; Findley et al. 2010; Finkel et al. 2008; Goldsmith 2001; Wright 2009). However, other scholars argue that there is little evidence to claim that governance aid generally promotes democracy (Kapfer et al. 2007), and some even argue that aid or aid conditionality decreases the likelihood of democratic transition (Bermeo 2010a; Bräutigam and Knack 2004; Kalyvitis and Vlachaki 2009; Knack 2004).

Some go even further and say it bolsters authoritarian rulers (Mesquita et al. 2003), and others see it as operating like any other influx of resources such as oil, increasing rent-seeking behaviour and hence working against democratization (Djankov et al. 2008; Morrison 2009). Foreign aid may serve the same purposes as a valuable natural resource that frees governments from having to tax their citizens, thus reducing the incentives for government to be accountable to their citizens (Coolidge and Rose-Ackerman 1997; Moore 1998). Rulers may even ignore their citizens needs altogether if they can use aid to buy political loyalty (Hoffman and Gibson 2005). Recent research has raised questions about new donors, like China and Saudi Arabia, whose aid may counteract the democratizing influences of traditional donors. For instance, Bermeo (2010b) finds that the source of aid and the intent of the donor have significant impacts on a recipient country in terms of democratization.

Thus, there are contradictory findings between scholars that focus on conditions under which donor assistance improves political liberalization and those who argue that it harms political reform. This study cannot resolve these disputes, but it can shed light on some of the reasons for such divergent conclusions.

## **3 Foreign assistance, political reform and accountability in Tanzania**

On balance, the relationship between foreign aid and accountability/political reform appears to be a positive one. However, one must underscore that there are multiple pressures for change, and donors are only one factor in the equation. In addition to donors, political reform in Tanzania has been largely driven by mechanisms of both horizontal and vertical accountability. From the perspective of horizontal accountability, key institutions like the legislature and judiciary have played an important role. In terms

of vertical accountability, splits within the CCM, the opposition parties, a small but vocal civil society, and a growing middle class have all created pressures for political reform. Donors have also played an indirect role in these developments in so far as they have supported both horizontal and vertical pressures for political and legal reform (see Table 1).

Table 1: Donor support of political reform, 2000-10

|                               | (in US\$)   |   |
|-------------------------------|-------------|---|
| Good governance               | 109,249,097 | World Bank, AFDF, UK, Denmark, Germany, The Netherlands, Norway   |
| Public sector reform          | 95,942,910  | World Bank, UK, The Netherlands   |
| Civil society                 | 84,716,531  | Norway, Finland, US, Germany, The Netherlands, Ireland, Switzerland, Canada, Austria, UNICEF, Sweden, New Zealand |
| Legal reform                  | 55,418,884  | World Bank, Canada, Sweden, Denmark   |
| Elections, voter registry     | 41,672,034  | UK, Sweden, Norway, Ireland, The Netherlands, EC, Denmark, Belgium, Canada, Italy, Spain                          |
| Advocacy: children's rights   | 35,948,633  | UNICEF, US, Norway, The Netherlands   |
| Democracy and civic education | 34,077,493  | Denmark, EC, Canada, UK, Norway, Sweden, The Netherlands, UNDP, Switzerland, Finland, Ireland                     |
| Advocacy: gender              | 32,045,446  | Sweden, The Netherlands, Norway, UK UNFPA, Germany, Switzerland, Belgium  |
| Local government reform       | 30,743,453  | UK, Ireland, Finland, Germany, Sweden, UNICEF   |
| Human rights                  | 27,310,476  | Sweden, Denmark, UK, Finland, Germany, EC, Norway, Ireland  |
| Media                         | 18,776,151  | Sweden, Switzerland, Norway   |
| Peace                         | 2,223,309   | UNDP, Norway Sweden   |

Source: AidData, accessed at <http://www.aiddata.org/>

In spite of many continuing challenges, Tanzania has been on a fairly steady trajectory of reform since it adopted multipartyism in 1992 (see Table 2). It went from a one-party regime to one which today has six parties represented in parliament with the opposition holding 22 per cent of the seats. Repression of civil society organizations has diminished in recent years as have limits on the media. The legislature is no longer regarded as a rubber stamp of the executive, and opposition parties have been driving much of the agenda in the national body.

Today there are 42 donors working in Tanzania who provide overseas development assistance (ODA) (World Bank 2011).<sup>2</sup> Donors like Norway, Finland, Denmark, and

<sup>2</sup> The Development Partners Group includes the 17 bilateral members are: Belgium, Canada, Denmark, Finland, France, Germany (German Embassy, KfW and GtZ), Ireland, Italy, Japan (Embassy of Japan and JICA), Korea (KOICA and EDCF/Korea Exim Bank), the Netherlands, Norway, Spain, Sweden, Switzerland, UK (DFID), USA (USAID and MCC). DPG is open to any interested bilateral partners, and over the past years, China, Korea (KOICA and Korea Eximbank), New Zealand. The multilateral

Table 2: Trajectory of political reform in Tanzania

| Year | Political liberties | Civil liberties | Overall score | Overall rating |
|------|---------------------|-----------------|---------------|----------------|
| 1975 | 6                   | 6               | 6             | Not free       |
| 1980 | 6                   | 6               | 6             | Not free       |
| 1985 | 6                   | 6               | 6             | Not free       |
| 1990 | 6                   | 5               | 5.5           | Not free       |
| 1995 | 5                   | 5               | 5             | Partially free |
| 2000 | 4                   | 4               | 4             | Partially free |
| 2005 | 4                   | 3               | 3.5           | Partially free |
| 2010 | 4                   | 3               | 3.5           | Partially free |
| 2012 | 3                   | 3               | 3             | Partially free |

Note: Lowest rating is 7 and highest is 1.

Source: Data from Freedom House, accessed at <http://www.freedomhouse.org/>

the US, have played an important role supporting civil society, media reform, and advocacy around human rights. In addition, Sweden and the Netherlands have been particularly focused on women's rights while UNICEF and the US have focused on children's rights. Relative to other sectors, less donor support has been evident in the area of political and electoral reform. Such reforms have been funded by many of the same donors, including the UK, Sweden, Norway, Ireland, and the Netherlands. The most significant concerted initiative in this regard was UNDP's 2007-10 Deepening Democracy Programme, which gained the support of nine donors and the government of Tanzania through a basket funding arrangement to the tune of US\$17.7 million.<sup>3</sup>

### 3.1 Horizontal accountability

#### *Legislature*

The UK, Denmark, Germany, Norway, and Sweden all gave modest support to strengthen parliamentary capacity, particularly after 2000. However, most of the impetus for reform came from within the CCM and from the opposition parties. Samuel Sitta, the speaker of the 9th parliament from 2005 to 2010, is credited with having changed the tenor of the national assembly and ensuring that it became a vibrant body that was not solely under the thumb of the executive, even at risk of being expelled from the party (Legal and Human Rights Centre 2010a: 9). He helped democratize the administration and leadership of the parliament and saw that three of the 17 standing committees were headed by opposition leaders. The 9th parliament did not see the suppression of key motions, as had been the case in previous parliaments. Standing committees can now initiate bills, and the process for private motions has been simplified; parliament can appoint select committees to investigate specific issues; opposition and ruling party members have an equal chance of chairing committees; and committees are required to seek public input into their deliberations. For example, the

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members include World Bank, United Nations agencies, the European Commission, the African Development Bank and the IMF.

