

**Stockholm School of Economics**

Department of Economics

Master's Thesis

June 2007

# **General Budget Support in Tanzania**

## **- Conditionality models and the implementation of the Paris Agenda**

### **Abstract**

Tanzania, one of the poorest and most aid-dependent countries in the world, is presently a “donor darling” in Sub-Saharan Africa. It is also a country where both donors and government work progressively with General Budget Support (GBS) and donor coordination. By doing so the country is a forerunner in implementing the new development paradigm, in this thesis, represented by the Paris Declaration of Aid Effectiveness (PDEA). This declaration is “the new gospel of development”, and contains five commitments: ownership, alignment, harmonization, managing for result and mutual accountability. In this thesis we present three different conditionality models for GBS, the models used by the World Bank (WB), the European Commission (EC) and British Department for International Development (DFID), and compare them in terms of PDEA implementation. We further touch upon the implications of the models interacting in a coordinated performance assessment framework. We conclude that the DFID and EC models seem most capable in implementing the PDAE, however, for different reasons. The DFID model performs better in the ownership and alignment commitments, while the EC model more successfully carries out the commitments of managing for results and mutual accountability. The WB model shows a somewhat less distinct profile, scoring only average on ownership, alignment and focus on results. A harmonized conditionality framework has the potential of cancelling out certain weaknesses of the different models. Yet, successful harmonization also implies that donors get increased leverage, which potentially can have dire consequences if they collectively decide not to disburse GBS. In order to manage this politically sensitive modality, there is need to complement a harmonised framework of conditionality with a contingency plan as well as a communication strategy.

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Presentation: 7 June 2007

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We would first and foremost like to express our deep gratitude to our tutor, Professor Mats Lundahl, for his tremendous support and invaluable assistance. We consider ourselves very privileged to have been able to benefit from his vast expertise in development economics, his extensive network of prominent economist in Sweden and Tanzania African and his generous help and advice in all matters connected to our field study.

We further would like to thank our supervisor in Tanzania, Professor Goodwin Mjema at the University of Dar Es Salam, for receiving us so generously, providing us with valuable contacts and for generally acting as a very useful door-opener in Dar es Salaam.

We owe great thanks to Elisabeth Børve at the secretariat for GBS-coordination in Dar es Salaam and to Anders Danielsson at SADEV, (Institutet för utvärdering av internationellt utvecklingssamarbete), who were of great assistance in the process of selecting interviewees and advice on relevant literature.

We would also like to express our profound thanks for the financial assistance from Sida's Minor Field Study program, which allowed us to realize our study trip to Tanzania. In connection to this, we especially want to convey our great appreciation to Professor Örjan Sjöberg and to Lilian Sjöberg.

Finally, we would like to salute the Tanzanian people who despite their huge, daily ordeals are able to exercise such immense hospitality and indefatigable optimism.

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## List of acronyms

**ADB** African Development Bank  
**APR** Annual Progress Report  
**BoPS** Balance-of-payments support  
**DAC** Development Assistance Committee, of the OECD  
**DFID** Department for International Development  
**EC** European Commission  
**EU** European Union  
**FY** Financial Year  
**GBS** general budget support  
**GDP** gross domestic product  
**GoX** Government of (country beginning with X)  
**HIPC** Highly Indebted Poor Countries Initiative  
**IDA** International Development Association  
**IFI** international financial institution (e.g. AfDB, IMF and World Bank)  
**IMF** International Monetary Fund  
**JICA** Japan International Cooperation Agency  
**KfW** Kreditanstalt für Wiederaufbau  
**LDC** Less Developed Country  
**MDG** Millennium Development Goal  
**MoF** Ministry of Finance  
**MoFo** Ministry of Foreign Affairs  
**ODA** Official Development Assistance  
**PAF** Performance Assessment Framework  
**PDAE** Paris Declaration of Aid Effectiveness  
**PER** Public Expenditure Review  
**PFM** Public Financial Management, or Partnership Framework Memorandum  
**PFMRP** Public Finance Management Reform Programme  
**PMS** Poverty Monitoring System  
**PRBS** Poverty Reduction Budget Support  
**PRGF** Poverty Reduction and Growth Facility (IMF)  
**PRS** poverty reduction strategy  
**PRSC** Poverty Reduction Support Credit (World Bank)  
**PRS** Poverty Reduction Strategy  
**SIDA** Swedish international Development Agency  
**SPA** Strategic Partnership with Africa  
**SWAP** Sectorwide Approach Programme  
**TA** Technical Assistance  
**UDHR** Universal Declaration of Human Rights  
**UK** United Kingdom  
**UNDP** United Nations Development Programme  
**UNHCR** United Nation High Commissioner for Refugees  
**WB** World Bank

## Prologue

*"I've worked myself up from nothing to a state of supreme poverty"*

Groucho Marx

We, the people of the world, have never been richer than today. The economic development after the Second World War has been unprecedented in terms of growth, international trade and increased welfare. Nonetheless, this planet is undeniably the home of gargantuan inequality and a person's prospects in terms of income, health and education is highly correlated to his or her birth place. According to the World Bank more than 1 billion people currently live below the international poverty line of one dollar income per day.<sup>34</sup> Since the mid-1990s, *poverty reduction* has therefore become the primary objective of Official Development Assistance (ODA), better known as aid.<sup>5</sup>

According to the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), ODA from DAC members rose by 32% in 2005 to USD 106.8 billion, – a record high. This represents 0.33% of the members' combined Gross National Income in 2005 and is the highest ratio since 1992.<sup>6</sup> This rise in ODA is the result of the continued delivery on pledges to increase ODA made by donors at the International Conference on Financing for Development, held in Monterrey, Mexico, in 2002. It also reflects the effort to reach the Millennium Development Goals agreed upon during the Millennium Summit in September 2000.

A chastened cynic may argue that ODA is provided only thanks to post-colonial bad conscience and that no genuine will to fight poverty in the Least Developed Countries (LDCs) exists among the more prosperous nations. Indeed, many influential donors are *de facto* simultaneously fighting fiercely to preserve protectionist policies that affect LDCs adversely. Recognising this, we, however, believe that despite opportunistic and sometimes dirty politics, there is also a sincere will to catalyse economic and democratic development in the LDCs. If not for altruistic reasons then at least for reasons of self-protection. In our internationalised and globalised world, the consequences of dire poverty will eventually influence also the more affluent countries.

However, wanting to help is one thing. Finding the appropriate tools to do so is another. As a result, ODA itself has changed greatly over the years. More than a century ago the first development workers, the missionaries, travelled to distant places in order to teach the true faith and simultaneously provide education and medical care. Today, development is a full-fledged industry with a special class of ODA workers travelling around the world like “merchants in development”. Furthermore, it has become

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<sup>3</sup> World Development Indicators 2006, World Bank

<sup>4</sup> The World Bank's poverty line; PPP USD 1 per day is one commonly used measure of poverty, however, there are plenty of other measures

<sup>5</sup> We will use these terms synonymously in the thesis

<sup>6</sup> OECD, 2006 Development Co-operation Report

[http://www.oecd.org/department/0,2688,en\\_2649\\_3444\\_w7\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/department/0,2688,en_2649_3444_w7_1_1_1_1_1,00.html) 2007-01-10

increasingly obvious that catalysing development is a very complex process, in which the best intentions do not automatically produce the desired results. Due to the many failures, the implementation and the very existence of ODA have many harsh critics. Regularly the general public is fed with stories about conspicuously unsuccessful development project.

Yet, the development scene is also developing. In its search for more efficient ways to deliver ODA, one of the most current (and controversial) issues on the development agenda today is the move from project ODA to General Budget Support (GBS). This new modality implies that ODA no longer is channelled through projects decided and implemented by donors but instead injected into the recipient's national budget and used discretionally by its government. The various donors, however, apply different models of *conditionality*, reflecting the ongoing, lively debate on the role of conditions in ODA.

Tanzania, one of the poorest and most aid-dependent countries in the world, is presently the “donor darling” in Sub-Saharan Africa. It is also a country where both donors and the government work very progressively with GBS and donor coordination. The country is thereby a forerunner in implementing the new development paradigm, in this thesis, represented by the Paris Declaration of Aid Effectiveness (PDEA). This declaration is “the new gospel of development”, and contains five commitments (commandments): *ownership, alignment, harmonization, managing for result and mutual accountability*

In this thesis, we study three different conditionality models of GBS at work in Tanzania today: the models provided by the World Bank (WB), the European Commission (EC) and British Department for International Development (DFID). We intend to first of all present the models and then to compare them in terms of PDAE implementation. We will further touch upon the implications of the models interacting in a coordinated performance assessment framework.

The “to be or not to be” of GBS is not the purpose of this thesis and this ODA modality will continue to be intensively debated. There are, however, many indications that budget support is here to stay. The issue of conditionality models in GBS provision will therefore be of increasing importance. A successful conditionality model is ultimately a means to catalysing better results, that is, to succeed faster in the efforts to alleviate global poverty.

*Welcome to the world of development, a place of great visions as well as dodgy politics, and awash with acronyms!*

# Background

## *Why ODA fails*

*“Aid agencies have a long history of trying to ‘cocoon’ their projects using free-standing technical assistance, independent project implementation units, and foreign experts – rather than trying to improve the institutional environment for service provision... They have neither improved services in the short run nor led to institutional changes in the long run”*

Overview of Assessing Aid, World Bank<sup>7</sup>

When writing a thesis about such an intensely debated topic as foreign aid, it is important to start by establishing that ODA, through its history, has both been highly effective, totally ineffective, and everything in between.<sup>8</sup> Acknowledging the successes, the starting point of this thesis is, however, the remaining highly disturbing fact that half a century of ODA has achieved poor results when it comes to increasing the economic growth in many of the developing countries.<sup>9</sup> The biggest failure in this respect is undoubtedly Africa, “the forgotten continent”. Despite its long history of ODA, many nations on the continent **still** suffer from dictatorships, corruption, civil unrest and war, underdevelopment, and deep poverty.

Questions therefore began to rise in the late 1990-ies as to whether some ODA modalities were not actually part of the problem in many of the developing countries. Efforts to bypass the perceived weaknesses in government systems were seen to have weakened these systems even more and also to have created a fragmented national decision making. These efforts, together with less-than acceptable donor coordination, resulted in surging transaction costs for ODA.<sup>10</sup> Another conclusion pinpointed by a very influential study by Dollar and Burnside was that allocation of ODA to LDCs with a good policy environment would lead to better effectiveness.<sup>11</sup> In line with this other researchers argued that the success of ODA was depending mostly on the ODA recipient countries’ own policies and priorities, and therefore it was vital to alongside with ODA provide the proper incentives for such policies and priorities.<sup>12</sup>

The study by Dollar and Burnside and in the case of Tanzania, the so-called Helleiner report<sup>13</sup> gained great influence but there have been other studies contradicting them (e.g.

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<sup>7</sup> World Bank (1998) *Assessing Aid—What Works What Doesn't, and Why*, Washington

<sup>8</sup> Ibid

<sup>9</sup> Boone, P. (1995) *The Impact of Foreign Aid on Savings and Growth*, Working paper, London School of Economics and Boone, P., “Politics and the Effectiveness of Foreign Aid”, *European Economic Review*, February 1996, 40(2), pp. 289-329, Easterly, William (2006) *The white man's burden*, New York

<sup>10</sup> Warrenner, D. (2004), *Current thinking in the UK on General Budget Support*, Synthesis Paper 4, ODI

<sup>11</sup> Dollar, D. and Burnside, C.(2000) Aid, Policies and Growth, *The American Economic Review*

<sup>12</sup> Cordella, Tito and Dell’Ariccia, Giovanni (2003) *Budget Support Versus Project ODA*, IMF Working Paper, WP/03/88,

<sup>13</sup> Helleiner et. al, (1995) *The Report of the Group of Independent Advisers on Development Co-operation Issues between Tanzania and its ODA Donors*. The report raised similar concerns as Dollar and Burnside but within the Tanzanian aid context.



Hansen and Tarp 2000, 2001; Easterly et. al 2004; Antipin and Mavrotas 2006). It has also been claimed that the study by Burnside and Dollar is “statistically delicate”.<sup>14</sup>

Nevertheless, the growing debate about how and when to provide ODA definitely contributed to the questioning of project ODA. One of the more popular criticisms towards project ODA claimed that it created a marketplace for agencies and various projects, causing more focus on creating a good sales pitch rather than delivering actual results. This impoverished the government’s own systems for allocating resources and drained resources and capacity. Conway expressed it as “*islands of excellence were being created in a sea of government incompetence*” and argued that that the parallel structures invented by donors severely undermined the government abilities to carry out their own work.<sup>15</sup>

### ***A new paradigm of ODA***

*“Development cannot be imposed. It can only be facilitated. It requires ownership, participation and empowerment, not harangues and dictates”*

*Benjamin Mkapa, former President of Tanzania<sup>16</sup>*

The research pointing to some of the poor results of ODA, and particularly the failure of project ODA, did in many ways set the board for a new ODA paradigm. Over the last decade there have consequently been some major milestones in the evaluation of ODA, as displayed through the UN Millennium Declaration and the Rome and Paris declarations.

These declarations have been ratified by the majority of the developed, as well as the developing, countries and are the pillars of the present development agenda. They reflect the changed attitudes towards ODA relationships and aid modalities, and their watchwords are; ownership, partnership and programme lending. Some researchers therefore call this new ODA philosophy “*the perestroika of aid*”.<sup>17</sup> Donors no longer are supposed to act as enlightened patriarchs that open their big pockets to their unfortunate and helpless children, the ODA recipients. Instead, developing countries are encouraged to take full control of their own development agendas. Perhaps the role of donors is best understood by their new name; “development partners” (DPs).<sup>18</sup> In the words of John

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<sup>14</sup> Mavrotas, G. and Villanger, E, “Multilateral ODA Agencies and Strategic Donor Behaviour, UNU-WIDER Discussion Paper No.2006/02

<sup>15</sup> Conway, Tim (2003) *Changing policies of the major donors: UK case study*, Report for Japan Bank for International Cooperation, London:ODI

<sup>16</sup> Keynote speech at the African Regional Workshop on harmonization and alignment for development effectiveness and managing for results, Dar es Salaam, 9 Nov 2004

<sup>17</sup> A. Woods, M. Lockwood (1999) *Perestroika of aid*, Bretton Woods Project, Christian Aid March  
The Russian word perestroika means rebuild, reconstruct.

<sup>18</sup> In Tanzania, using the word donor was a big faux pas and we were strongly encouraged to refer to any international development agency as development partners. In this thesis we are somewhat less politically correct.

Weeks, development work should go from “*Donorship to Ownership*”.<sup>19</sup> One consequence of this changing attitude towards ODA is that programme aid, that is, non-project aid instruments such as general budget support, should be scaled up.

## **The Millennium Development Goals (MDGs)**

“We, heads of State and Government, have gathered at the United Nations Headquarters in New York from 6 to 8 September 2000, at the dawn of a new millennium, to reaffirm our faith in the Organisation and its Charter as indispensable foundations of a more peaceful, prosperous and just world. We recognize that, in addition to our separate responsibilities to our individual societies, we have a collective responsibility to uphold the principles of human dignity, equality and equity at the global level. As leaders we have a duty therefore to all the world’s people, especially the most vulnerable and, in particular, the children of the world, to whom the future belongs. We reaffirm our commitment to the purposes and principles of the Charter of the United Nations, which have proved timeless and universal. Indeed, their relevance and capacity to inspire have increased, as nations and peoples have become increasingly interconnected and interdependent.”

From **The United Nations Millennium Declaration**

The Millennium Development Goals were endorsed by 189 countries in the dawn of the new millennium and serve as a renewal of the goals stated in the aftermath of the Second World War through the United Nation’s Universal Declaration of Human Rights (UDHR).<sup>20</sup> It may be argued that the MDGs serve as a roadmap to realise the commitments spelled out in the UDHR. The goals, however, also build on a number of agreements made at major United Nations conferences during the 1990s. More specifically, the MDGs consist of eight focus areas:<sup>21</sup>

- 1. *Eradicate extreme poverty and hunger***
- 2. *Ensure that all boys and girls complete a full course of primary schooling.***
- 3. *Promote gender equality and empower women***
- 4. *Reduce child mortality***
- 5. *Improve maternal health***
- 6. *Combat HIV/AIDS, malaria, and other diseases***
- 7. *Ensure environmental sustainability***
- 8. *Develop a global partnership for development***

Each focus area is broken down into one or several concrete goals. In order to achieve the goals, the MDG-partners have strived to work out specific action plans. Many developing countries have drafted *Poverty Reduction Strategy Papers*, (PRSPs), a tool established by the World Bank as a foundation for debt relief. The PRSPs are strategies that identify the actions necessary to reduce poverty, boost growth and accomplish the MDGs.<sup>22</sup>

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<sup>19</sup> John Weeks, School of Oriental and African Studies (SOAS), in a presentation made to the EURODAD annual conference in December 2003

<sup>20</sup> Universal Declaration of Human Rights, 1948, <http://www.un.org/Overview/rights.html> 2007-01-29

<sup>21</sup> The UN Millennium Development Goals, 2000, <http://www.un.org/millenniumgoals/>

<sup>22</sup> Cling, Jean-Pierre et al, *The PRSP Initiative: Old Wine in New Bottles?*, [http://www.dial.prd.fr/actu\\_recherche/PRSPs.PDF](http://www.dial.prd.fr/actu_recherche/PRSPs.PDF), 2006-11-18

Unfortunately, it seems unlikely that most African countries will reach the Millennium Development Goals by 2015, the agreed dead line.<sup>23</sup> Therefore, claims have been raised that the MDGs are unrealistic and even utopian.<sup>24</sup> Yet, despite the likelihood of failure, 189 nations have committed themselves to working towards these goals. Consequently, both the Commission for Africa, chaired by Tony Blair and the UN Millennium Project, directed by Jeffrey Sachs, have called for doubling aid to poor countries.<sup>25</sup>

## The Rome and Paris Declarations

*“Ownership, alignment, harmonisation and management for results. You all know the words by heart. Yes, I admit they do sound like buzz words taken from a game of bullshit bingo at a staff retreat. But unlike many other buzz words, these have very practical implications”*

*Magnus Lindell, Sida<sup>26</sup>*

The last MDG emphasises the need for developing a global partnership for development. In the aftermath of the Millennium Declaration, two important declarations defining the core of such a global partnership were endorsed; “The Rome Declaration on Harmonisation” and “The Paris Declaration on ODA Effectiveness”. They are intended to function as frameworks for any future development work aimed at reaching the MDGs.

### The Rome Declaration on Harmonisation

The Rome Declaration was adopted at the first High Level Forum on Harmonisation in Rome in February 2003. By endorsing the declaration, both donors and developing countries committed themselves to enhancing the ownership of developing countries, as well as to improving management and effectiveness of ODA. In order to do the latter, focus was placed on implementing harmonisation efforts adapted to the specific country context, alignment of donor assistance with processes and priorities within the receiving country, streamlining of donor procedures and a greater focus on improved transparency, accountability and predictability of ODA.

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<sup>23</sup> Haines, Andy and Cassels, Andrew *Can the Millennium Goals be attained?*

<http://www.bmj.com/cgi/reprint/329/7462/394>, 2006-11-18

<sup>24</sup> The global implementation plan of the MDGs received the following comment by William Easterly, an economics professor at New York University: *"Its approach is a sort of utopian central planning by global bureaucrats, a crash program like a Great Leap Forward for poor countries. This will not work any better than central planning by bureaucrats has worked anywhere else, which is to say not at all."*

New York Times, Cecilia Dugger, *U.N. Report Urges Rich Nations to Double Aid to Poor*, Jan. 17, 2005

<sup>25</sup> Alina Rocha Menocal and Sarah Mulley (2006) *Learning from experience? A review of recipient government efforts to manage donor relations and improve the quality of aid*, ODI Working Paper 268

<sup>26</sup> Sida, *After the Paris Declaration*, transcript of presentations and discussions 29th-31st August 2006, opening speech

## **The Paris Declaration on Aid Effectiveness, PDAE**

In March 2005, another declaration relating to development partnership renewal was endorsed; The Paris Declaration of Aid Effectiveness. The PDAE was based on the Millennium and Rome declarations as well as the core principals of the Marrakech summit<sup>27</sup>, and therefore embodies much of the new ODA paradigm. This new approach to aid is spelled out in five commitments:<sup>28</sup>

1. ***Strengthened national ownership***  
Countries receiving ODA should be able to exercise the leadership over their development strategies and policies as well as be in charge of coordination. However, to be able to exercise ownership properly, developing countries need to strengthen their capacity.
2. ***Better alignment with national goal***  
Donors should coordinate their support with the developing countries own development strategies and use targets derived from these strategies for assessment and conditionality. This also includes a commitment to strengthening the countries' own systems and institutions.
3. ***Increased harmonisation among donors***  
The procedures connected to ODA allocation should be simplified and a more effective division of labour should be created in order to reduce transaction costs.
4. ***Managing for results***  
The desired results should be the focus of management and implementation of ODA.
5. ***Enhanced mutual accountability***  
Both donors and developing countries should increase transparency and make sure that the involved parties are taking responsibility for the consequences of their action as well as assure the strengthening of accountability promoting forces and arenas in order to promote national public support in both donor and partner countries.

A great number of developed and developing countries attended the Paris High-Level Forum on ODA Effectiveness, along with the major ODA organisations and civil society organisations. Some parties have expressed concern about this declaration committed, to a large extent, to the harmonisation of ODA. It is feared that this will result in increased use of programmatic ODA modalities, such as GBS, which would curtail the amount of funding being channelled through Non-Governmental-Organizations (NGOs). As the majority of e.g. human rights activities are funded through NGOs, the necessary deepening of citizen's awareness of their rights and the strengthening of their capacity to

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<sup>27</sup> The Second International Roundtable on Managing for Development Results took place on 4-5 February 2004 in Marrakech, Morocco, where participants discussed the challenges of managing for development results at the country level, as well as how they can continue to strengthen country and agency commitments to harmonize monitoring and evaluation around national strategies and systems, in order to provide useful reporting on results.

<sup>28</sup> *Paris Declaration on ODA Effectiveness*, 2005

<http://www1.worldbank.org/harmonisation/Paris/FINALPARISDECLARATION.pdf>, 2006-12-17

demand them might be at risk.<sup>29</sup> As pointed out by Paolo de Renzio et al, it should be stressed, however, that GBS is not the sole mode in which the commitments established in the PDAE can be fulfilled.<sup>30</sup> Nonetheless, increased programmatic aid seems to be a logical consequence of the Paris Declaration.

## ***The case for General Budget Support***

*“GBS can be viewed as a way to level out income differences, in the same way as we support certain regions in Sweden”*

Torvald Åkesson, Swedish Ambassador to Tanzania<sup>31</sup>

Although non-project instruments have been an important component of ODA flows since the 1960s, GBS today has a somewhat different rationale for using programme ODA. Previously, programme aid, such as food aid, balance-of-payments support and direct budgetary assistance was used to “*bridge specific financial gaps or to bolster government’s*” commitments to policy reforms agreed with the IMF or World Bank”.<sup>32</sup> Today the main aim is rather to improve government capacities “*to decide and implement policies for themselves*”.<sup>33</sup>

What distinguishes GBS is that it is channelled directly to the government of the country and thereby uses the government’s own allocation, procurement and allocation systems. The budget support is transferred as a lump sum, rather often (as in Tanzania) from a pool of funds from coordinated donors. GBS, however, involves more than the transfer of funds. In fact, its three key elements are: technical assistance or capacity building, policy dialogue, and the transferring of resources.<sup>34</sup> Differences may arise as to the extent of earmarking, as well as the levels and focus of the policy dialogue and conditionality.<sup>35</sup> The ultimate goal of GBS is, at its simplest, to reduce poverty. But it is also expected to achieve:<sup>36</sup>

- ***Increased ownership*** by supporting government priorities
- ***A stable macroeconomic framework***

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<sup>29</sup> de Renzio, Paolo et al (2006) *Illustration papers on human rights and the partnership commitments of the Paris Declaration*, ODI  
<http://www.odi.org.uk/rights/Publications/OECD%20DAC%20Harmonisation%20final%202006.pdf>, 2006-12-17

<sup>30</sup> Ibid

<sup>31</sup> Interview Torvald Åkesson, Swedish Ambassador to Tanzania, Dar es Salaam

<sup>32</sup> Booth, David (2004) *Budgets not projects: a new way of doing business for aid donors*, ODI Opinions 9, London: ODI

<sup>33</sup> Ibid

<sup>34</sup> Jean-Pierre Cling et al, *The PRSP Initiative: Old Wine in New Bottles?*, [http://www.dial.frd.fr/actu\\_recherche/PRSPs.PDF](http://www.dial.frd.fr/actu_recherche/PRSPs.PDF), 2006-11-18

<sup>35</sup> Budget Support can be earmarked to a certain sector within the government’s budget, e.g. education and is then called Sector Budget Support. General Budget Support, however, is channelled into the budget without any earmarking and at the full discretion of the government.

<sup>36</sup> OECD-DAC, IDD and Associates (2006) *Evaluation of General Budget Support, Synthesis Report, A joint evaluation of General Budget Support 1994-2004*, University of Birmingham

- Higher allocative *efficiency of public expenditure*
- *Increased alignment* with partner country's systems and policies
- *Improved coordination and harmonisation among donors*
- *Greater predictability* of funding
- *Strengthened partner institutions* and *increased capacity* of e.g. public servants
- *Lower transactions costs of ODA*
- *Increased domestic accountability* through increased focus on the government's own accountability channels, including Parliamentary scrutiny

It is obvious how much the expected achievements of GBS are in line with the aspirations of the Rome and Paris Declarations. The GBS modality itself is thus as an important part of the new ODA paradigm and today a majority of the bilateral and multilateral donors provide GBS.<sup>37</sup>

### **Problems with General Budget Support**

This new "favourite" aid modality is not without its problems. A common criticism against GBS concerns its fungibility, which may lead to ODA being used for the wrong purposes.<sup>38</sup> An illustrating example is a report in the Swedish TV program "Uppdrag Granskning", in which the Swedish Government was accused of indirectly financing the ongoing civil war in northern Uganda by providing GBS to the Ugandan government.<sup>39</sup> Thus some of the challenges with budget support are how such a fungible mode of ODA is to be managed, assessed, and used to create accountability.

Other problems with GBS are how the outputs/results caused by budget support should be identified and defined. Further, how GBS should be evaluated in order to legitimise donor governments among their own home constituencies.<sup>40</sup> Evaluating effects of any ODA is a very complex undertaking. The reasons are numerous: How can the effects of aid be distinguished from exogenous effects? How can long-term effects be matched to specific inputs? How are the results to be compared to what would have occurred without ODA? And what are the true causal relationships?<sup>41</sup> These problems do not disappear with the introduction of GBS. They may even be exacerbated because the impact of GBS is more difficult to assess than the impact of traditional project ODA. Another critique against GBS is that it strengthens the current government and thereby supports the ruling party at the expense of opposition parties and the civil society.<sup>42</sup>

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<sup>37</sup> Two important exceptions are worth mentioning: The US, which is legally prohibited to provide funds directly to governments and the agencies within the UN system.

<sup>38</sup> Hauck, V., Hasse O. and Koppensteiner M. (2005) *EC budget support: thumbs up or down?* ECDPM Discussion Paper 63, Maastricht: ECDPM.

<sup>39</sup> Uppdrag Granskning was broadcasted on 3 January 2006 in SVT 1  
[http://svt.se/svt/jsp/Crosslink.jsp?d=46152&a=513855&lid=puff\\_514579&lpos=extra\\_0](http://svt.se/svt/jsp/Crosslink.jsp?d=46152&a=513855&lid=puff_514579&lpos=extra_0) 2006-01-25

<sup>40</sup> Jean-Pierre Cling et al, *The PRSP Initiative: Old Wine in New Bottles?*,  
[http://www.dial.prd.fr/actu\\_recherche/PRSPs.PDF](http://www.dial.prd.fr/actu_recherche/PRSPs.PDF), 2006-11-18

<sup>41</sup> Danielsson, A. and Mjema, G. (2000), Country Economic Report 2001:3 Tanzania 2000, *Growth, Multilateral Debt Relief and Programme ODA*, Sida

<sup>42</sup> de Renzio, Paolo et al (2006) *Illustration papers on human rights and the partnership commitments of the Paris Declaration*, ODI

## Impact of General Budget Support

As the controversy about project aid versus programme aid/GBS continues, the need to assess the impact of budget support becomes increasingly important. Comparing the two aid modalities researchers, such as Cordella and Dell'Araccia, show that project ODA is more effective when macroeconomic policies are relatively poor. In the presence of good macroeconomic policies, however, budget support is the better choice.<sup>43</sup>

In order to present a more comprehensive evaluation of GBS, an entire new methodology had to be invented. Last year DAC made the impressive work of evaluating GBS in seven countries, as well as issuing a synthesis report addressing comparability of countries.<sup>44</sup> The results so far are very promising and the overall assessments by the country studies were clearly positive:<sup>45</sup>

- GBS has been a *relevant response* to certain acknowledged problems in aid effectiveness,
- GBS can be an *efficient, effective and sustainable* way of supporting national poverty reduction strategies.
- Provision of discretionary funds through national budget systems has produced *systemic effects on capacity*
- GBS tends to *enhance the country-level quality of aid* as a whole through its direct and indirect effects on coherence, harmonisation, and alignment
- As regards to *poverty reduction, it was too soon for the ultimate effects* of GBS inputs to be manifest

This provides some hard evidence that budget support has a great potential to make development assistance more effective and efficient. As the methodology for evaluation is being fine-tuned, more efforts to evaluate the impact of GBS will be made. If, as time goes by, the causality from GBS to poverty reduction will be confirmed in future evaluations, the success of the modality will hardly be disputed.