3 These nine donors include: UNDP, Denmark, Canada, Ireland, Sweden, the European Union, the Netherlands, Norway, and the UK's DfID.



Legal and Human Rights Centre made 92 recommendations to parliament on various bills, and 18 per cent were incorporated in full (Legal and Human Rights Centre 2010b: 15). Furthermore, public outcry on human rights aspects of key bills resulted in legislative changes with respect to the Law of the Child 2009, Mining Act 2010, Election Expenses Act 2010, Persons with Disabilities Act 2010, Electoral Laws 2020, and HIV and AIDS Act 2007 and other legislation. Similarly, pressure from women's rights groups for a female minister of finance resulted in the appointment of Hon. Zakhia Meghji to this post during the 9th parliament.

With the 9th parliament, the parliament also began for the first time to address corruption at the highest levels. Parliamentary committees investigated questionable contracts between government and investors that had resulted in the diversion of public resources into private hands. For example, contracts with Richmond Development Company involving the electrical company TANESCO resulted in the removal of Prime Minister Lowassa from office. In addition, parliament forced the renegotiation of the Tanzania International Container Terminal Services (TICTS) contract, which resulted in the removal of its monopoly at the Dar es Salaam port. The Judge Mark Bomani Committee investigation led to state contracts in mining to be opened to parliamentary scrutiny. The misuse of funds in the construction of the Bank of Tanzania (BOT) Twin Towers resulted in court action against the BOT's director of finance and administration. These and other high profile cases of parliamentary action against government officials over corrupt deals were unprecedented in Tanzania's history.

The current speaker, Anna Makinda, does not appear to be as keen as Sitta to preserve the autonomy of the legislature, but her stance is not surprising given that 78 per cent of the parliamentary seats are held by CCM (see Table 3). Nevertheless, since she took over, and after much pressure from the opposition to revise the constitution, the parliament passed a Draft Constitution Review Bill in 2011. While the limited nature of reforms remains a concern to the opposition, revising the constitution nevertheless had seemed unthinkable only a year earlier.

Table 3: Seats held by CCM in parliament (1995-2010)

|      | Percentage of seats won by CCM in parliament |
|------|--|
| 1995 | 59.22  |
| 2000 | 65.19  |
| 2005 | 70.00  |
| 2010 | 78.00  |

Source: National Electoral Commission <http://www.nec.go.tz/>

### *Judiciary*

Since the 1990s, donor support, largely coming from the Nordic countries, has targeted law reform and legal aid projects as well as human rights NGOs. While there have been many gains, the issue of judicial independence remains a major constraint on the consolidation of democracy. The judiciary has asserted its independence from the executive in recent years through a series of landmark rulings, although they have been largely overridden by the executive and legislature. Lower courts are, however, notoriously corrupt. The main limitations on judicial independence are lack of

resources, weak procedures, judicial appointments, and poor remuneration of judicial personnel, especially at lower ranks. The judicial appointments are all made by the executive or by the president. Another constraint on judicial independence has been the establishment of quasi-judicial bodies or tribunals that perform functions similar to those of the courts, such as the Land and Housing Tribunal. These bodies were established to provide quick, accessible and inexpensive ways of resolving civil law suits. However, they are also even more susceptible to executive pressures than the courts (Legal and Human Rights Centre 2010a: 66-8).

### **3.2 Vertical accountability**

#### *Political parties*

The leadership of existing political parties formed after the introduction of multipartyism largely came from splits within the CCM itself, as might be expected given its dominance since independence in 1961. The donor influence in this area has been minimal, largely due to their own restrictions on funding party activities. Donors have, however, provided fora for parties to engage one another, such as the Tanzania Centre for Democracy, and other forms of training that are open to all parties. Although there have been 18 parties formed since the country introduced multipartyism, they have found it difficult to work together due to the country's laws prohibiting the building of coalitions. This may explain, in part, why their numerical presence in parliament has declined since the first multiparty elections in 2005. Furthermore, their leadership is prone to co-optation by the CCM, and many are offered attractive positions in government. Otherwise, they are harassed and kept busy in court for minor injunctions, misdemeanors and trespassing violations.

In spite of this, the opposition has a coherent game plan, a developed communications strategy, and has been picking issues well, according to some observers. Most surprisingly, they have been able to set much of the agenda in the parliament around corruption, sitting allowances and other issues. In February 2012, the main opposition party, Chama cha Demokrasia na Maendeleo (CHADEMA), and the CCM came to an agreement after a major impasse regarding appointments to the Presidential Constitutional Review Commission that will oversee the writing of the new constitution by 2014.

#### *Elections*

Donors have provided support for election monitoring, creating a voter registry, the National Election Commission, general election support, electoral sensitization and civic education programmes and other such assistance. The major UNDP-sponsored Deepening Democracy Programme focused on electoral processes and building the capacity of elections management bodies, civic education, and strengthening parliament and political parties. Programme directors felt that the Deepening Democracy Programme contributed to more internal debate within the CCM, dialogue between parties, and better performance of members of parliament (MPs).

But while elections are free, they are not fair. Civil society, political parties and donors have been calling for an independent electoral commission since 1994 but to no avail. The opposition claimed massive rigging in the 2010 elections. The turnout was also

uncharacteristically low. For instance, while voter turnout was 72 per cent in 2005, it dropped to 36 per cent in 2010, suggesting that voters believed the outcome to be a foregone conclusion and/or lacked confidence in the process.

However, there were some improvements in the 2010 elections, particularly on Zanzibar, where past elections had been marred by violence. In Zanzibar, a coalition government between the ruling party and CUF was formed after a referendum in 2010 that allowed for two vice-president positions to be shared between the parties that came first and second in parliamentary elections. With the help of the UNDP Deepening Democracy Programme, Zanzibaris engaged in peace-building, they trained their police and other security forces in human rights, and promoted dialogue between parties and especially among the youth. All of these measures helped avert potential violence.