## Major GBS donors

Due to the promising results so far, the amount of GBS provided by bilateral as well as multilateral donors is steadily increasing.<sup>46</sup> Even if project ODA still dominates, many donors (among them Sweden) have expressed a will to scale up GBS in several countries.<sup>47</sup> On the global scene the biggest multilateral GBS donor is the World Bank (WB), whereas DFID is the largest bilateral provider. The European Commission (EC), a

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<http://www.odi.org.uk/rights/Publications/OECD%20DAC%20Harmonisation%20final%202006.pdf>, 2006-12-17

<sup>43</sup> Cordella, T. and Dell'Araccia, G. (2003) *Budget Support Versus Project ODA*, IMF Working Paper, WP/03/88

<sup>44</sup> OECD-DAC, IDD and Associates (2006) *Evaluation of General Budget Support, Synthesis Report, A joint evaluation of General Budget Support 1994-2004*, University of Birmingham

<sup>45</sup> Ibid

<sup>46</sup> Interview Sven Olander, Sida, Stockholm

<sup>47</sup> Interview Agneta Johansson and Robert Keller, Swedish Ministry of Foreign Affairs, Stockholm  
According to the new country strategy (2006-2010), Swedish ODA to Tanzania will contain 50-70% GBS

champion of GBS, also provides considerable amounts of GBS.<sup>48</sup> These three influential aid agencies take active part in the discussions about GBS and the development of its methodology. Although all of them are strongly convinced that GBS is the tune of the future, their views on conditionality and the “models” GBS provision differ. Since every donor is a strong proponent of its own model, there is intense debate and some controversy about *how* GBS should be provided.<sup>49</sup>

## **Conditionality**

*“If a man is indolent, let him be poor. If he is drunken, let him be poor. If he is not a gentleman, let him be poor. If he is addicted to the fine arts or to pure science instead of to trade and finance, let him be poor. If he chooses to spend his urban eighteen shillings a week...on his beer and his family instead of saving it up for his old age, let him be poor. Let nothing be done for ‘the undeserving: let him be poor.’”*

George Bernard Shaw

Any aid agreements typically set out terms and conditions to be met by the parties, that is, poverty *per se* is not a sufficient justification for the right to receive ODA.<sup>50</sup> If there is a significant breakdown in the performance of public financial management and accountability, agreements often allow donors to stop funding.<sup>51</sup> This is known as *fiduciary conditionality*. Funding can also be stopped if a recipient country deviates significantly from its poverty reduction objectives or international obligations.<sup>52</sup> There is general agreement that conditionality in these areas is important. There is, however, also big debate about which conditionality is the most “productive”, that is, serves as a good incentive and produces lasting results. Also, the particular circumstances in which it is appropriate to reduce or interrupt aid is highly controversial.<sup>53</sup> An interruption, even in line with the agreed conditionality, can potentially have adverse consequences on the most vulnerable, poor people and therefore be disastrous.<sup>54</sup> The problematic issue is whether poor people should be punished because they have corrupt governments?

There is even more disagreement over the use of *policy conditionality*, whereby donors agree to provide aid on condition that the country pursues particular policies.<sup>55</sup> Policy conditionality has been widely used, imposing economic, environmental as well as social policies, such as macroeconomic stabilisation or increased investment in education or health. During the 1980ies and 90ies, the disbursement of aid from some of the major multilateral agencies was conditional on specific policies, such as privatisation and

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<sup>48</sup> Interview Sven Olander, Sida, Stockholm

<sup>49</sup> Ibid

<sup>50</sup> This idea was quite popular in the 19th century as well, as this lampoon by GB Shaw shows

<sup>51</sup> Interview Sven Olander, Sida, Stockholm

<sup>52</sup> DFID (2005) *Partnership for poverty reduction, rethinking conditionality, A UK policy paper*, London

<sup>53</sup> Interview Agneta Johansson and Robert Keller, Swedish Ministry of Foreign Affairs, Stockholm

<sup>54</sup> Interview Agneta Johansson and Robert Keller, Swedish Ministry of Foreign Affairs, Stockholm

<sup>55</sup> DFID (2005) *Partnership for poverty reduction, rethinking conditionality, A UK policy paper*, London



introduction of user fees in the social sectors.<sup>56</sup> Due to both their content and specificity they sparked a lot of controversy in the developing countries.

As a result of the new paradigm in aid relationships, traditional policy conditionality has been heavily criticized for being ineffective and intrusive. Disillusionment has led to proposals to replace *ex ante conditionality* with *ex post conditionality* and to focus on ownership, selectivity, and partnerships.<sup>57</sup>

In addition to the essential sound macroeconomic policies the importance of good governance in reducing poverty is also being increasingly recognised. The focus of aid conditions has therefore been broadened to include political, social and institutional conditions.<sup>58</sup> These conditions include commitments by the recipient country to fight corruption or establish more transparent government systems. Donors have also become more ready to include conditions about the process of policy-making. For example; aid being conditional on a country's commitment to make consultations with poor people while preparing a national poverty reduction strategy.<sup>59</sup> These "process conditions" thus focus on the process of policy making without specifying what the policy should result in.

Along with the debate on the content and design of conditionality, there is also an intense discussion about the use of conditionality as such.<sup>60</sup> In their paper "Tough Love or Unconditional Charity?", Bougheas, Dasgupta and Morrissey present a model which demonstrates the general inefficiency of using conditionality. They write: "... *many existing tough love policies may in fact be persistent yet inefficient. Unconditional charity<sup>61</sup> is more open to self-correction when inappropriate*".<sup>62</sup> Thus the question is whether conditionality per se is a relic and at odds with the new development agenda, in which partnership should substitute conditions?

Somewhat paradoxically, concerns have also been voiced whether the new deal for development, with its shift to programme ODA, such as GBS, actually has the potential to substantially increase the use of conditionality.<sup>63</sup> That would imply a reversal to the traditional meddlesome conditionality of the past.

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<sup>56</sup> Typical conditions set by the World Bank in its Structural Adjustment Programs (SAPs) during the 1980-ies. These conditions were later heavily criticized and in hindsight not very successful

<sup>57</sup> Koeberle, Stefan G. (2004) *Conditionality: Under What Conditions? Conditionality Revisited*: Development Policy Forum, World Bank

<sup>58</sup> Interview Sven Olander, Sida, Stockholm

<sup>59</sup> DFID (2005) *Partnership for poverty reduction, rethinking conditionality, A UK policy paper*, London

<sup>60</sup> Interview Agneta Johansson and Robert Keller Swedish Ministry of Foreign Affairs, Stockholm

<sup>61</sup> The authors use the word "charity", which in our terminology is the same as aid or ODA.

<sup>62</sup> Bougheas, S. Dasgupta, I. and Morrissey, O. (2005) *Tough Love or Unconditional Charity?* Centre for Research in Economic Development and International Trade, University of Nottingham

<sup>63</sup> Killick, Tony (2004) *Did Conditionality Streamlining Succeed?* Conditionality Revisited: Development Policy Forum, World Bank

## Purpose of the thesis

After realizing how topical the issue of GBS is on today's development scene, we became very eager to study this popular aid modality in some more detail. Encouraged by Sida<sup>64</sup>, our particular interest was directed to the different conditionality "models"<sup>65</sup> used by the main GBS donors. It could be argued that every donor uses a unique conditionality model when providing budget support; yet, many bilateral donors apply rather similar conditionality to GBS.<sup>66</sup> The most clearly contrasting GBS models are those of the WB, EC and DFID<sup>67</sup>.

In order to not only familiarise ourselves theoretically with the different GBS models, we wished to observe them at work on the field. We therefore decided to study their current implementation in Tanzania, a country that makes great efforts to realise the new development agenda.

*This thesis will present three different conditionality models of GBS at work in Tanzania and compare their strengths and weaknesses in implementing the new development agenda, represented by the Paris Agenda.*

As harmonisation is one of the commitments on the new development agenda, a lot of effort has been spent by development partners on coordinating the GBS models. Because of their differences some researchers have described the successful GBS coordination in Tanzania as a "minor miracle".<sup>68</sup> 14 donors, including the WB, the EC and DFID, have been able to agree on a shared framework for performance assessment and it has internationally been hailed as an example.

*This thesis will also touch upon the implications of GBS coordination in Tanzania*

## Limitations and scope

The scope of our thesis purpose is deliberately broad. By studying the three different models of GBS provision and their interaction in light of the PDEA, we touch upon a wide range of important issues on the current development agenda. Each of these issues could have been the subject of a master thesis, but since they are very interrelated, we have (recklessly) chosen to embrace them all in a "top-down" approach. As a result, we have found it necessary to devote quite some space to describe the global and local ODA environment in which the GBS models are at work.

The thesis will focus on the Tanzanian example; however, since the three GBS models are at work in many other countries and the commitments spelled out in the PDEA by no means are nation specific, some of the observations could (hopefully) also be relevant for

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<sup>64</sup> Interview Sven Olander, Sida, Stockholm

<sup>65</sup> We have chosen to call them "models" in this thesis

<sup>66</sup> Lawson, A., Gerster R. and Hoole, D. (2005) *Learning from experience with performance assessment frameworks for General Budget Support*, Synthesis Report, SECO

<sup>67</sup> The DFID model can to some extent serve as a proxy also for other bilateral donors

<sup>68</sup> Lawson, Andrew, Gerster, Richard and Hoole, (2005) *David Learning from experience with performance assessment frameworks for General Budget Support*, Synthesis Report, , SECO

other developing countries. Thus, by using the situation in Tanzania as an illustration, our intention is to provide a snapshot of the situation of conditionality models in budget support and thereby point to some of today's big challenges in budget support provision.

## Method and theory

The nature of our purpose has required a highly qualitative strategy. In order to get different perspectives on GBS in general, as well as information about the different conditionality models and their specific implications in Tanzania, this thesis relies heavily on interviews. According to Langemar it is appropriate to use interviews when performing a qualitative study.<sup>69</sup> Our primary data has been 20 interviews with 26 persons undertaken during our visit to Dar es Salaam in Tanzania, and in Stockholm, Sweden. The majority of the interviewees were representatives working with GBS in the donor agencies providing budget support to Tanzania. However, we also interviewed several public servants from the Tanzanian Ministry of Finance (MoF) engaged in the GBS-process, for which we are especially grateful as our visit coincided with the so called "*quite time*", that is, the period when the MoF should be able to work undisturbed by international missions, delegations and visitor. Additionally we also spoke to independent parties, such as members of the academia and civil society. In spite of the great care taken when selecting the interviewees, it is impossible to get all perspectives on an issue involving such large amount of stake holders. The thesis could therefore run the risk of being biased by the views of the interviewed GBS-players, as well as those who were left out.

As a remedy, the interviews have been complemented by an extensive literature study. The lion's share of the literature consists of reports and papers written by a wide range of international development agencies. These are complemented by some academic publications; however, as GBS is a rather new phenomenon, most of the current literature is produced by aid organisations.

The different approaches to GBS and conditionality are important components of a permanently evolving new era in development work. The first evaluations of GBS have been conducted rather recently. However, to our knowledge, no evaluation of the different conditionality models have been undertaken and no theoretic framework for comparing the models exists. Thus, no research has so far pointed to a "winner" among the GBS conditionality models. One major reason is probably that the harmonisation efforts among donors are so successful that the differences seem to gradually disappear. Yet, despite successful coordination, the major GBS donors insist on using their particular conditionality models, revealing their different views on the role of conditionality. Lacking any established theory for comparing the models, we have chosen to use the PDEA as a framework for comparison. Although not created as an assessment tool of conditionality models, we argue that the PDEA very much embodies the main aspirations of the new development agenda, to which all major donors are committed.

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<sup>69</sup> Langemar, P. (2005). *Att låta världen öppna sig – Introduktion till kvalitativ metod i psykologi*. Stockholm: Psykologiska Institutionen, Stockholms Universitet

# ODA in Tanzania

## **Tanzania**

*“Our struggle has been, still is, and always will be a struggle for human rights. ... Our position is based on the belief in the equality of human beings, in their rights and their duties as citizens”*

Julius Nyerere, the first President of Tanzania

Tanzania gained full independence in December 1961 and Julius Nyerere, the socialist leader who led the country from British colonial rule, was elected President in 1962. The United Republic of Tanzania is a union of mainland Tanganyika and Zanzibar. Although Zanzibar is part of Tanzania, it elects its own president who is head of government for matters internal to the island. Zanzibar’s politics has historically been marked by bloody clashes, and separatist tendencies do exist, both on the isles and on the mainland.<sup>70</sup>

From independence in 1961 until the mid-1980ies, Tanzania was a one-party state, with a socialist model of economic development. In 1992, the government decided to adopt multiparty democracy. However, de facto, the political system is totally dominated by the Chama Cha Mapinduzi, CCM (Revolutionary State Party), and the party of all presidents after Nyerere. The National Assembly, the Tanzanian parliament, is the legislative branch but CCM today holds such a large majority that the Legislature in no real sense can hold the Executive to account.<sup>71</sup>

Tanzania is one of the poorest countries in the world and scores 162 (of 177 surveyed countries) on the Human Development Index 2006.<sup>72</sup> In addition to a GDP per capita of only USD 800<sup>73</sup>, poverty manifests itself, among others, through a high Infant Mortality Rate, a low literacy rate, serious problems with access to clean water and alarmingly accelerating rates of HIV/AIDS. Alongside the dire poverty comes corruption, which is highly prevalent in all sectors of the Tanzanian society. The 2006 Transparency International Corruption Perceptions Index placed the country on place 98 out of 163 countries.<sup>74</sup>

## **The history of ODA in Tanzania**

“Development Economists use it as a measure. If Tanzania can haul itself out of poverty, others can too. But if it cannot, there will have to be another rethink about the way that ODA money is spent. For the moment, Tanzania is one of east-Africa’s few good-news stories. That isn’t saying much. The country remains wretchedly poor, inefficient, with little medical care in its remote areas, few roads and with frequent power cuts, even in Dar es Salaam, the largest city. But donors, disillusioned by the corruption

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<sup>70</sup> Rwambali, Faustine, “Zanzibar's Long History Of Political Violence”, *The East African* 5 February 2001

<sup>71</sup> Lawson, A. and Rakner, L. (2005) *Understanding patterns of accountability in Tanzania*, Oxford Policy Management, Chr. Michelsen, Bergen and Institute on Poverty Alleviation, Dar es Salaam

<sup>72</sup> Human Development Report, 2006, UNDP

<sup>73</sup> CIA, The World Fact book <https://www.cia.gov/cia/publications/factbook/fields/2004.html>, 2007-04-30

<sup>74</sup> Transparency International, <http://www.infoplease.com/ipa/A0781359.html>

and/or brutality that goes on elsewhere, are happy to pour money into somewhere that is, at least, both peaceful and stable.<sup>75</sup>

**The Economist, 30 September, 2006**

Tanzania is not only a country with a history of being “wretchedly poor”, but also one of being “a donor darling”. Since the country’s independence, it has been one of the largest recipients of ODA in absolute terms in sub-Saharan Africa. The country has received ODA from over 50 bilateral sources, contributing 90 % of the annual ODA flows during the 1970ies. The highest scoring bilateral donors were the Nordic countries, followed by Germany and the Netherlands, while Canada, the U.S. and the UK came in third. In the late 1980s, Japan and Italy increased their share in the overall Tanzanian ODA receipts, whereas China and other Socialist countries decreased their support.

Over time, the multilateral donors have become increasingly important to the country and in 1988 they contributed close to 40 % of total ODA flows. The latter group also rapidly increased loans to the Tanzanian government in the 80ies and 90ies. The major multilateral players have been, and still are, the World Bank, the IMF, the African Development Bank, the EU, UNDP and UNHCR.<sup>76</sup>

For most of the 1960ies and the 1970ies *project ODA* was the ODA modality most preferred by donors, comprising more than two-thirds of total ODA.<sup>77</sup> The preference of project assistance to programme ODA is considered to be attributed to three factors: 1) Projects appeared to be easy to plan, design, control and supervise, hence ensuring visible results while allowing for direct accountability. 2) Project ODA, unlike programmes, was easy to tie to the procurement of goods and services from the donor. 3) Projects provided donors with opportunities to by-pass national institutions in order to avoid corruption and weak capacity. Since the mid-1980ies, there has, however, been a substantial shift in emphasis *from project ODA to programme ODA*.

The aid flows to Tanzania have also tended to be rather volatile depending on trends in ODA and political circumstances in Tanzania as well as in the donors countries.<sup>78</sup> In 1994 the relationship between Tanzania and the donors almost came to a virtual breakdown, which led to the so called Helleiner report, in which all aid relations were reviewed and several profound changes and improvements were recommended.<sup>79</sup>

### ***ODA in Tanzania today***

Today the Tanzanian government distinguishes between three different ODA modalities: GBS, common baskets and projects. The dominant aid modality is still project aid with 45% of total aid flows, however, closely followed by GBS with 37%.<sup>80</sup> 18% of ODA

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<sup>75</sup> “Bye-bye Poverty”, *The Economist* September 30th 2006 p. 52-53

<sup>76</sup> Bigsten, A. (1999) *ODA and Reform in Tanzania*, Gothenburg

<sup>77</sup> Ibid

<sup>78</sup> Bigsten, A. (1999) *ODA and Reform in Tanzania*, Gothenburg

<sup>79</sup> Helleiner et. al (1995) *The Report of the Group of Independent Advisers on Development Co-operation Issues between Tanzania and its ODA Donors*, Dar es Salaam

<sup>80</sup> Interview Mattaba Deodatus, et al Ministry of Finance, Dar es Salaam

consist of baskets funds.<sup>81</sup> The Tanzanian government has clearly stated that its preferred aid modality is GBS.<sup>82</sup>

The most striking feature of ODA in Tanzania in recent years is the increase in the overall amount of assistance. Already starting from a high absolute level, the ODA inflows surged to annual averages of USD 900 million in 1994-2004.<sup>83</sup> Today aid amounts to an unprecedented 12 percent of GDP, constituting more than double its real value in the early 1990s.<sup>84</sup> 39 percent of the 2006/2007 budgetary spending (excluding multilateral debt relief) is financed by ODA, compared to some 20 percent a decade earlier.<sup>85</sup> Tanzania is thereby one of the most aid-dependent countries in the world. According to the 2004 World Development Report, “Tanzania is currently in active dialogue with almost 50 ODA organisations that send more than 1000 delegations every year and request more than 2000 reports each year”.<sup>86</sup>

With these levels of ODA dependency, it is essential that ODA flows remain predictable and do not fluctuate too much.<sup>87</sup> However, it turns out that a great majority of donors in Tanzania, when asked by the government to make predictions of aid disbursements in the years to come, (officially) predict decreasing ODA.<sup>88</sup> This contradiction between prediction and practice makes any long term planning for the government very difficult.

If the with surging aid levels continues, Tanzania’s aid dependency will increase further, despite the officially pronounced ambition of reaching a sustainable level of self-financing. The government is criticised for not having a real, concrete plan for ending the unsustainable aid dependency.<sup>89</sup>

## Capacity problems

For any developed country, 1000 delegations and 2000 requested reports per year would constitute a tremendous work load. For Tanzania, one of the poorest countries in the world and with an alarming shortage of educated workers, it poses an almost unsurmountable challenge. There is simply not enough skilled staff in the government ministries and therefore the country is ill prepared to follow up on increasingly important policy dialogue.<sup>90</sup> Many officials that handle budget support are technocrats with limited influence over, and knowledge of, policy work which touches upon governance. This, in

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<sup>81</sup> A basket funds consists of resources received from a range of international development agencies active in a sector. Tanzania, for example, has basket funding in the health sector, which is administered by the Ministry of Health

<sup>82</sup> Tanzanian Assistance Strategy (TAS), 2002

<sup>83</sup> Interview Mattaba, Deodatus et al, Ministry of Finance, Dar es Salaam

<sup>84</sup> A. Lawson, D. Booth, M. Msuya, S. Wangwe and T. Williamson (2005) *Does General Budget Support work? Evidence from Tanzania*, ODI and Daima associated

<sup>85</sup> Interview Mattaba, Deodatus, et al Ministry of Finance, Dar es Salaam

<sup>86</sup> Aarnes, Dag (2004) *Budget Support and ODA coordination in Tanzania*, presented to the Norwegian Embassy in Dar es Salaam

<sup>87</sup> Mramba, Basil P., *Tanzania: 'Smart' Partnerships*, Finance and Development, IMF Magazine, Sept. 2005, Volume 42 No.3

<sup>88</sup> Interview Alister Moon, World Bank, Dar es Salaam

<sup>89</sup> Interview, Prof. Samuel Wangwe, Chairman of IMG, Dar es Salaam

<sup>90</sup> There was broad consensus on the lack of capacity among all interviewees

combination with a more hierarchical tradition, results in donors turning to the highest possible authority when experiencing a setback. “*You just phone a minister and then the problem is quickly solved*”<sup>91</sup>

The biggest problem in terms of public servant capacity seems to exist in the line ministries (Ministry of Health, Education etc), while the Ministry of Finance (MoF) has been more successful in recruiting capable staff.<sup>92</sup> However, also in the MoF it is hard to keep the skilled staff for any longer periods due to the low salaries.<sup>93</sup> A lot of capable public servants ironically end up working for the international development agencies instead, where they are paid up to 10 times more.<sup>94</sup>

It is thus of vital importance that the limited capacity is used efficiently. In order to strengthen capacity, part of the ODA provided by GBS donors is also technical assistance (TA), e.g. in the form of qualified consultants working in the different ministries. Some donors believe that massive TA in this form is the only way to address the capacity problems.<sup>95</sup>

### **The Joint Assistance Strategy for Tanzania, JAST**

As a result of limited national capacity and an overload of development partners, donor coordination is an increasingly urgent issue. In an effort to improve coordination a new *Joint Assistance Strategy for Tanzania (JAST)* is under development.<sup>96</sup> Its purpose is to document the progress made so far in establishing a new ODA relationship in Tanzania and to increase national ownership as well as to reduce transaction costs by enhancing harmonisation and alignment with national priorities and national systems.<sup>97</sup> The JAST is to be implemented from the FY 2006-2007 and seeks to align each donor's country assistance strategy with the government's poverty reduction strategy, the MKUKUTA.

Not surprisingly, it has proved difficult getting all the donors to agree upon a joint aid strategy. As a result the common denominators may become too broad and there is a risk that the JAST, in its intention to be inclusive, loses a strategic focus. Then the JAST will be no tool for alignment and coordination but a collecting depot of the plethora of donor programs. In order to keep a strategic focus, the Independent Monitoring Group (IMG) argues that the Tanzanian government should reject the donors that cannot be fit into the JAST due to inconsistencies with the Tanzanian objectives and priorities.<sup>98</sup> However, the

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<sup>91</sup> Interview Martin Saladin, SDC/SECO, Dar es Salaam

<sup>92</sup> Interview Longinus Rutasitara, University of Dar es Salaam, Dar es Salaam

<sup>93</sup> Interview Philippina Malisa, Ministry of Finance, Dar es Salaam

<sup>94</sup> Interview Philippina Malisa, Ministry of Finance, Dar es Salaam

<sup>95</sup> Interview Hanno Spitzer, German Embassy, Dar es Salaam

<sup>96</sup> Interview Yuko Suzuki, UNDP, Dar es Salaam. This was the status during our visit to Tanzania. The JAST was signed on 5 December 2006 by the GoT and 19 development partners, including the WB, EC and the UK

<sup>97</sup> Interview Mattaba, Deodatus et al, Ministry of Finance, Dar es Salaam

<sup>98</sup> IMG (2005) *Enhancing ODA Relationships in Tanzania, Report of the Independent Monitoring Group to the Government of Tanzania and Development Partners Group*, Dar es Salaam

realism in this request is commented by the IMG chairperson himself, Samuel Wangwe; “What government says no to money?”<sup>99</sup>

## ***The Tanzanian Poverty Reduction Strategy, MKUKUTA***

*“Nyimbo ya kufunzwa haikeshi ngoma”*

*Songs learnt from outside sources (foreign importations) are not used at a dance so long*

Tanzanian proverb

In September 1999, the World Bank Group and the IMF agreed that nationally owned ‘poverty reduction strategies’ (PRSs) should provide the basis of all their concessional lending. The quintessence of the PRS is *that poor counties themselves* should elaborate and decide their strategies and action plans on how to fight poverty. In most poverty stricken countries, this strategy takes the form of a PRS paper, which links debt relief to poverty reduction goals.<sup>100</sup> Tanzania endorsed its first PRS in 2000 and in 2005 the Tanzanian government launched its successor, known as the *MKUKUTA*.

The National Strategy for Growth and Reduction of Poverty, known as *MKUKUTA*<sup>101</sup> presents the country’s vision 2025 but is to be implemented over the period 2005-2010. It is committed to the achievement of the MDGs and has an increased focus on growth and governance.<sup>102</sup> In line with the philosophy of the new development paradigm, the national goals and priorities spelled out in the *MKUKUTA* are suppose to guide any ODA provided to Tanzania and it is therefore an important tool in enhancing national ownership and alignment. Through the *MKUKUTA* Tanzania can “take the driving seat” when it comes to its own development and the role of donors is to be discussion partners and supporters, not micromanaging government substitutes.

*MKUKUTA* is to function as an instrument for mobilising efforts and resources towards targeted poverty reduction outcomes based on principles such as national ownership, maintenance of macroeconomic and structural reforms, political commitment to democratisation and human rights, and good governance and accountability.<sup>103</sup>

The strategy was elaborated after nation-wide consultations with Parliament, civil society, private sector, districts and villages and DPs. For example, 500.000 questionnaires were distributed all over the country, in which various stakeholders had the possibility to identify the main reasons for poverty and come up with visionary as

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<sup>99</sup> Interview Prof. S. Wangwe, Daima Association Ltd. Dar es Salaam

<sup>100</sup> World Bank Poverty Reduction Strategies  
<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPRS/0,,menuPK:384207~pagePK:149018~piPK:149093~theSitePK:384201,00.html>

<sup>101</sup> Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania

<sup>102</sup> The United Republic of Tanzania, National Strategy for Growth and Reduction of Poverty, Vice President’s Office, 2005

<sup>103</sup> The United Republic of Tanzania, National Strategy for Growth and Reduction of Poverty, Vice President’s Office, 2005



well as concrete proposals as to how poverty might be reduced.<sup>104</sup> In the hastily put together first PRS donors had a much larger saying and domestic constituencies had a low degree of influence.<sup>105</sup> The MKUKUTA strategy, however, was more consultative and more participatory, and with greater government leadership than in the past.<sup>106</sup> This time donors were only allowed to comment on the draft version.<sup>107</sup>

The MKUKUTA identifies three clusters of broad outcomes: 1) ***Growth and reduction of income poverty***; 2) ***Improvement of quality of life and social well being*** and 3) ***Good governance and accountability***.<sup>108</sup> Each cluster has a set of *broad outcomes*, (e.g., improved quality of life and social well being of the rural population), *goals* (e.g., reduced child and maternal mortality) and *operational targets* for 2010 (e.g., reduce infant mortality from 95 to 50 ‰ in 2010). To achieve the targets, so-called cluster strategies, that is, actions that are suppose to deliver them, are identified. The MKUKUTA includes around 100 operational targets/indicators and over 175 cluster strategies/actions.<sup>109</sup> During 2006 the indicators were still the target of some revisions.

The reason for choosing a cluster approach in the MKUKUTA is that poverty reduction is a highly complex process in which many areas are intertwined and have to be addressed simultaneously.<sup>110</sup> If the focus stays on traditional sectors, such as education and health, many links between these sectors could be missed. However, the cluster approach is criticised by the civil servants that have to use the MKUKUTA as their working tool.<sup>111</sup> The line ministries are still very sector focused and are not used to working together. Due to their long history of cooperating with donors, the line ministries have also developed special relationships with some donors. From a situation where the different ministries competed for donors, they are now expected to “see the overall picture of development” and co-operate in order to implement the MKUKUTA.<sup>112</sup>

In addition to the MKUKUTA strategy and its outcome indicators, any PRS should further include a *poverty monitoring system* (PMS). The poverty monitoring is crucial in following up and reporting on the outcome indicators. Every year a PRS review should prepare an Annual Progress Report (APR) in order to review the progress. Ideally, the APR is to serve as the single information source for donors when they undertake their assessments connection to disbursement. In Tanzania, the PRS review is suppose to feed into the GBS review that takes place in October. The PRS review is to be preceded by sector reviews in, for example, the education sector and the health sector.<sup>113</sup>

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<sup>104</sup> Interview Dr. Longinus Rutasitara, University of Dar es Salaam, Dar es Salaam

<sup>105</sup> Interview, Martin Saladin, SDC/SECO, Dar es Salaam

<sup>106</sup> Interview Dr. Longinus Rutasitara, University of Dar es Salaam Dar es Salaam,

<sup>107</sup> Wohlgemuth, L. (2006) *Changing Aid Modalities in Tanzania*, (ECDPM Policy Management Brief no. 17) Maastricht: ECDPM

<sup>108</sup> The United Republic of Tanzania, National Strategy for Growth and Reduction of Poverty, Vice President’s Office, 2005

<sup>109</sup> Ibid

<sup>110</sup> Interview Dr. Longinus Rutasitara, University of Dar es Salaam, Dar es Salaam

<sup>111</sup> Interview Mattaba Deodatus, et al Ministry of Finance, Dar es Salaam

<sup>112</sup> Interview Jonathan Wolsey, EC, Dar es Salaam

<sup>113</sup> Interviews Martin Saladin, SECO, Dar es Salaam

The Strategic Partnership with Africa (SPA) performed a survey on the integration of donor performance monitoring with the PRS Annual Report process.<sup>114</sup> The responses clearly show that the annual review and reporting processes associated with the PRS are insufficient for the donor's financing decisions, and that most donors believe that it is necessary to ask the government for additional information or reports. In fact, the proportion that indicates that PRS reporting is inadequate has risen from 57% in the 2003 survey, to 71% today.<sup>115</sup> Requiring more information, however, adds to the pressure on the already limited capacity

Several GBS donors in Tanzania confirm that they have the same problems and that the poverty monitoring system connected to the MKUKUA is still incomplete and partly unreliable.<sup>116</sup> A well-functioning PMS relies on a solid methodology and most importantly on accurate data. As in many LDCs, Tanzania has *weak statistical capacity*, which creates great reliability problems for the PMS.