A number of other developments occurred in the 2010 elections. One was the rise of CHADEMA's Wilibrod Slaa. In the second 2000 multiparty election, the novelty of a non-CCM presidential candidate had worn off, and the CCM's Mkapa won 10 per cent more of the vote than he had in the 1995 election. However, President Jakwya Kikwete's vote count dropped by 18 per cent with his second election in 2010, suggesting that the opposition's influence is growing (see Table 4). Another change was the large number of women who were elected into parliament. Within fifteen years the number of women jumped from 17.5 per cent to 36 per cent, partly due to the use of special seats for which only women, regardless of party affiliation, can run (see Table 5).

Table 4: Outcomes of presidential elections, 1995-2010

|      | CCM candidate  | Votes | Top opposition candidate             | Votes |
|------|----------------|-------|--------------------------------------|-------|
| 1995 | Benjamin Mkapa | 61.82 | Augustine Mrema (NCCR Mageuzi)       | 27.77 |
| 2000 | Benjamin Mkapa | 71.74 | Ibrahim Lipumba (Civic United Front) | 16.26 |
| 2005 | Jakwya Kikwete | 80.28 | Ibrahim Lipumba (Civic United Front) | 11.68 |
| 2010 | Jakwya Kikwete | 62.80 | Wilibrod Slaa (CHADEMA)              | 27.10 |

Source: National Electoral Commission <http://www.nec.go.tz/>

Table 5: Parliamentary seats held by women, 1995-10

|      | Percentage of seats won by women |
|------|----------------------------------|
| 1995 | 17.50                            |
| 2000 | 22.20                            |
| 2005 | 30.40                            |
| 2010 | 36.00                            |

Source: Data from Inter-parliamentary Union, accessed at [www.ipu.org](http://www.ipu.org).

## *Media*

Donors remain supportive of programmes to enhance the independence of the media. They have given funding to the Media Council of Tanzania, a variety of media related NGOs, especially those involved in advocacy, and towards efforts to improve the standards of media workers. The impact has been evident in the freedom of the press.

At the same time, many Tanzanians say President Kikwete should be credited for fostering a new kind of openness and freedom of speech in Tanzania. Over the past two decades the media has proliferated, where under one party rule it was virtually impossible to find newspapers other than the party and government papers and Radio Tanzania monopolized the airwaves. Today, Tanzania has over 18 daily newspapers, 41 weeklies, 60 radio stations and 15 television stations (African Media Barometer 2011). Only one per cent of the population has access to the internet, although blogs like Jamii Forums and Mikocheni report are quite popular among the urban educated classes.

There have been some positive developments in other areas as well. For example, the public broadcaster Tanzania Broadcasting Corporation (TBC) invites representatives of opposition political parties to present their views in an effort to balance the coverage. There is also more local content in TBC. Civil society groups have been active in promoting the right of media workers for media reforms, and there has been considerable engagement with government on the draft Freedom of Information Bill. The media itself not only is diverse in opinion but also is openly critical and has played a key role in exposing government and party corruption.

Nevertheless, these changes are tempered by the fact that the Tanzania Communication Regulatory Authority (TCRA) is still not independent and its chairman and director general are presidential appointees. Moreover, several laws that limit the right to freedom of expression are still in force, such as the Public Services Act (1962), the Newspaper Act (1976), the Penal Code (1945), the National Security Act (1970) and the Public Leadership Code of Ethics Act (1995). There are few protections for journalists who are harassed by officials. The media itself suffers from low capacity, relying on poorly and underpaid trained journalists. Some journalists will either publish or suppress stories about public figures in return for payment.

Moreover, media houses that have become too critical have been bought by wealthy members of the ruling party. Due to the low pay in media work, some investigative journalists have taken public relations jobs with the government, which are sometimes offered as a way of silencing them. The media also suffers from self-censorship, sometimes because it relies on government advertizing, which can be withheld if the media is too critical of the government.

## *Civil society*

Civil society expanded at the end of the 1980s, partly in response to the opening of political space, a new donor emphasis on NGOs, and the changing stance by government towards civil society. Civil society has played important roles in advocacy, social service delivery, carrying out civic education, representing various interest groups and professions, participating in government planning processes, and in recent years they have played a significant watchdog role of government. Unlike the period of one party rule where government attitudes toward civil society were largely based of

suspicion, today's government brings civil society organizations (CSOs) into virtually all consultative processes. They have been involved, for example, in the public expenditure review process and they have played key roles in the Poverty Monitoring System.

At the same time, however, the government is still somewhat cautious of NGOs, and suspects that they are a cover for opposition parties, donors and other political interests as well as competitors for donor funding. They are frequently accused of being brief case organizations created with the sole intent of raising funds. The 2002 NGO Act that provides a legal framework for the registration of NGOs and community-based organizations (CBOs) is regarded by civil society as falling short of guaranteeing adequate freedoms of association and expression.

On occasion, the government has sought to close down various NGOs, notably the women's organization Baraza la Wanawake wa Tanzania (BAWATA) in the 1990s and more recently Hakielimu ['Right to Education'], after it ran some anti-corruption clips on TV. Popular outcry, media exposure, and donor interventions helped avert their closure. In the case of Hakielimu, the former Finnish president, Martti Ahtisaari, who was ambassador to Tanzania during 1973-76 and has had a special relationship with Tanzania's leadership, was said to have intervened behind the scenes to put informal pressure on the president to keep the NGO open in 2007. However, former Hakielimu leaders felt that donors played only a small but important role in keeping the NGO open. They believed that CCM lost votes in the election as a result of this episode, which itself was a learning experience for many Tanzanians. The controversy represented the beginnings of change in a political culture previously unaccustomed to questioning authority. Even for the NGO itself, the relationship with donors was complex. As one of its former leaders pointed out: 'Even at Hakielimu, donors had zero influence over us, although we were 100 per cent donor dependent. It would be easy to say we were donor dependent but we weren't' (interview, Dar es Salaam, 28 June 2011).

Civil society organizations have had a palpable impact on Tanzanian politics, in spite of the fact that there are only 4,000 of them, and the fact that donors and others bemoan their weakness relative to societal organizations in their own countries. For example, Hakiardhi ['Right to Land'] played an important role in shaping land legislation in Tanzania; the Legal and Human Rights Centre has brought human rights perspectives into many pieces of legislation, as mentioned earlier; Hakielimu has influenced education policy; and Tanzania Women Lawyers Association, Tanzania Media Women's Association and Tanzania Gender Networking Programme have had a significant impact on gender policy and legislation. Policy Forum is made up of 106 civil society organizations that focus on public expenditures. In 2010, when the Mining Bill was being debated, they provided technical support to efforts to ensure that Tanzanians own 50 per cent of shares in mining companies. They often have more technical expertise and capacity than government ministries and can provide support in the way of background information and policy analysis to the ministries.