### ***The rationale of GBS in Tanzania***

Against the background of dramatically increased ODA by a growing number of donors, it is obvious why the Government of Tanzania prefers budget support. During a long time, it has had to face proliferating individual projects, poorly coordinated and totally outside their control. Many of them have had a tendency to undermine fiscal discipline and erode systems for managing government spending because they circumvented the regular budget process.<sup>117</sup> The flood of projects has resulted in surging transaction costs and government ownership has been very limited.<sup>118</sup> This is, however, not to say that none of the projects have been successful and in certain circumstances, the project modality may be the only feasible option.<sup>119</sup>

The Tanzanian government is therefore convinced that GBS is the best ODA modality because "*it gives the government full ownership over public resource allocation, in line with national priorities for the implementation of MKUKUTA*".<sup>120</sup> According to the Tanzanian MoF, GBS is further key to lowering transaction costs, which will result in a more efficient use of the limited national capacity. The strengthening of central institutions through GBS is also said to be the only way to address poverty and capacity problems in the long term.<sup>121</sup>

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<sup>114</sup> SPA-6 Budget Support Working Group (BSWG), Survey of the Alignment of Budget Support and Balance of Payments Support with National PRS Processes, 2005 (Tanzania was one of the surveyed countries)

<sup>115</sup> Ibid

<sup>116</sup> Interviews Martin Saladin, SECO and Tim Harris, DFID, Dar es Salaam

<sup>117</sup> Wohlgemuth, L. (2006) *Changing Aid Modalities in Tanzania*, (ECDPM Policy Management Brief no. 17) Maastricht: ECDPM

<sup>118</sup> Interview, Mugisha Kamugisha Ministry of Finance, Dar es Salaam

<sup>119</sup> Wohlgemuth, L. (2006) *Changing Aid Modalities in Tanzania*, (ECDPM Policy Management Brief no. 17) Maastricht: ECDPM

<sup>120</sup> Z. Meghji, Minister of Finance, Talking notes during the visit of the Swedish Minister for International Affairs, 4 December 2006

<sup>121</sup> Interview Mugisha Kamugisha Ministry of Finance, Dar es Salaam

However, despite being the government's preferred aid modality, GBS is, five years after its introduction, still not the main mode of ODA in Tanzania.<sup>122</sup> In 2006, the proportion of GBS alone was a little more than a third of total aid.<sup>123</sup> This should, yet, be seen in the context of substantially increased ODA. Only the education sector and health sector have showed a decisive shift away from the traditional project funding. The important agriculture sector on the other hand is one of many that still is characterised by high levels of project funding.<sup>124</sup> The largest GBS funding is provided by the World Bank (200 Million USD for FY06/07), followed by the UK, (ca 158 Million USD for FY06/07). The European Commission occupies a fourth place (ca 44 Million USD for FY06/07) after the Africa Development Bank (ADB).<sup>125</sup>

### **Evaluation of GBS in Tanzania**

In 2004 an evaluation of the impact of GBS in Tanzania was undertaken by the ODI and Daima Associates Limited.<sup>126</sup> In summary, the evaluation showed that GBS in Tanzania did not have all the positive effects expected; however, the identified gains are important and “*would not have been so effectively facilitated by any other ODA modality*”.<sup>127</sup> The evaluation concluded, among other, that GBS had made a major contribution to good macroeconomic management, with low inflation and solid economic growth. Further, that there had been a large increase in discretionary resources available to the budget, allowing stabilisation of domestic debt, expanded services for education, health, water and road maintenance as well as consistent improvement and modernisation of the public financial management systems.<sup>128</sup>

### **Three conditionality models of General Budget Support**

The three major GBS donors studied in this thesis use different models of conditionality. A common feature of all three models, though, is that they in addition to their own conditionality all demand that the IMF Poverty Reduction and Growth Facility, PRGF , programme remains on track.<sup>129</sup> Somewhat simplified, the main focus of the PRGF conditionality is on structural conditions and public resource management/accountability. The IMF can be described as the “watch dog” of a stable macroeconomic environment.

The inclusion of the IMF assessment reflects the general understanding among donors that macroeconomic stability is a prerequisite for any successful ODA implementation. Since the IMF recently completed the PRGF in Tanzania, the role of the IMF will be in

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<sup>122</sup> IMG (2005) *Enhancing ODA Relationships in Tanzania, Report of the Independent Monitoring Group to the Government of Tanzania and Development Partners Group*, Dar es Salaam

<sup>123</sup> Interview Mattaba, Deodatus et al, Ministry of Finance, Dar es Salaam

<sup>124</sup> Lawson, A. et. al (2005), “*Does General Budget Support Work? Evidence from Tanzania*”, ODI report

<sup>125</sup> World Bank, Program Document for a proposed credit, report No 35800-TZ, 2006

<sup>126</sup> Lawson, A. et al (2005), “*Does General Budget Support Work? Evidence from Tanzania*”, ODI report

<sup>127</sup> Ibid

<sup>128</sup> Ibid

<sup>129</sup> Interview Lelde Schmitz, IMF, Dar es Salaam

the form of a new aid instrument, the Policy Support Instrument (PSI).<sup>130</sup> However, the IMF will still perform the “signalling” or “gate keeping” role and thus the PRGF expiration does not substantially change the IMF grip on the economic direction of Tanzania.<sup>131</sup> The judgment of the IMF will subsequently count as heavily in future GBS disbursement decisions as today.

### ***The World Bank GBS model***

*“The sine non qua for successful, sustainable reforms is country ownership, and therefore conditionality associated with policy-based lending should be pro forma, consensual conditionality rather than hard core, coercive conditionality”*

Tony Killick, ODI<sup>132</sup>

Because of its long history of channelling aid directly into government budgets, so-called policy-lending, the World Bank is the “senior” in providing “GBS-like” ODA. This giant among multilaterals also has a long and controversial record of using conditionality.

In the 1980ies and 90ies the WB implemented Structural Adjustment Programmes (SAPs) in many low income countries. The conditions in the SAPs generally addressed short-term macroeconomic imbalances and economic distortions and in many cases this conditionality was critical for the advancement of first generation reforms.<sup>133</sup> However, too often, the reforms were insufficiently owned by the country, subject to policy reversals, and were perceived as excessive or intrusive.<sup>134</sup> The WB was accused of using a “one size fits all” model of conditionality and of taking little notice of specific local circumstances in the receiving countries.<sup>135</sup> The flagrant lack of ownership very often resulted in insufficient or non-existent political will - the prerequisite for any economic reform. The WB tended to substitute government commitment with conditionality.

Today, there is a general recognition, (much due to the self-critique exercised by the WB), that it is not sustainable to “buy reforms” and that a country that receives policy-based lending first has to show a certain level of leadership and ownership in terms of poverty alleviation and growth acceleration.<sup>136</sup> If a successful track record and a genuine political will are lacking, lending programs will do more harm than good.

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<sup>130</sup> Tanzania Social and Economic Trust, TASOET (2006) *Tanzania after PRGF...a new role for the IMF*, Briefing Paper, April

<sup>131</sup> Interview Lelde Schmitz, IMF, Dar es Salaam

<sup>132</sup> Killick, T., Ramani, Gunatilaka and Marr, Ana (1998) *Aid and the Political Economy of Policy Change*. Overseas Development Institute. London: Routledge

<sup>133</sup> First generation reforms include trade liberalization, exchange rate devaluation, domestic financial liberalization etc.

<sup>134</sup> World Bank edited by Stefan Koeberle, Zoran Stavreski, Jan Walliser (2006) *Budget support as more effective aid, recent experience and emerging lessons*, Washington

<sup>135</sup> Koeberle, Stefan G. (2004) *Conditionality: Under What Conditions? Conditionality Revisited: Development Policy Forum*, World Bank

<sup>136</sup> Killick, Tony (2004) *Did Conditionality Streamlining Succeed? Conditionality Revisited: Development Policy Forum*, World Bank

Hence, the WB has reformed its use of conditionality over the years.<sup>137</sup> As an example, the number of conditions has been sharply reduced. The previous amount raised many concerns of “overloading” the policy agenda and as a result, the average number of conditions per policy-based operation has declined from more than 35 in the late 1980ies to about 12 in FY05.<sup>138</sup> Also, the content of conditionality has changed. Moving away from its traditional focus on short-term macroeconomic adjustment and removals of economic distortions, the emphasis on, for example, privatisation and introduction of user fees has strongly declined.<sup>139</sup> Today, policy-based lending is instead used to support second or third generation reforms. The institutional and political complexities of these reforms are higher and designing their conditionality is even more challenging.<sup>140</sup> Nevertheless, the WB still considers it necessary to catalyse policy change through conditionality and thereby support the “the reformers” in a country.

According to its Articles of Agreement, the World Bank is not allowed to use “political conditionality”.<sup>141</sup> However, since the 1990s, internal as well as external demands grew for the WB to address the constantly reoccurring (political) problem of corruption. In order to avoid allegations of violations of its non-political mandate, while still fighting corruption, the WB has worked to transform corruption into an economic and social issue, rather than a political one.<sup>142</sup> The World Bank has further stretched its policy frontiers by endorsing “*good governance*” as a core element of its development strategy. Governance is a multifaceted concept and even if the WB has tried to restrict itself to the economic dimensions of governance, some researchers argue that if the WB would like to improve good governance substantially in developing countries, it would have to address issues of power, politics and democracy explicitly.<sup>143</sup>

The World Bank’s budget support most often come in the form of a so called Poverty Reduction Support Credits or Grants (PRSC/G), linked to the implementation of a PRS. For annual tranches of the PRSC/G to be disbursed, pre-specified *trigger conditions* have to be completed. The WB thus uses *ex ante conditionality*. Triggers represent a notional set of expected prior actions of process oriented character that are believed to be critical for achieving and sustaining the results of a medium-term programme. Compliance with triggers indicates that sufficient progress has been made to move from one operation to

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<sup>137</sup> Interview Allister Moon, World Bank, Dar es Salaam

<sup>138</sup> Review of World Bank Conditionality: Issues Note, World Bank, January 2005

<sup>139</sup> World Bank edited by Stefan Koeberle, Zoran Stavreski, Jan Walliser (2006) *Budget support as more effective aid, recent experience and emerging lessons*, Washington

<sup>140</sup> Morrow, Daniel (2004) *Adjusting Conditionality: Prescriptions for Policy-Based Lending*, Conditionality Revisited: Development Policy Forum, World Bank

<sup>141</sup> World Bank, Articles of Agreement

<http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,contentMDK:20049557~menuPK:63000601~pagePK:34542~piPK:36600~theSitePK:29708,00.html>, 2006-12-27

<sup>142</sup> Marquette, H. (2004) “The Creeping Politicization of the World Bank: The Case of Corruption”, , University of Birmingham, *Political Studies: 2004 Volume 52*

<sup>143</sup> Santiso, Carlos, (2001) “Good Governance and Aid Effectiveness: The World Bank and Conditionality” *The Georgetown Public Policy Review* Volume 7 Number 1 Fall 2001, pp.18-19

the next.<sup>144</sup> When a trigger is completed, it is being converted into a *prior action*. When converted, the trigger can be adjusted in order to better reflect the specific progress that has been achieved.<sup>145</sup> Rather substantial modified triggers can be accepted and converted into prior actions if the overall progress is considered satisfactory.<sup>146</sup>

If the triggers are not fulfilled, the PRSC/G agreements clearly specify that disbursements should not be made. The clarity of this “on-off” approach is valued by certain other development agencies, such as the German Kreditanstalt für Wiederaufbau (KfW)<sup>147</sup>, which generally provides budget support by co-financing the PRSC/Gs. The risk with this approach is that significant volumes of budget financing may be withheld if one or two prior actions (out of 10-15) are not fulfilled. The most common method used to avoid such problems is to undertake a delayed assessment, or repeat one a couple of months after the regular PRSC/G supervision mission, in order to give time for prior actions to be completed, while hopefully still disbursing within the relevant fiscal year.<sup>148</sup>

The model with triggers/prior action in the form of policy or process indicators is the targets of an ongoing internal debate at the WB. Policy/process conditionality remains a controversial issue even if the kinds of policy reforms that are being imposed have changed significantly. The World Bank’s Operations Evaluation Department has recommended that the organization should encourage piloting and experimenting with outcome based lending.<sup>149</sup> David Booth et al., however, argue against the introduction of a more results-oriented approach and think that it is a sign of political naiveté to believe that focusing on results would give the recipients countries’ governments a strong incentive to improve their policies.<sup>150</sup>

## **WB’s GBS in Tanzania**

The World Bank Poverty Reduction Support Credit (PRSC) has been channelled to the volume of GBS resources provided to Tanzania since 2003/04. In addition, the PRSC is also boosted by the German budget support contribution.<sup>151</sup> The current credit, the PRSC-4 is the first in a series of five planned annual operations supporting the implementation of the MKUKUTA.<sup>152</sup> The PRSC-4 amounts to USD 200 million and is a credit (in contrast to the budget support provided by EC and DFID, which are both grants) with 40-years maturity and a 10-year grace period.<sup>153</sup>

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<sup>144</sup> World Bank edited by Stefan Koeberle, Zoran Stavreski, Jan Walliser (2006) *Budget support as more effective aid, recent experience and emerging lessons*, Washington

<sup>145</sup> Program Document for a proposed credit, report No 35800-TZ, 2006,

<sup>146</sup> Interview Allister Moon, World Bank, Dar es Salaam

<sup>147</sup> Bank that provides part of the German ODA

<sup>148</sup> Lawson, Andrew, Gerster, Richard, and Hoole, David (2005) *Learning from experience with performance assessment frameworks for general budget support*, Synthesis Report, SECO in DAC

<sup>149</sup> Chhibber, A. (2004) *Policy-Based Lending, Conditionality, and Development Effectiveness*, Development Policy Forum, World Bank