#### **4 Transparency and accountability in the public sector**

The bulk of funding by donors has gone towards good governance and accountability, anti-corruption activities, public sector reform and local government reform. The major supporters of these initiatives include the World Bank, African Development Bank, and

the United Kingdom. Ireland and Finland are major donors for local government reform and decentralization, while the UNDP has supported the NEPAD Peer Review process in Tanzania.

In spite of a large influx of donor funds to support this area, and also after much public debate, media exposure, and parliamentary action, this area has seen the least progress relative to other areas of donor support. As seen in Table 6, the government is still plagued by problems of corruption, which undermine governance, confidence in the government, and could possibly exacerbate inequality. President Jakaya Kikwete himself admitted recently that about 30 per cent of the national budget disappeared through corruption and embezzlement.<sup>4</sup> The Prevention and Combating of Corruption Bureau (PCCB), under pressure from donors who funded the study, reluctantly released the eagerly awaited National Governance and Corruption Survey report in May 2011. The survey, which was conducted in 2009, found that corruption remains a serious problem, with respondents identifying the police force, judiciary and the education sector as the most corruption prone. Water and electricity agencies and the lands office lead in the rankings as corrupt institutions that provide poor services. The survey also suggests that public officials are the chief initiators and perpetrators of corruption (Prevention and Combating of Corruption Bureau 2009).

Table 6: Prevalence of corruption in East Africa

| Rank | Country  | Corruption prevalence (%) |
|------|----------|---------------------------|
| 1    | Burundi  | 36.7                      |
| 2    | Uganda   | 33.0                      |
| 3    | Kenya    | 31.9                      |
| 4    | Tanzania | 28.6                      |
| 5    | Rwanda   | 6.6                       |

Source: Transparency International (2011).

The Tanzania Construction Sector Transparency Initiative also indicates rising incidents of corruption in the construction sector. In 2004, the Engineers Registration Board and the Association of Consulting Engineers Tanzania estimated that over 90 per cent of construction contract awards and about 70 per cent of consultancy assignments were secured through corruption (Transparency International 2011). The highly inflated cost involved in the procurement of the Bank of Tanzania's Twin Towers project was an example of this type of corruption. Other high profile corruption cases include the misappropriation of over US\$133 million in the External Payment Arrears Account and the procurement of the emergency power service contract with Richmond LLC for US\$173 million.

When President Benjamin Mkapa took over in 1995, he was widely perceived as someone who was committed to cleaning up government after massive corruption under President Ali Hassan Mwinyi had eroded state functioning. Mkapa introduced a National Framework for Good Governance (NFGG), which included public sector reform and aimed to establish merit-based recruitment and promotion systems,

<sup>4</sup> 'Government Revenue Collection ... Kikwete sets 500bn/- target', *ThisDay* 11 January 2011, <http://www.thisday.co.tz/?l=11000>

performance-based management, public expenditure and financial management reform, legal sector reform, and local government reform (Husmann and Mmuya 2007). However, this was not sustained by his successor, President Jakwaya Kikwete, with whom there has been a reversal from the administrative reform seen under Mkapa.

Yet, even under Mkapa, there was little to show for his anti-corruption efforts. There were inquiries into top-level corruption made in his Presidential Commission of Inquiry Against Corruption (Warioba Commission) in 1996. The report concluded that corruption was rampant in all sectors of the economy and public services and politics of the country. Although 70 names were presented to Mkapa, no prosecutions followed. A National Anti-Corruption Strategy and Action Plan (NACSAP) was formed, and it drafted an action plan. The plan, which was overseen by an inter-ministerial committee, was adopted by cabinet and parliament in 1999. A Good Governance Co-ordination Unit (GGCU) in the president's office was to co-ordinate anticorruption activities. Both programmes were limited in that they had no mechanisms for ensuring compliance or holding other agencies accountable with regard to corruption.

Subsequently, there have been countless programmes, bodies, and legislative efforts initiated to address issues of corruption and accountability, but all suffer from their inability to actually hold anyone accountable. The ill-fated programmes were largely funded by the World Bank, UK, Canada, Sweden, Finland and Ireland. These include the Public Sector Reform Programme (PSRP), Public Finance Management Reform Programme (PFMRP), Sector Reform Programme (SRP), and the Local Government Reform Programme (LGRP). The institutional framework for combatting corruption includes the Prevention and Combating of Corruption Bureau (PCCB), but the Anti-Corruption Act failed to give it prosecutorial independence. Other such regulatory agencies include the Ethics Secretariat, Public Service Management (POPSM), the office of the Director of Public Prosecutions (DPP), the Commission for Human Rights and Good Governance (CHRGG), and the National Audit Office (NAO). They all report in one way or another to the President. The Auditor General has little autonomy, making it difficult to charge key people with corruption. National legislation includes the Prevention and Combating of Corruption Act of 2007 and a host of legislation pertaining to money laundering, public procurement, public finance, political parties, economic and organized crime, criminal procedures, and many other such pieces of legislation. At the international level, Tanzania has also ratified the African Union Convention on Preventing and Combatting Corruption (AU Convention), the United Nations Convention Against Corruption (UNCAC) and the Southern African Development Community Protocol Against Corruption (SADC) Protocol.

The 1996 Warioba Report found that 'the greatest source of corruption in the country is neither the poor economy nor the low salaries ... The greatest source is the lackadaisical leadership overseeing the implementation of established norms' (cited in Husmann and Mmuya 2007, 179). One has to ask why after all the aforementioned efforts to curtail corruption, virtually no high level prosecutions have occurred. It is becoming increasingly apparent that some of the reasons have to do with the fact that the problem starts at the top and those who might be convicted are in a position to accuse others. The lack of cohesion within the CCM, which has been rapidly unraveling, and support for various internal factions is another possible countervailing reason for the lack of any progress in this area.

Although there has been little legal action, there have been other steps taken that have put leaders on notice. No new corruptions scandals have surfaced in the past five years. Prime Minister Lowassa lost his post due to accusations of his involvement in a high profile corruption scandal. The CCM leadership decided that all CCM leaders associated with corrupt practices had to resign. They asked Lowassa and former Attorney General Andrew Chenge to resign from the CCM and businessman Rostam Aziz already resigned from the powerful CCM National Executive Committee and as MP for the Igunga constituency in Tabora Region. The three have been implicated in the worst corruption scandals to date.