<sup>150</sup> Booth, D., Christiansen, K. and de Renzio, P. *Reconciling Alignment and Performance in Budget-Support programmes: What next?* ODI, World Bank, Practitioner’s forum on budget support, May 4-5, Cape Town, South Africa

<sup>151</sup> Interview Hanno Spitzer, German Embassy, Dar es Salaam

<sup>152</sup> Interview Allister Moon, World Bank Dar es Salaam

<sup>153</sup> World Bank, Program Document for a proposed credit, report No 35800-TZ, 2006

In accordance with the WB model of conditionality, the release of the PRSC-4 was conditioned on ten triggers. Eight of them were satisfactorily completed and converted into prior actions with minor adjustment. Two of the triggers had to be revised because capacity constraints delayed their implementation.<sup>154</sup> Yet, the WB regarded the overall progress as satisfactory, modified the prior actions rather substantially and did not delay or interrupt the tranche release of the PRSC-4.<sup>155</sup>

In 2004, however, a three months delay in disbursement took place due to late completion of 3 out of 13 triggers. The three uncompleted triggers were; 1) agreed revisions to the Business licensing system 2) agreed amendments to the Procurement Act and 3) the formulations of a unified Public Finance Management Reform Programme (PFMRP), managed by a designated coordinator and utilising a common funding framework. The government recognised the importance of the completion of the first two triggers but did not consider it justified to delay a USD 150 million tranche due to delays in finalising a joint action plan and funding for the PFMRP.<sup>156</sup>

A big controversy regarding funding of non PRS sectors evolved in 2003 when the GoT decided to finance a new private Presidential jet. This order very much upset the World Bank (as well as other GBS donors) who argued that the GoT “did not honour the spirit of the GBS agreement”. However, the Tanzanian government had stuck to the letter of the agreement, since it had ensured and even increased budget allocations to the PRS sectors and they argued that this reaction represented a “moving of the goal-posts”.<sup>157</sup> After substantial tension, the WB recognised that its concerns should only focus on the agreed conditionality and the affair had no consequences for the disbursements of the PRSC. The absence of countermeasures triggered further reactions, such as by Norman Lamb, deputy international development spokesman of the British Liberal Democrats.” *If the World Bank sets rules for public expenditure disclosure then there must be some sanction when the rules are broken or they become meaningless, nothing more than window dressing.*<sup>158</sup>

The triggers for the current credit, the PRSC-5 are;<sup>159</sup>

- Amendments of Crop Legislation for at least two Crop Boards submitted to Parliament  
(*No MKUKUTA outcome indicator*)
- Roads Bill submitted to Parliament  
(*No MKUKUTA outcome indicator but it is stated that adequate infrastructure should be provided*)

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<sup>154</sup> Interview Allister Moon, World Bank, Dar es Salaam

<sup>155</sup> World Bank, Program Document for a proposed credit, report No 35800-TZ, 2006 See also the PAF in appendix 1

<sup>156</sup> Lawson, A. et. al (2005), “Does General Budget Support Work? Evidence from Tanzania”, ODI report

<sup>157</sup> Ibid

<sup>158</sup> Hencke David, “£15m jet sparks new Tanzania row”, *The Guardian*, 22 July 2002

<sup>159</sup> Program document for a proposed credit, report No 35800-TZ, 2006, also see the PAF in appendix 1

- Progress in the reform of the Business Activities Registration and the Business Regulatory Licensing regime  
(No MKUKUTA indicator but legal reform is stated as an action to maintain a predictable business environment in order to ensure growth)
- Approved budget for FY07 in line with MKUKUTA  
(Per definition according to MKUKUTA)
- Expenditure outturn for FY06 consistent with approved budget  
(No MKUKUTA indicator\*)
- National Audit Office General Report for FY05 issued by April 2006  
(No MKUKUTA indicator\*)
- Satisfactory health sector review carried out  
(No MKUKUTA indicator)
- Satisfactory education sector review carried out  
(No MKUKUTA indicator)
- Satisfactory water sector review carried out  
(No MKUKUTA indicator)

\* Cluster 3, Goal 2, however, states that:  
“public recourses are allocated, accessible and used in an equitable, accountable and transparent manner”

One representative of the Tanzanian MoF expressed critique against the practice to include conditionality that demands that legislation should be submitted to the parliament. The argument used, was that legislation is a complex and unpredictable process, which the GoT cannot guarantee will be accomplished before a certain date.<sup>160</sup> Further, the actual meaning of “a satisfactory review” in the last three triggers had not been clearly defined. The reviews should be undertaken mainly by the national stakeholders as parts of the PMS, that is, they should rely on the nationally monitoring systems. However, it is uncertain if the WB conditionality implies that the review *in itself* was carried out in a satisfactory manner or if the *conclusions* of the review were satisfactory in terms of progress in health, education or water.<sup>161</sup> In line with the process orientation of the WB conditionality, most probably the trigger refers to the review itself.

The WB plans for a series of five PRSCs (PRSC4-PRC8) in order to support the GoT during the entire implementation period of the MKUKUTA. However, this does not mean that multi-year funding is committed. As of today, the World Bank is generally less likely than, for example, the EC and DFID to firmly commit funds more than a year in advance.<sup>162</sup> Aware of the fact that lack of long-term commitment creates problems for predictability, the WB, however, claims that it actively discusses how to move towards multi-year funding.<sup>163</sup>

<sup>160</sup> Interview, Philippina Malisa, Ministry of Finance, Dar es Salaam

<sup>161</sup> Interview, Jacob Dal Winther, Danish Embassy, Dar es Salaam

<sup>162</sup> Survey of the Alignment of Budget Support and Balance of Payments Support with National PRS Processes, 2005 However, the WB has made multi-year commitment in 6 countries.  
[http://spa.synisys.com/resources/2005/BSWG\\_2004\\_survey\\_Main%20Reportfinal.pdf](http://spa.synisys.com/resources/2005/BSWG_2004_survey_Main%20Reportfinal.pdf)

<sup>163</sup> Interview, Alister Moon, World Bank, Dar es Salaam



## **The European Commission GBS model**

*“Results are visible – and what people really care about. We need to look at what works and what doesn’t - **results are a basis for policy dialogue**. We don’t always know what are the “good policies” and what is the link between policies and outcomes. **Results are a common objective**. We should foster democratic debate and allow space for Governments to test policies / make mistakes /have results: **results are not ideological!**”*<sup>164</sup>

European Commission

The European Commission started providing budget support in 2001. In 2004, the total amount approved for disbursements under ongoing GBS programmes was close to €1,700m.<sup>165</sup> The largest recipients of the EC-modelled GBS, consisting exclusively of grants, are Sub-Saharan African countries. In order to qualify for budget support, a series of eligibility criteria is applied. Among others, public expenditure management, the macroeconomic framework and the country’s poverty reduction policies are scrutinized before the green light is given for any GBS provision.<sup>166</sup> The EC conditionality model contains some innovative elements, designed to articulate the Commission’s *results-oriented approach* to performance assessment.

One central feature of the EC model is *the combination of a fixed and a variable tranche*, each of them attached with different conditions.<sup>167</sup> The fixed component has a fixed value and the decision to disburse the tranche is based on the IMF assessment within the PRGF. Hence, if general macroeconomic conditions and certain specific fiduciary requirements are in place, the EC does not require any further assessments to release it.<sup>168</sup> This implies that the tranche is either fully released or not released at all.

The variable tranche, by contrast, does not have a fixed value and the extent to which it is disbursed depends upon progress in two areas: public financial management and social services delivery.<sup>169</sup> The amount of funds released through the variable tranche is directly linked to the performance of a set of indicators in these areas. The set of *outcome indicators* and their target levels are agreed in advance by the EC and the government of the receiving country. Performance is quantified by a system in which every indicator is awarded 1, 0.5 or 0 points, depending on its degree of progress. Each point triggers the release of 1.25%<sup>170</sup> of the tranche and disbursement is thus proportional to the (un-weighted) average score.<sup>171</sup> For example, if four indicators are being used and they all

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<sup>164</sup> SPA Workshop on Conditionality and Predictability, Cape Town May 3-4<sup>th</sup>, 2005, <http://www.spa-psa.org/resources/2005/ECconditionalityppt.pdf>

<sup>165</sup> Volker Hauck, Oliver Hasse and Martin Koppensteiner. 2005. *EC budget support: thumbs up or down?* (ECDPM Discussion Paper 63). Maastricht: ECDPM.

<sup>166</sup> Budget Support, EC Perspectives and the Results-Oriented Approach, *OFSE Conference* Austrian Foundation for Development Research Vienna, 5 December 2006 [http://www.oefse.at/Downloads/veranstaltungen/Budget\\_Support\\_EC\\_Perspectives\\_Beynon.pdf](http://www.oefse.at/Downloads/veranstaltungen/Budget_Support_EC_Perspectives_Beynon.pdf)

<sup>167</sup> Interview Sven Olander, Sida, Stockholm

<sup>168</sup> Lawson, Andrew, Gerster, Richard, and Hoole, David (2005) *Learning from experience with performance assessment frameworks for general budget support*, Synthesis Report, SECO in DAC

<sup>169</sup> Interview Jonathan Wolsey, EC Dar es Salaam.

<sup>170</sup> With the maximum disbursement reached when 80% of the maximum performance is realized

<sup>171</sup> Interview Jonathan Wolsey, EC, Dar es Salaam

score 0.5, then 62.5% of the tranche will be disbursed.<sup>172</sup> If instead the objectives of three of the four indicators are fully attained, while the fourth indicator only scores 0.5, then the full amount of the variable tranche will be disbursed.<sup>173</sup> The variable tranche is an example of *ex post conditionality*

The system with a variable tranche was designed in order to avoid the so called “*nuclear deterrent problem*”<sup>174</sup>, that is, a situation where there is no possibility for donors to respond gradually to mixed performance. By insisting on outcome indicator in the variable tranche, the EC model further puts stronger focus on results (leading to the overall objective of poverty reduction) than on the processes leading to the results.<sup>175</sup> This reflects the idea that a result-oriented approach leaves room for the government to define their own policies by which they can achieve the desired outcomes/results. The results-oriented approach also strengthens the accountability to the European citizens since the link between funding and achievement is very clear.<sup>176</sup> Wherever possible, the ambition is to derive the result indicators from the Poverty Reduction Strategy and to use the national poverty monitoring system to measure the progress towards pre-agreed targets.

There are no general rules regarding the allocation between the fixed and the variable tranches.<sup>177</sup> At present, fixed tranches, on average, make up 65% of commitments in programmes with both components.<sup>178</sup> The different GBS mixes are guided by the relative importance of incentives for improved outcomes provided by the variable tranche and the need for predictability provided by the fixed tranche. The EC-model therefore contains a trade-off between result incentives and predictability.

In contrast to the World Bank, all EC conditionality is also political. This means that in addition to the conditionality of the fixed and variable tranches, the EU has a clear process for dialogue when concerns arise over human rights and other political issues.<sup>179</sup> Except for occasionally applied explicit measures against corruption, the political conditionality is, however, of a more general nature and does not take the form of any specifically formulated conditions. Nevertheless, the EC can, in theory, decide to

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<sup>172</sup> 1.25 times 50%, the actual average score as a percentage of the maximum

<sup>173</sup> Adam, C. and Gunning, J. (2002) “Redesigning the ODA Contract: Donor’s Use of Performance Indicators in Uganda”, *World Development* Vol. 30, No. 12, pp. 2045–2056

<sup>174</sup> Ibid

<sup>175</sup> However, as stressed by Petra Schmidt in *Budget Support in the EC’s Development Cooperation*, German Development Institute, the introduction of performance-based elements in the variable tranche does not mean that all indicators are outcome indicators. Since it is problematic to define outcome indicators for public financial management, process conditionality will not be totally abandoned in the variable tranche.

<sup>176</sup> Interview Jonathan Wolsey, EC, Dar es Salaam

<sup>177</sup> Lawson, Andrew, Gerster, Richard, and Hoole, David (2005) *Learning from experience with performance assessment frameworks for general budget support*, Synthesis Report, SECO in DAC

<sup>178</sup> European Commission (2005) *EC Budget Support, an Innovative approach to conditionality*, European Commission DG Development

<sup>179</sup> This process is formalised in the Cotonou Agreement, [http://ec.europa.eu/development/Geographical/CotonouIntro\\_en.cfm](http://ec.europa.eu/development/Geographical/CotonouIntro_en.cfm)

withhold budget support as a sanction against human rights violations, yet, this has so far never happened in practice.<sup>180</sup>

The EC model is being looked upon with both curiosity and distrust by other donors.<sup>181</sup> The agency has declared itself in favour of harmonising conditionality among GBS donors, but still very much would like other international agencies to adopt the system with result-oriented indicators and gradual response. The EC has, unsurprisingly, promoted the model especially among the bilateral donors that are EU members.<sup>182</sup> The gradual approach has been partly replicated by some bilateral donors, such as Switzerland, the Netherlands and Denmark.<sup>183</sup> The focus on results and lack of policy conditionality has been heavily criticised for not addressing necessary policy reform.<sup>184</sup> The EC, however, considers the eligibility criteria for budget support a sufficient reassurance that the policies of a country are reasonable and points to the poor track record of policy conditionality.<sup>185</sup>

### **EC's GBS in Tanzania**

The EC budget support agreement in Tanzania covers three years, which is the standard current duration, although the opportunity of six-year commitments is being considered.<sup>186</sup> The variable tranche mechanism was introduced in the country in FY 2004/2005. It amounts to about one third of the committed funds and actual disbursements depend partly on progress made in public finance management and partly on achievement in the education and health sectors.<sup>187</sup> All the social indicators have defined specific targets levels that are to be achieved in 2010 as well as intermediate goals for the current year.

The current result indicators agreed by the EC and the government are:

- Increased proportion of children that receive three doses of vaccine against diphtheria, pertussis, tetanus, and Hepatitis B under two years  
(*No MKUKUTA outcome indicator*)
- Reduced national HIV prevalence in the 15 – 24 years age group  
(*MKUKUTA outcome indicator*)
- Increased percentage of the population that has access to clean and safe water from a piped or protected source  
(*MKUKUTA outcome indicator*)

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<sup>180</sup> Ruth Driscoll, Karin Christiansen, David Booth (2005) *Progress reviews and performance assessment in poverty-reduction strategies and budget support A survey of current thinking and practice*, ODI London

<sup>181</sup> Interview Jonathan Wolsey, EC, Dar es Salaam,

<sup>182</sup> Interview Jonathan Wolsey, EC, Dar es Salaam and Sven Olander Sida, Stockholm

<sup>183</sup> Interview Martin Saladin, SECO/SCO and Jacob Winter, Danish Embassy, Dar es Salaam

<sup>184</sup> Booth, D., Christiansen, K. and de Renzio, P. *Reconciling Alignment and Performance in Budget-Support programmes: What next?* ODI, World Bank, Practitioner's forum on budget support, May 4-5, Cape Town, South Africa

<sup>185</sup> European Commission (2005) DG Development, *EC Budget Support, an Innovative approach to conditionality*, Brussels

<sup>186</sup> Budget Support, EC Perspectives and the Results-Oriented Approach, *OFSE Conference* Austrian Foundation for Development Research Vienna, 5 December 2006

<sup>187</sup> Interview Jonathan Wolsey, EC, Dar es Salaam

- Increased net Primary School enrolment  
(*MKUKUTA outcome indicator*)
- Increased gross Tertiary Education enrolment  
(*Modified MKUKUTA outcome indicator*<sup>188</sup>)
- NAO Audit Report is of international standard by 2010 and released within 9 months as required by the Public Finance Act 2001  
(*No MKUKUTA outcome indicator*)
- Increased number of procuring entities complying with the Public Procurement Act 2004  
(*No MKUKUTA outcome indicator*)

Up to now, the fixed tranche has always been released and disbursements under the variable tranche have on average been limited to 67% of the commitments. As a comparison, the average release of variable tranches in other GBS programs by the EC is slightly higher: 71 %.<sup>189</sup> The non disbursed part of the variable tranche returns to the EC headquarter in Brussels and is not rolled over into next year's budget.