The World Bank dropped its Country Performance Rating ranking of Tanzania over the past three years, from 3.9 to 3.8, and the country is now heading towards 3.7. This has serious implications for the amount of funds disbursed. Some in the Bank feel the ranking should be lower but that would put it out of sync with countries that are regarded less favourably than Tanzania. This drop in the rating is highly significant and is a major blow to Tanzania's standing, but it is the consequence of unrelenting corruption and Tanzania's inability or unwillingness to grapple with it and take meaningful steps to address it. In talking with donors working in Tanzania about GBS, I commonly heard such phrases as 'incompetence of highest order' and 'lackadaisical approach to managing public finances'. Since GBS is premised on trust, a decline or end of support is bound to have serious political and economic repercussions (see Hydén and Mmuya 2008).

## 5 Donors and political reform in Tanzania

Tanzania receives roughly US\$2,331 million a year ODA and is the second largest recipient of aid in SSA. Donors finance over a quarter of the national budget and 80 per cent of the development budget (see Tables 7 and 8).

Table 7: Foreign aid as per cent of budget in Tanzania

| Financial year | Foreign aid<br>Tsh trillions <sup>5</sup> | Per cent of overall<br>budget |
|----------------|---|-------------------------------|
| 2007-08        | 2.54                                      | 42                            |
| 2008-09        | 2.43                                      | 34                            |
| 2009-10        | 3.18                                      | 33                            |
| 2010-11        | 3.27                                      | 28                            |

Source: Policy Forum 2011.

<sup>5</sup> Tsh 1 trillion = \$628,143,000; Tsh1,000 = \$0.63



Table 8: Average annual overseas development assistance to Tanzania, 2000-10

|   | (in US\$)     |
|---|---------------|
| World Bank                                      | 1,036,618,112 |
| UK  | 228,070,750   |
| Japan   | 116,289,648   |
| African Development Fund                        | 110,701,652   |
| European Commission                             | 95,097,798    |
| The Netherlands                                 | 86,687,927    |
| US  | 81,381,622    |
| Denmark   | 76,705,823    |
| Sweden  | 75,121,711    |
| Norway  | 73,302,558    |
| Global Fund                                     | 66,104,871    |
| Germany   | 54,340,816    |
| IMF   | 32,034,576    |
| Finland   | 28,787,074    |
| Ireland   | 25,951,027    |
| France  | 25,534,443    |
| Canada  | 24,674,612    |
| Switzerland                                     | 23,410,758    |
| Belgium   | 20,772,197    |
| Italy   | 17,992,956    |
| International Fund for Agricultural Development | 12,883,660    |
| UNICEF  | 9,238,177     |
| Kuwait  | 7,052,627     |
| UNDP  | 6,925,493     |
| Arab Bank for Economic Development in Africa    | 6,677,722     |
| Austria   | 6,204,375     |
| Global Environment Facility                     | 6,127,114     |
| Nordic Development Fund                         | 5,209,404     |
| OPEC  | 4,904,513     |
| Spain   | 3,707,561     |
| UNFPA   | 3,354,738     |
| Australia                                       | 1,039,364     |
| New Zealand                                     | 619,677       |
| UNAIDS  | 576,793       |
| Luxembourg                                      | 239,499       |
| India   | 231,523       |
| Islamic Development Bank                        | 228,175       |
| Greece  | 121,181       |

Source: AidData, accessed at <http://www.aiddata.org/>

During the 1990s, Nordic countries contributed more than 51 per cent of all aid to Tanzania (Selbervik 1999: 6, 31). However, today, four donors provide over half of Tanzania's ODA: World Bank (IDA), United Kingdom/DfID, Japan/JICA, and United States/USAID. Fourteen donors provide over 90 per cent of Tanzania's donor funding.<sup>6</sup> Of the remaining 28 donors, which provide 10 per cent of ODA, 17 are bilateral and 11 are multilateral. This excludes the support that comes from private sources such as the Gates Foundation, Aga Khan Foundation, Christian faith-based organizations, international NGOs, and other such sources. It should also be mentioned that China has sponsored over 100 projects in Tanzania since the early 1960s, totaling over US\$2 billion. The most famous is the Tanzania-Zambia (TAZARA) railway, financed through

<sup>6</sup> In order of contribution (high to low): World Bank (IDA), United Kingdom, Japan, EC, United States, the Netherlands, AfDF (AfDB), Sweden, Denmark, Norway, Germany, Global Fund, Canada, Ireland.

an interest free loan of US\$500 million. Most recently in 2009 China committed US\$22 million to Tanzania in aid.

To understand Tanzania's current relationship with foreign donors one has to look at its experiences over several decades of support since independence in 1961. The government's relationship with donors has not always been smooth. In the 1980s, Tanzania's relations with the Bretton Woods institutions were fraught. As the economic situation worsened in Tanzania in the mid-1980s, it became more difficult to avoid signing an IMF-sponsored structural adjustment programme. Yet, the country's first president, Julius Nyerere, felt that the country's sovereignty would be compromised. Tanzania eventually signed an agreement with the IMF in 1986 when it became clear that other bilateral donors would no longer support Tanzania without such an agreement. Since that time, the World Bank has been the leading institution in terms of funds disbursed. Bilateral donors take their cue from the Bank and that there has been considerable convergence in bilateral agendas with those of the Bank.

In the 1970s, much of the bilateral aid had been directed towards projects. However, by the late 1980s, the programme and project aid had been replaced by sector aid in the areas of administrative reform, economic development, education, environment and natural resources, infrastructural development, and AIDS prevention. Political reform was seen as a prerequisite to enhancing economic development and by the late 1990s, became a key component in bilateral support. The Bank tended to focus more on good governance and public sector reform, while the bilaterals focused more explicitly on political reform, including civil society, electoral reform, human rights, and the media. However, on their goals regarding economic reform, the bilateral and multilateral agendas converged. This convergence of bilateral and multilateral agendas in the 1990s differed sharply from the 1980s, when there was a large discrepancy between their policies because different ministries worked independently with different donors with little co-ordination.

Another rift with donors emerged in 1994 when a scandal broke involving government officials. Bilateral donors cut their aid and demanded government action to deal with corruption. At this time, an independent commission was formed to mediate between donors and the government headed by Canadian scholar Gerry Helleiner. The 1995 Helleiner report helped rebuild the donor-government relationship and better align donor commitments with those of the government. Relations between donors and the government warmed considerably after that time. The government's strategy for managing aid was institutionalized within a Tanzania Assistance Strategy (TAS) in 2002. The aim was to improve country ownership and leadership in the design and execution of development programmes (Harrison et al. 2009). TAS was followed by a Joint Assistance Strategy (JAST) in 2006 signed by 19 donor countries and the government. This established a division of labour between donors in Tanzania based on their respective comparative advantages.

Tanzania's donor support has been based on the National Strategy for Growth and Reduction of Poverty from 2005/06-2009/10) and currently on the second such NSGRP II (2010/11-2014/15). These are commonly referred to as MKUKUTA I and II (*Mpango wa Pili wa Kukuza Uchumi na Kuondoa Umaskini Tanzania*). MKUKUTA is an agreement between the major donors and the Tanzanian government regarding how the country will meet Tanzania's Development Vision 2025, the Millennium Development

Goals (MDGs) and CCM's goals.<sup>7</sup> The Tanzanian government also came out with its own Five-Year Plan in 2011 much to the irritation of some donors, who felt that MKUKUTA ought to be the government's blueprint for development. However, other donors acknowledged that the episode revealed the extent to which development plans are crafted and owned by the donors. As one donor representative put it: 'This is an example of how as development partners we are confused about our mandate in this country. We have been here so long and we feel we are so important that we have this feeling that we can actually decide on the Tanzanian government's behalf and act as if this was our country. We need a mental break. We need to start showing more respect that this is Tanzania and that they are free to choose. Mentally we need to stop thinking we will continue here for next 150 years doing same thing ...'<sup>8</sup>

In spite of efforts at co-ordination of donor strategies like MKUKUTA, the Tanzanian government remains burdened by dealing with such a large number of donors, each of which have their own diverse agendas, modes of operation, and accountability mechanisms that demand an inordinate amount of time on the part of ministries that detracts from the daily business of running the country.

## **6 Unintended consequences and contradictory outcomes for accountability**

One of the ways in which donors have tried to improve co-ordination is through the provision of General Budget Support (GBS). In Tanzania, GBS is financed by 11 bilateral development partners: Norway, UK, Japan, Sweden, Denmark, Ireland, Canada, Germany, Finland, Switzerland, and the Netherlands in addition to three multilateral partners: the European Commission, the World Bank, and the African Development Bank (Table 9). It is the preferred modality of the government of Tanzania and by 2007-08, 51 per cent of all ODA to Tanzania was provided through GBS, compared with 33 per cent in 2003-04. Nevertheless, the amount of GBS has fallen from a high of US\$755 million in 2009-10 to US\$452 in 2011-12, largely due to slow implementation of public financial management reforms, lack of improvement in the business and investment climate, and slow progress in public services. The European Union has reduced GBS by 27 per cent in 2012-13, citing the need for more measurable results and improved accountability, particularly relating to corruption and public financial management.

GBS through the Poverty Reduction Strategy Credit (PRSC) accounts for almost half of all World Bank lending in Africa and up until recently has been favoured by most bilateral donors, with the exception of the US. GBS was formalized in the Paris Declaration (2005) and Accra Agenda for Action (2008), which established the principles upon which this new thinking regarding aid was based: that aid recipients should own their development strategies, ODA should be aligned with these strategies, donors should streamline the process of disbursement through harmonization, policies should be directed toward achieving clear goals, progress should be monitored, and both

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<sup>7</sup> Its broad objectives include: (1) democracy, good governance, human rights and the rule of law deepened and ensured; (2) peace, political stability, social cohesion and national unity consolidated and sustained; (3) accountable, responsive, effective, and efficient leadership in public service ensured; (4) equity in accessing public resources and services ensured.

<sup>8</sup> Interview with World Bank analyst, Dar es Salaam, Tanzania, 12 June.

Table 9: General budget support to Tanzania

|         |                     | (in US\$)     |
|---------|---------------------|---------------|
| 2003-10 | World Bank          | 1,223,258,691 |
| 2000-07 | United Kingdom      | 507,459,431   |
| 2001-05 | European Commission | 249,296,266   |
| 2000-06 | Sweden              | 248,615,421   |
| 2001-07 | The Netherlands     | 165,336,461   |
| 2000-06 | Norway              | 136,746,770   |
| 2004-06 | AFDF                | 135,036,102   |
| 2003-06 | Denmark             | 114,507,949   |
| 2000-07 | Finland             | 90,235,800    |
| 2004-07 | Germany             | 35,104,128    |
| 2002-07 | Ireland             | 28,678,803    |
| 2002-07 | Switzerland         | 23,207,672    |
| 2003-07 | Canada              | 20,474,681    |
| 2004    | OPEC                | 9,115,934     |
| 2004    | Japan               | 4,216,436     |

Source: AidData, accessed at <http://www.aiddata.org/>

donors and recipients should be jointly responsible for meeting these goals. The Accra Agenda further emphasized the element of ownership in which countries have more say in the development process; inclusive partnerships that ensure the full participation of donors, foundations and civil society; and delivering results in which aid produces real measurable impacts on development. GBS represented a shift away from lending based strictly on conditionality (Barkan 2009: 68). It allowed donors to support good performers while making it more difficult for poor performers to be eligible for support. When it was first introduced, GBS was heralded as the solution to many tensions in relations between donors and the government.

Today, donors appear less sanguine about GBS in Tanzania, in part because they overlooked the political dimensions of this modality of aid. In Tanzania, the emphasis by donors and government on GBS has shifted power even further to the president and to the finance minister, where most decisions regarding GBS are made.

Many donors in Tanzania suspect that a large chunk of the funds that disappear are lost through the GBS or through the basket-funding process. This is because, as Barkan (2009) cogently explains, GBS represents large amounts of funds in unaudited accounts or accounts for which audits are not available to the public. This allows a large portion of the budget to support corruption and to be used as political finance. The result of this is that some donors are reducing budget support to Tanzania and some are quietly discussing pulling out altogether as an option because they have no way of controlling the hemorrhaging of funds (Mande 2011). The Netherlands threatened to pull out of seven countries, including Tanzania, but appears to be continuing with its support for the time being.

GBS has also detracted from funding that used to go to projects supporting civil society in Tanzania and donors are often accused of having abandoned civil society and those

forces pressing for political reform. Ownership of the development agenda is placed solely in the hands of the government, bypassing parliament, and from the point of view of many ordinary citizens, donors are regarded as having abandoned the participatory approach that was once advocated in the 1990s (Hydén and Mmyua 2008: 50; Gould and Ojanen 2005).

Aid has become a means of entrenching the status quo and is used to buy political support in a variety of ways. In Tanzania and other countries local taxes are abolished by the executive prior to elections without input from parliament or the ministries as a way of winning votes. In other countries like Uganda, school fees have been lifted in the same way to serve political ends. The costs of these programmes are transferred to donor funds. In Tanzania, the bottom line is that supporting the status quo means supporting both corruption but also elements within the establishment fighting to change the system.