In 2004/05, a fixed tranche of 24 million was released but 2.5 million of the 10 million Euros in the variable tranche were not disbursed. 0.5 million were held back due to lack of progress in fighting corruption, 1 million due to unsatisfactory performance in PFM and 1 million because the implementation of the budget deviated from priorities of the PRS.<sup>190</sup>

In the EC budget support for FY 2005/06 (disbursed in September 2005), the EC contribution included two variable tranches; One of 6 million Euros conditioned on continued PFM reform, and one of 16 million Euros for education and health contingent on performance targets in these sectors. 4.8 million Euros (80%) were disbursed of the first variable tranche because the Commission had reservations about the completeness of the PFM reform, about corruption and delayed external auditing.<sup>191</sup> Of the second variable tranche, however, only EUR 5.2 million Euros were disbursed (33%). The reasons were high drop-out rate and lower than anticipated girl/boy ratios in Primary School, as well as continued deficiencies in the Poverty Monitoring System.<sup>192</sup> Lack of monitoring data in health did not allow assessment of whether the targets agreed for this sector had been reached and nothing was disbursed.<sup>193</sup>

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<sup>188</sup> The MKUKUTA state increase in tertiary education in absolute numbers, the EC in percentage of young people

<sup>189</sup> European Commission (2005) *EC Budget Support, an Innovative approach to conditionality*, European Commission DG Development

<sup>190</sup> European Commission (2006) *Evaluation of the European Commission's support to the United Republic of Tanzania*, Volume 1 report

<sup>191</sup> Ibid

<sup>192</sup> Webpage of the European Commission in Tanzania  
[http://www.deltza.cec.eu.int/en/cooperation/sectors/macro\\_economic.htm](http://www.deltza.cec.eu.int/en/cooperation/sectors/macro_economic.htm)

<sup>193</sup> Interview Jonathan Wolsey, EC Dar es Salaam

According to the EC, the variable tranche has scaled down the severe unpredictability created by an “all-or-nothing” approach to disbursement.<sup>194</sup> The results indicators are unambiguous and the government knows what it receives if certain defined targets are reached. The EC in Tanzania would therefore welcome an increased variable tranche.<sup>195</sup>

### ***The DFID GBS model***

*“The UK Government accepts the evidence that **conditionality cannot ‘buy’ policy change which countries do not want. Reforms will not be implemented – or will not be sustainable – if a partner country is acting purely in order to qualify for financial support and does not consider that the reforms are in its own interest.**”*

DFID<sup>196</sup>

The United Kingdom played an active and important role in the unprecedented level of attention given to Africa in 2005. As president of the G8, the former Empire acted as a strong advocate for change at the G8 Summit in Gleneagles. On the summit a package of measures to fight poverty was agreed, including commitments to double ODA by 2010.<sup>197</sup> The British Prime Minister, Tony Blair, had invested a lot of political prestige in the G8 meeting and obviously wanted to show global leadership in fighting poverty on the “forgotten continent”. In line with this, Britain's Chancellor of the Exchequer, Gordon Brown, has been campaigning for a "Marshall Plan" for Africa.<sup>198</sup> Britain itself has pledged to double aid by 2013 to 0.7 percent of its national income.<sup>199</sup>

The UK is also a passionately convinced proponent of budget support, as this is regarded as a country-owned modality, superior in achieving systemic and sustainable change. As a result, the UK, through DFID, is the biggest bilateral donor of GBS in both relative and absolute terms. In 2005/06 DFID's spending on GBS was around £600 million and in some developing countries this represents up to 75% of DFID's total bilateral programme.<sup>200</sup> GBS is further projected to double to around £1.2 billion by 2007/08.<sup>201</sup>

In addition to a favourable assessment of macro-economic management by the IMF, DFID has adopted a model for providing ODA that consists of three basic objectives of the aid relationship; *commitment to poverty reduction, commitment to human rights and other international obligations, and commitment to strengthening financial management*

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<sup>194</sup> European Commission (2006) *Evaluation of the European Commission's support to the united republic of Tanzania*, Volume 1 report

<sup>195</sup> Interview Jonathan Wolsey, EC Dar es Salaam

<sup>196</sup> DFID (2005) *Partnership for poverty reduction, rethinking conditionality*, A UK policy paper, London

<sup>197</sup> DFID home page, <http://www.DFID.gov.uk/g8/africa-2005.asp>

<sup>198</sup> Tran, Mark “Brown calls for African Marshall Plan”, *Guardian Unlimited*, 3 June, 2005

<sup>199</sup> Dugger, Cecilia “U.N. Report Urges Rich Nations to Double Aid to Poor”, *New York Times*, 17 Jan., 2005

<sup>200</sup> There has even been a discussion within DFID to provide 100% of ODA through GBS but this has proved unrealistic.

<sup>201</sup> DFID home page, <http://www.dfid.gov.uk/mdg/aid-effectiveness/prbs.asp>

*and accountability.*<sup>202</sup> These commitments also form the conditionality model used in budget support provisions. If a country veers significantly away from these objectives, the UK will consider reducing or interrupting committed GBS. This approach to GBS has to a large extent been developed at country level, in which practice has led policy.<sup>203</sup>

In contrast to the conditionality models by the WB or EC, the performance assessment is not based on a careful checking of pre-specified conditions in the form of process/policy or outcome indicators. Instead a more general assessment of progress is undertaken. Any dissatisfaction with specific aspects of reforms is brought up with the government in a policy dialogue, but do not necessarily result in non-disbursement.<sup>204</sup> The decisive matter is that the country *in general is developing in the right direction* and does not experience any severe backlashes with regards to human rights and democracy, or increased corruption. Thus, the DFID conditionality model is *more flexible and loosely specified*. Despite the lack of clearly defined conditions, the model, however, contains both economic and political conditionality, since it scrutinises PFM as well as democracy and respect for human rights. Several other bi-lateral development agencies, such as Swedish SIDA and Finnish FINNIDA, seem to favour this model and use similar approaches to GBS conditionality.<sup>205</sup>

If it is necessary to reduce or interrupt ODA, DFID declares that it will make this decision based on clear and transparent criteria and through processes agreed in advance with the partner country. This process will not be rushed but instead there will be time for dialogue between the developing country government and DFID under which any planned disbursements will continue.<sup>206</sup>

The UK has the aspiration to lead the international community in building a new consensus around the practice of setting a performance framework for GBS.<sup>207</sup> This framework is envisaged to adhere to five underlying principles: *Developing country ownership; participatory and evidence-based policy making; predictability; harmonisation and transparency and accountability*. The first principle, ownership, should according to DFID be realised by not making ODA conditional on specific policy reforms.<sup>208</sup> Instead, the aim is to reach agreement on how ODA will contribute towards poverty reduction based on the partner's country programmes, country-specific evidence, and well-researched policy options. DFID also declares a willingness to support donor coordination and harmonisation with the aim to rethink how donors use conditionality and to strive for the reduction of the overall number and intrusiveness of conditions.<sup>209</sup>

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<sup>202</sup> Interview Tim Harris, DFID, Dar es Salaam

<sup>203</sup> Lawson, Andrew, Gerster, Richard and Hoole, (2005) *David Learning from experience with performance assessment frameworks for General Budget Support*, Synthesis Report, SECO

<sup>204</sup> Interview Tim Harris, DFID, Dar es Salaam

<sup>205</sup> Interview Erik Jonsson, Swedish Embassy, Marko Nokkala, Finnish Embassy, Dar es Salaam

<sup>206</sup> DFID (2005) *Partnership for poverty reduction, rethinking conditionality, A UK policy paper*, London

<sup>207</sup> Ibid

<sup>208</sup> Lawson, Andrew, Gerster, Richard and Hoole, (2005) *David Learning from experience with performance assessment frameworks for General Budget Support*, Synthesis Report, SECO

<sup>209</sup> Ibid

## DFID's GBS in Tanzania

Because of its history as a colonial power, the UK has a long relationship to Tanzania. Previously the provided ODA was mainly project aid, however, in recent years the UK has chosen to disburse an increasingly larger part in the form of GBS. In 2004, for example, DFID rolled its health sector program into its GBS contribution, arguing that it continues to support the health sector through general budget support, while better respecting intra-governmental lines of accountability for budget resources.<sup>210</sup> Today DFID provides over 80% of its ODA as GBS and is thereby the bilateral development partner that is most closely aligned with the government's preferred aid modality.<sup>211</sup> The intention is to maintain this balance (80:20) between GBS and other modalities. DFID thereby provides the biggest absolute contribution among the bilateral donors in Tanzania and disbursement for 2006/2007 was estimated to be £90 Million.<sup>212</sup>

DFID's broad conditionality, that is, the commitment to poverty reduction, human rights and the strengthening of financial management and accountability, are all clearly spelled out in the MKUKUTA.<sup>213</sup> The current budget support is part of a rolling, three-year commitment; however, DFID intends to improve long term predictability of aid flows by drawing up 10 year arrangements with the Tanzanian government.<sup>214</sup> In line with the UK commitment to double ODA, GBS will also increase rather dramatically in the coming years. DFID is confident that Tanzania can absorb higher levels of bilateral assistance.<sup>215</sup>

Interruption of GBS, which so far never has taken place, will only occur if any of the three pillars of conditionality is breached, for example, if human rights are severely violated. However, exactly what specific actions or incidents that qualify as severe human rights violations is less clear.<sup>216</sup> The same applies to the conditionality regarding the strengthening of financial management and accountability. No benchmarks exist for when leakage of public funds are to be considered intolerable corruption. An example of how judgements can vary even within the highest levels in the UK administration is the affair in 2003 regarding the purchase of the presidential jet. This deal split the British Cabinet, with Tony Blair as well as the trade and the defence secretaries supporting the order while the international development secretary and the chancellor, Gordon Brown opposed it.<sup>217</sup> The people opposing the deal argued that it was against the commitment of poverty reduction and should have repercussions. However, with the support of the PM and evidence of increased funding to poverty sectors, no consequences for disbursement ever materialised.

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<sup>210</sup> Frantz, Brian (2004) *General Budget Support in Tanzania: A Snapshot of Its Effectiveness*, USAID

<sup>211</sup> Interview Tim Harris, DFID, Dar es Salaam

<sup>212</sup> World Bank, Program Document for a proposed credit, report No 35800-TZ, 2006

<sup>213</sup> The United Republic of Tanzania, National Strategy for Growth and Reduction of Poverty, Vice President's Office, 2005

<sup>214</sup> DFID web page, <http://www.dfid.gov.uk/mdg/aid-effectiveness/predictability.asp>, 2007-04-12

<sup>215</sup> Ibid

<sup>216</sup> Ibid

When asked whether a dozen killed people in clashes on Zanzibar would be regarded as several human rights violations, we received no answer.

<sup>217</sup> Hencke, David, "£15m jet sparks new Tanzania row", *The Guardian*, 22 July 2002

## Comparison of the conditionality models in terms of implementation of the Paris Agenda

From the overview presentation of the three GBS models, it is obvious that the three donor agencies have significantly different approaches to conditionality. The WB model uses ex ante and policy/process-oriented conditionality, while the EC model focuses on results ex post. DFID, in contrast, chooses to impose more general conditionality and refrains from any kind of pre-specified conditions. Depending on satisfactory compliance both DFID and the WB either disburse or do not disburse their budget support. The EC, however, has through its variable tranche, partly adopted a gradual approach to GBS disbursement. All three donors allegedly strive for better predictability, increased accountability and support harmonisation efforts, and the GBS co-ordination in Tanzania has indeed been very successful. This will be further analysed below.

Despite the declared will to harmonise, these three donors still use different conditionality models and also seem to actively promote their respective model. The UK aspires to leading the international community in a new practice of setting a performance framework for GBS and has declared that such a framework does not include policy conditionality. The EC tries to convince its member states that the modern approach to budget support is to focus on concrete results and avoid the system of “on-off” disbursement. The biggest donor, the WB, leans against a long tradition of policy conditionality and despite extensive reforms and internal debate shows little sign of wanting to abandon policy conditions.

With all three agencies convinced that they have found the panacea of GBS conditionality, a study of the models’ strengths and weaknesses and a comparison between them could be of some interest. As a framework for comparing the three different models, we have decided to use the five commitments in the Paris Declaration on Aid Effectiveness (PDAE).

By ratifying the PDAE, development partners<sup>218</sup> all over the world have agreed to what is considered crucial to achieving ODA effectiveness, that is:

- ***Strengthened national ownership***
- ***Better alignment with national strategies***
- ***Increased harmonisation among donors***
- ***More focus on managing for results***
- ***Enhanced mutual accountability***<sup>219</sup>

These five commitments are very much the quintessence of the new development paradigm. They build on massive experience of development work, in particular on evidence of *how not to do it*. The important insights from previous failures have been translated into the PDAE, which thus resembles a manifest on *how to do it*.

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<sup>218</sup> Including the WB, the EC and UK/DFID

<sup>219</sup> Paris Declaration of aid Effectiveness, 2005, <http://www.oecd.org/dataoecd/11/41/34428351.pdf>

Also see page 11



It is no coincidence that the five commitments of the PDAE are similar to the alleged gains of budget support (see page 12-13). Budget support in itself is also a part of the new development paradigm. This is spelled out in the PDAE under the headline “*untying of aid*”, a component of the alignment commitment.<sup>220</sup> In other words, the very provision of GBS is supposed to reinforce the PDAE. However, we would like to examine whether any specific conditionality model is more conducive to the realisation of the PDAE. In other words: *How does the choice of conditionality correspond to the PDAE commitments?*

Since the PDAE was not created as an assessment tool for GBS conditionality, our choice of frame-work is not without problems. The five PDAE commitments are very multi-faceted concepts and defining, for example, good ownership is not an easy task. To the extent possible, we intend to use the definitions spelled out in the PDAE. However, in case we consider it necessary, we will further attempt to clarify their meaning applied to our particular context. As a result we may sometimes additionally interpret the meaning of the five parameters in order for them to become pertinent in comparing conditionality models.<sup>221</sup> Since these commitments are the backbone of the new development agenda and the donors in Tanzania have reiterated their ambition to implement them in the Partnership Framework Memorandum<sup>222</sup> (PFM), we, however, believe that using the PDAE as a framework for comparing the three models is justified and relevant.