Some donors feel the battle has been lost and there is little momentum in the current government for further reform. The leadership has gone as far as they will go. The leader of the main opposition CHADEMA, Willibrod Slaa, believes this type of aid is counterproductive and has mounted a major anti-corruption campaign in parliament. He believes the donors are misguided and are unaware of how the funds are actually being spent and diverted:

My approach and our policy as [a] party since 1992 has been to promote trade relationships as a way of revamping the economy and raise the purchasing power of people, and the capacity of people. It is an issue of sovereignty, of national pride. The whole question of using donor money for recurrent expenditures and not development is immoral. It means you don't even have the moral seriousness to supervise your own resources. Almost a third of the budget comes from donors. There is no explanation of how the money is used, and they still go and ask donors for recurrent expenditures.

For me what is important is the amount of money that has been collected from taxes and donors and the amount of money put into development work and then ask: do they tally? The difference is what has gone to corruption. Billions of shillings have disappeared. Just look at the skyrocketing of building that is going on. Most of it has been illegally obtained, some by civil servants whose salaries are known.

Thus, from the perspective of the opposition, donor support via GBS is naïve and misguided, based on a lack of awareness of the political realities in Tanzania. Whether or not one agrees with his assessment of donors and the government, it does highlight the fact that some of the fiercest advocates fighting corruption in Tanzania do not welcome donor funds that inadvertently go to support corruption and the system that supports it.

## **7 Undermining accountability in decentralization**

Another area in which donor interventions have resulted in contradictory outcomes concerns the Development Levy. In 2003, the finance minister announced the abolition of the unpopular Development Levy without consulting parliament, local councils or the

ministry of local government. The announcement was made prior to the 2005 elections and was a popular move that could easily secure votes because of the repressive way in which tax collection was enforced and because of the poor services that citizens received in return (Fjeldstad and Therkildsen 2008: 117–21). Most donors supported removing the tax. The consequence of the move was to reduce the revenue that district councils received, which in turn increased their dependence on the central government for their revenue base.

There were plenty of reasons to dislike the development levy since it was difficult to collect, unevenly enforced, and failed to result in services commensurate with the size of the tax (Fjeldstad and Semboja 2001). As a result of the way the tax was implemented residents revolted in 1998 in the Arumeru district and in Kilosa a tax office was burned in one of several anti-levy protests (Fjeldstad 2001; Kelsall 2002 cited in Weinstein 2010).

Yet the abolition of the tax has had other perverse outcomes. Revenues come in the form of General Purpose Grants. However, as Weinstein (2010) found, these grants are highly politicized such that areas that were highly supportive of the CCM won large grants and those like Kilimanjaro and Arusha regions were punished. In fact, they received a 50 per cent lower grant than the average district. Her careful study of revenue patterns revealed revenue disbursements were used ‘not only to coerce opposition and marginally supportive districts to increase vote shares, but also to prevent party strongholds from decreasing vote shares’ (Weinstein 2010, 53).

Donor support for removing the levy contradicted the impetus for decentralization and local government reform as well as hindering synergies between citizens and their local representatives. Moreover, it played into the hands of a political strategy aimed at bolstering the ruling party rather than levelling the playing field.

There were other more disturbing consequences of the donor-supported tax removal. District revenue plummeted from constituting an average of 22 per cent of the district budget in 1999 to less than 0.04 per cent of the budget in 2004. Today 95 per cent of local government revenue in Tanzania comes from central government transfers or directly from donors. It has subverted one of the main goals of decentralization, which should have allowed for the emergence of local leaders and initiatives backed by local resources. As it is now, most grants are tied to central government and are dictated from the center with little leeway for local initiative.

Government accountability to citizens may also be compromised in favour of donor agendas at the local level. Triesman (2000) argues that local governments that depend on revenue transfers from the central government are more corrupt and less responsive to their populations than those that raise revenue directly from their own constituents. Hoffman and Gibson (2005) test part of this hypothesis in Tanzania using Tanzanian district development plans, Afrobarometer survey data, and foreign aid data. They use their findings to show that donor influence crowds out the ability of citizens to participate meaningfully in local government and makes local governments more attentive to donors than their own constituents, particularly in the case of larger aid flows. Moreover, decisions on the allocation of funds at the district level require the participation of all stakeholders. Donors can directly influence these meetings and set district wide priorities, whereas local residents and leaders are confined to commenting

on village level projects (not broader district priorities), and must first clear many more hurdles than donors do, including approval by the village council and the Ward Development Committee.

Thus in these cases, donor support for an ill conceived policy change regarding local taxation and donor presence in local development has the potential to skew participation at the local level and subvert donor intentions to encourage greater grassroots participation and advance decentralization. Thus donor objectives to promote decentralization are often undercut by other types of policies they endorse that create greater donor dependencies.

## **8 Unintentional promotion of rent-seeking and economic irrationalities**

A third area where the contradictions of donor interventions are apparent occurs with respect to public services. With support and encouragement from the World Bank, Tanzania embarked on a massive privatization project in the 1980s to divest its 400 parastatals that had become unsustainable due to state financial weakness. A recent report by Nelsson (2011) describes how commercial enterprises, such as the Tanzania Breweries, Tanzania Cigarette Company and Kilimanjaro Hotel, were successfully privatized. But, the larger infrastructure enterprises proved more challenging and were unable to become financially sustainable through public-private partnerships.<sup>9</sup> With the exception of Tanzania International Container Terminal Services (TICTS), they all reverted to public control.

Nelsson raises some disturbing questions which reveal the political motivations driving policy regarding these companies. These policies were implicitly backed by the World Bank, and now the Bank is attempting to reverse them. During the period in which the companies were under private management, they failed to address the issues that had led to their virtual collapse, including low revenue collection due to rates below cost recovery and poor collection, theft by users of power and water, political interference in acquiring equipment, and tariff policies that made cost recovery challenging. Given that the Tanzania Telecom Communications Limited (TTCL) and the Air Tanzania Company Limited (ATCL) loses about US\$2,000,000 and US\$500,000 a month, respectively, neither company is competitive. Yet, political considerations keep them afloat, considerations that were underwritten by donor financial backing.

One political consideration in the power sector has been the way it has been rationed to influence voters. Mesquita and Smith (2009) found that power generation in Tanzania fluctuated with the election cycles. Users had a better chance of obtaining uninterrupted power in an election year, while after elections blackouts increased.

Another consideration includes the political costs of bringing the customer charges in line with what private vendors and other countries in the region are charging for the same services, i.e. the real costs rather than the subsidized costs of the service that keep the electorate from expressing discontent. The beneficiaries in the case of water supply

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<sup>9</sup> The infrastructure enterprises include Air Tanzania Company Limited (ATCL); Dar es Salaam Water Supply and Sanitation (DAWASCO), Tanzania Electric Supply Company Limited (TANESCO), Tanzania International Container Terminal Services (TICTS), Tanzania Railways Limited (TRL), Tanzania Telecom Communications Limited (TTCL).

and sanitation are Dar es Salaam homeowners with title deeds, not the poor, who are already buying their water from private vendors. Yet, reversing existing political distortions would disrupt the private water supply and sanitation market, which includes powerful individuals, and it would interfere with rents obtained from the sale of diverted or stolen water. In fact, only 38 per cent of water produced was accounted for in 2008 and of that, only 77 per cent was billed. In the words of one Bank official, ‘We came in with Bank money and ruined local systems for price setting of water, and messed up the feedback mechanism between user, service deliverer and politicians. These are delicate systems in any country. Instead we have an elite who benefit from subsidized water, and many set up shop selling dearly to the poor. We failed for political reasons. We ignored the political realities’.

Similarly, even though Air Tanzania has a staff of 180, two grounded planes, and has not turned profit from 1978 until today, its existence provides certain elites with rents obtained through lucrative contracts. Khemani (2010) found that benefits from rent-seeking outweighed the potential electoral benefits that would accrue from providing sound infrastructure as a public good, which helps explain why these are not considerations at election time. Absent is a quid pro quo in which voters endorse a particular coalition or party, which in turn provides well-run public services for citizens.

Thus donors have been in effect sustaining a dysfunctional political system in which the political leadership has had more to gain from maintaining an inefficient unprofitable infrastructure that generates rents for themselves rather than building a viable well-managed enterprise based on fiscally sound practices. Political elites are operating in a system where there are few controls on practices that maintain dysfunctional establishments. As Nelsson (2011: 53) explains: ‘Allowing failure has the important benefit that it prompts the political system to actively deal with a politically generated problem. Careful consideration of how to support infrastructure service delivery is important. When foreign aid hides the real price of an infrastructure service it inhibits the democratic taxpayer feedback mechanism and may prevent the political system from actively addressing the issue’.

As highlighted by the examples above, rents are fragmented and decentralized in Tanzania, which makes them difficult to control and eliminate. They are driven by inter-organizational conflicts in the public sector rather than patron client factions within a ruling coalition (Bourgouin et al. 2011). Donor support for these inefficiencies delays the difficult policy calculations that need to be made and prevents the emergence of a quid pro quo between citizens and those in power.

## **9 Conclusions**

These diverse examples illustrate that aid has never been apolitical, neutral or simply a technical exercise of providing resources to improve development. Many aspects of aid hold political implications that require consideration, including the way in which it is disbursed (e.g., GBS, basket funds or project support), the areas prioritized, who gets funded, and the ultimate outcomes of such interventions. Consequently, aid indirectly empowers some and not others. Failure to consider these contingencies and to treat aid as simply economic assistance has resulted in some of the distortions found in Tanzanian politics. The result has been the creation of aid policies that work at cross-purposes, both supporting the status quo and the corrupt practices through GBS and



other forms of aid, while at the same time supporting societal actors challenging that same lack of accountability.

Indeed, while donors have had a positive impact on civil society, media reform, and legal sector reform, among others, they have also supported a political elite that is ambivalent to further political reform. Donors have implicitly supported a system that seeks executive expansion (albeit not as extensive as some other countries), centralized government control without the decentralization of resources that would give localities real power, and corruption taken to extreme levels. Thus, the Tanzanian case offers useful insights regarding why much of the cross-national research on aid and democracy is so mixed and why donor interventions can generate contradictory outcomes with respect to accountability.

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## Appendix: List of Interviewees, June 2011

Julie Adkins, Senior Advisor, Local Governance, SNV Netherlands Development Organisation

Sanjeev S. Ahluwalia, Senior Public Sector Specialist, World Bank

Bernard Baha, SPO, RPD, Hakiardhi—Land Rights Research & Resources Institute

Benson Bana, Professor, Department of Political Science and Public Administration, University of Dar es Salaam

Prosper Charle, Macroeconomist, African Development Bank

Dr Stefan Chrobot, Friedrich-Ebert-Stiftung

Elysie Eyakuze, independent journalist

Barack Hoffman, Executive Director of the Center for Democracy and Civil Society, Georgetown University

Lars Bo Kirketerp Lund, First Secretary, Governance and Political Issues, Royal Danish Embassy

Steve Lee, Senior Governance Advisor, United Nations Development Programme

Daniel Loya, Executive Director, Tanzania Centre for Democracy

Joe Lugalla, Professor, Sociology

H. Bohela Lunogelo, Executive Director, Economic and Social Research Foundation

Bernard Mapalala, political editor, The Guardian

Jennifer Matafu, Senior National Programme Officer, Local Governance, Swedish Embassy, SIDA

Professor Benedict Mongula, Institute for Development Studies, University of Dar es Salaam

Jamal Msami, Researcher, Research on Poverty Alleviation (REPOA)

Julius Mtatiro, Deputy Secretary General, Civic United Front (CUF)

Alex Mubiru, Principal Country Economist, African Development Bank

Daudi Mukangara, Professor, Department of Political Science and Public Administration, University of Dar es Salaam

Emmanuel Mungunasi, Economist, World Bank

Felister Mushi, Professor, University of Dar es Salaam, Dept. of Political Science and Public Administration

Yefred Myenzi, Executive Director, Hakiardhi—Land Rights Research & Resources Institute

Adam Nelsson, Country Officer, AFCE1, World Bank

Annmarie Mavenjina Nkelame, Executive Director, Tanzania Women Lawyers Association

John Okidi, Senior Programme Officer, International Development Research Centre, Regional Office for Eastern and Southern Africa (Nairobi)

Nora Pendaeli, UNDP Programme Officer

Rakesh Rajani, Director, Twaweza

Alex Ruchyahinduru, Manager, Media, Communication & Advocacy, Policy Forum

Dora Semkwiji, Researcher, Economic and Social Research Foundation

Abdu Simba, Head, Tanzania Media Fund

Dr Wilibrod Slaa, Secretary General, Chama cha Demokrasia na Maendeleo (Chadema)

Steffi Stallmeister, Country Manager, World Bank, Washington DC (phone interview)

Harold Sungusia, Legal and Human Rights Centre

Elena Taubert, Programme Officer, FINNIDA, Finnish Embassy

Juho Uusihakala, Counsellor (Governance), FINNIDA, Finnish Embassy