## **Ownership**

Ownership is a central dimension in the new development agenda, since it implies moving away from excessive intervention and micro-management from the side of the donors. According to the Paris declaration, partner countries should “*exercise effective leadership over their development policies and strategies and co-ordinate development actions*”. Donors on their hand commit to “*respecting the partner country’s leadership and to strengthening their capacity to exercise it*”.<sup>223</sup>

The very provision of GBS, regardless of conditionality set-up, allegedly results in that partner countries acquire greater control over the details of national programming and project implementation. This is undoubtedly conducive to enhanced national ownership. However, GBS receiving countries also lose some autonomy over the budget allocation process because of the close involvement of donors through policy dialogue and conditionality. We argue that a conditionality model strengthens ownership when it supports the GoT with regards to nationally elaborated development strategies and policies. Hence, a conditionality model that supports ownership should be derived from the partner country’s own development strategies. This implies that the ownership

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<sup>220</sup> Ibid

<sup>221</sup> The Paris declaration has been complemented with a set of indicators, which are used to follow up its implementation. However, these benchmarks are not applicable in our analysis, since they do measure how whole countries implement the PDAE

<sup>222</sup> The PFM is an agreement between all GBS donors in Tanzania and the Tanzanian government and spells out the objectives and underlying principles for the provision of GBS

<sup>223</sup> Paris Declaration of aid Effectiveness, 2005

commitment will show several common features with the alignment commitment. Further, we regard both being in charge of formulating national goals and the choices of how, and when, to reach these goals as important qualities of ownership.

### **The World Bank model**

Among the triggers/prior actions in the WB conditionality, there are examples of laws and amendments to laws that should be submitted to parliament before the next GBS evaluation. Critique against this practice has been voiced and in line with this it could be argued that ownership runs the risk of being weakened by this kind of conditionality. By the very choice of *which* laws that should be submitted to parliament, the WB expresses a preference for the urge of certain legal regulation. It thereby forces the GoT to prioritise the elaboration and drafting of that specific legislation. A “gentle push” for a particular law could possibly be justified from an ownership point of view if the need for this specific policy is spelled out in the PRS. However, if this is not the case, as in the case of the two first triggers: *is imposing this form of policy conditionality not to rush an internal drafting process that perhaps would need more time due to e.g. capacity constraints?*

Even if the triggers not explicitly demand that the laws (or amendments to laws) must be adopted by the parliament, this seem be the ultimate objective. As adopting legislation, however, is the exclusive right of the parliament, the GoT can never guarantee that a specific law actually will be adopted. Hence, this form of policy conditionality could be regarded as buying off the parliament with ODA. History clearly shows that buying reforms is not effective and it is definitely contrary to the commitment of strengthened ownership.

The trigger “Progress in the reform of the Business Activities Registration and the Business Regulatory Licensing regime” also imposes a clear policy preference from the side of WB. Even if this trigger is substantially in line with the PRS, the timing of the reforms is being dictated by the WB conditionality. Thus, even if the government does not consider the reforms of business activities as the priority this year, they are forced to make it their priority. Who knows better *when* to implement certain reforms, the World Bank or the Tanzanian government? The imprecise word “progress” further opens up for a wide spectrum of interpretation. History shows that disagreements do arise both in terms of interpreting the meaning of triggers and the consequences of non-compliance. Since the WB has the last saying in both these matters, the ambiguity of the WB model can be seen as further infringement of ownership.

On the other hand, it can be argued that policy/process-oriented conditionality is more conducive to ownership due to the absence of pre-specified outcomes. The *content* of the legislations is not prescribed and the *outcome* of the progressed reform is not dictated. The triggers point to what is considered important policy priorities by the WB but they do not command explicitly what these policies should result in.

The WB triggers demanding satisfactory sector reviews (health, education and water) aim at strengthening national monitoring systems and thereby national capacity. Improved

national capacity aids a country in exercising its leadership, which is exactly what increased ownership is all about.

### **The European Commission model**

The EC model, with its strong focus on results in the variable tranche, could also potentially undermine ownership. Their dictate of explicit targets resembles a classical example of donor micro management, which the new development paradigm has declared a practice of the past. However, as these targets are supposed to be derived from the national PRS, they are in fact owned by the government and thereby by the people who elected the government. This, however, assumes a nationally owned PRS, that is, a poverty reduction strategy not too much influenced by donors. The process in which the MKUKUTA was elaborated seems to have been a rather unique exercise in developing national ownership. Thus, the selected indicators have been identified by a broad range of stake holders as essential to Tanzania's development and the EC does apparently not exercise old-fashioned interventionism. Yet, the MKUKUTA has over 100 indicators and the EC has selected only a handful of them for its conditionality. Hence, a certain order of priority is still being imposed by the EC and can be regarded as an infringement on ownership.

As in the case with the WB model, several indicators used by the EC are not owned by the government through the MKUKUTA and subsequently not conducive to ownership. However, *is the demand for outcome compliance more intrusive, i.e. does it lead to even more weakened ownership than demanding policy/process compliance?* By using results rather than process/policy oriented conditionality, the government is free to choose *how* it would like to reach the targets. It can be discussed if the *how* is more important than the *what*. As the targets chosen by the EC are very specific it can, however, be questioned how much freedom the government actually has in achieving them. When the output indicator is “proportion of children that receive three doses of vaccination against diphtheria, pertussis, tetanus and Hepatitis B”, there are few alternative ways to take in order to meet the target.

### **The DFID model**

It could be argued that any attempt to steer through pre-specified conditionality - policy or outcome oriented - is an unnecessary intervention that weakens national ownership in one way or the other. By refraining from any explicit conditionality, the DFID model thus seems to enhance and strengthen ownership more than the other two models.

However, perhaps the very lack of transparent explicit goal compliance ironically leads to reduced ownership because it creates an “elusive ownership” The Tanzanian government is dependent on a general assessment by DFID but the criteria of this assessment are anything but crystal clear. As a result of the wide and rather vague compliance criteria, a decision by DFID to interrupt disbursement could happen on more unpredictable and opaque grounds. The broad nature of conditionality also gives DFID larger leverage in the policy dialogue with the government, since most issues can be fit under the three required commitments; poverty reduction, human rights and strengthened financial

management and accountability. *Do imprecise” rules of the game” strengthen national ownership?*

It is easy to motivate why a highly corrupted government that evidently commit human rights atrocities should get their GBS cancelled. However, reality seldom replicates the text-book examples of unacceptable violations. DFID need to intervene at some point is beyond dispute, but at what time this point actually occurs is far from obvious. What if there are no violent clashes on Zanzibar but instead the President decides to lavishly spend government money?<sup>224</sup> Petty corruption may not be a reason to cut funding but large-scale leakage of public funds may. However, when exactly is the line crossed between petty and large scale corruption? The decision will ultimately be political. The scandal with the Presidential jet is an illustrating example on how the opinions differ on what is considered actions conflicting with the poverty reduction commitment. Is it violating the ownership of the Tanzanian government to demand that funds spent for a luxury aircraft should be allocated to schools and hospitals?

Even if no conspicuously scandalous fraud or embezzlement takes place, a government agenda could perhaps at times be considered too un-ambitious. Obviously there are periods of insufficient political will and great resistance to change. *Should any kind of ownership be supported?* Slow progress and temporary failures may be tolerated to some extent and regarded as natural parts of the development process. But when does a high degree of acceptance turn into postcolonial patronising, indirectly implying that the government is unable to produce results?

Another relevant aspect of ownership, not only relating to the DFID model, is defining *whom* the ownership belongs to. If ownership in practice means that only a small political elite has the right to decide and influence the national development agenda it can be questioned if this is to be regarded as real ownership? In Tanzania, the political scene, including the parliament, is totally dominated by the CCM, the party of the President. Despite the progressing efforts to involve poor people in e.g. the elaboration of the MKUKUTA, it is hard to speak about any extensive “grass root” participation in the development of national priorities. Thus ostensibly increased ownership can in practice result in the strengthening of a certain regime, undermining the ownership of other stakeholders. This creates a true dilemma since substituting elitist ownership with donor influence is no solution.

## **Conclusion**

We conclude that, according to our definition, the DFID model, with its lack of pre-specified conditionality seems to be the model most in line with the ownership commitment of the PDEA. The ownership of the other models is closely connected to their possible alignment with national development strategies. However, real ownership can only be achieved when the national agenda springs from the majority of all stakeholders in a country.

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<sup>224</sup> Remember the private jet purchased by the previous President

## **Alignment**

Alignment is the remedy against donors building a parallel universe of systems and procedures and the tool to ensure that all development efforts are sprung from, and rooted in, the developing country itself. Thus, as pointed to above, alignment is closely connected to ownership. According to the Paris Declaration “*donors should base their overall support on partner countries’ national development strategies, institutions and procedures*”. Donors are thereby committed “*to link funding to conditions and set of indicators derived from the national development strategy*”.<sup>225</sup> Further, it also includes a commitment from donors to “*strengthening the developing countries own systems and capacity*”, for example, the PFM capacity by “*providing reliable multi-year aid commitments and predictable and timely disbursements*”.<sup>226</sup>

GBS provision by nature support alignments, since it is channelled through the government budget and thereby automatically uses the existing national systems. In Tanzania total alignment with the national budget process has been achieved by adapting the provision of GBS to the Tanzanian budget cycle. The main national development strategy, the MKUKUTA is in addition to being important in strengthening ownership, also essential in achieving enhanced alignment.

We define alignment as deriving the indicators of the conditionality models from the MKUKUTA and as strengthening the national PFM capacity through providing reliable multi-year commitments and predictable GBS disbursements.

## **The World Bank model**

In terms of alignment with the MKUKUTA, the WB conditionality shows a rather mixed picture. None of triggers of the PRCS-5 are found among the existing indicators/operational targets in the MKUKUTA. This is an expected consequence of the WB using policy/process conditionality instead of outcome conditions. However, also among the activities in the MKUKUTA, (which are supposed to deliver the operational targets) no need is articulated for a new or changed legislation for roads or crop boards (two of the triggers). In the case of improving the business environment on the other hand, the MKUKUTA states that part of the intervention package should be legal reform. The trigger that demands that the approved budget for FY07 is in line with MKUKUTA is evidently aligned by nature. The National Audit Report and the Expenditure Outturn consistent with Budget are not explicitly found in the MKUKUTA but the Goal 2 in Cluster 3 states that “public recourses are allocated, accessible and used in an equitable, accountable and transparent manner”. Hence, it could be argued that these two triggers are aligned with the MKUKUTA, even if they are not directly derived from the MKUKUTA indicators. This illustrates the difficulty in evaluating policy/process indicators in terms of alignment. *Do the conditions have to be literally taken from the MKUKUTA in order to be considered aligned or is it sufficient if they reflect the essence of the MKUKUTA?* Considering the fact that the drafting of poverty reduction strategies originally is a World Bank initiative, it seems rather peculiar if the WB itself deviates

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<sup>225</sup> Paris Declaration of aid Effectiveness, 2005

<sup>226</sup> Ibid

from the content of such a strategy. Nevertheless, our conclusion is that the triggers that demand changes of legislation not established in the PRS are to be considered non-aligned.

As pointed to in the section on ownership, the WB conditionality model has merits in terms of capacity strengthening. The strengthening of PFM capacity through multi-year commitments and predictable GBS disbursements, however, is not as convincing. Although realising the problem with the present lack of multi-year GBS commitments, the issue has not been addressed in practice. The WB plans to support the whole implementation period of the MKUKTA, i.e., five years but no official commitment exist for more than one year at a time. The WB model can also be discussed in terms of its impact on predictability. The legal agreements prescribe that the PRSC should not be disbursed unless all triggers are converted into prior actions. Non-fulfilment of just a few triggers can therefore jeopardise the whole credit. Even if history shows that there are several ways of addressing non-compliance (delayed assessment, modified prior actions etc), the composition of the model opens up for quite some uncertainty. The scandal with the Presidential jet, although without real repercussions in terms of disbursement, illustrates that grave disagreements can arise between the WB and the government. There is no guarantee that future frictions will not lead to non-disbursements, or at least big delays. This seems at odds with the commitment of predictable and timely disbursement. The “on-off” approach appears to open up for a rather non-transparent log-rolling regarding the actual meaning of the triggers.

### **The European Commission model**

The majority of the outcome indicators for the variable tranche are derived from the operational targets of the MKUKUTA and subsequently the EC models can be considered rather successfully aligned. However, the indicator regarding vaccination of children cannot be found in the MKUKUTA and neither can the indicators relating to PFM. Since it was claimed that the MKUKUTA indicators may still be revised, further alignment is possible. But in that case alignment would go in the “wrong” direction, that is, the MKUKUTA would align itself with the donor’s models of conditionality, in conflict with the ownership commitment.

Another aspect of alignment to the PRS is that the MKUKUTA covers a period of five years and the target levels of the indicators are set for 2010. So far, no breakdown of the targets into intermediate annual levels has been prepared. The indicator levels by the EC on the other hand are defined for the particular year, covering the current conditionality. In practice, this means that even if several indicators are aligned in the five year perspective, the EC will be able to dictate their annual progress, which may lead to disagreements with the government regarding the pace of progress. This sheds light on the need for multi-year conditionality, which none of the donors so far has been able to provide.

In terms of multi-year funding as a measure to strengthen PFM capacity, the EC is more aligned than the WB, since the present GBS agreement commits funding for three consecutive years. Regarding predictability the result is somewhat more ambiguous. Due

to the variable tranche, the exact amount of GBS funding can never be precisely predicted. As argued by the EC itself, the clear and transparent criteria for disbursement may, however, be looked upon as a system of ensuring predictability. In contrast to the WB triggers, the performance indicators are never subject to ex post modifications. The government therefore knows that if these particular targets are fulfilled, the variable tranche will be released for sure. This argument is complicated by the fact that the government might not always be in charge of securing explicit performance targets such as HIV prevalence, school enrolment and vaccination. The result could thus be rather unpredictable disbursements, which on the other hand is remedied by the fact that the variable tranche only constitutes a third of total EC budget support.

### **The DFID model**

The DFID model must be regarded as aligned with the MKUKUTA, since commitment to poverty reduction, human rights and strengthened financial management and accountability are all spelled out as the core of the PRS. By refraining from more narrowly defined conditionality, DFID has no indicators that preferably should be derived from the MKUKUTA operational targets.

Even if this for a moment means contradicting our own definition of alignment, it is interesting to ask the question: is a conditionality model aligned with MKUKUTA automatically to be regarded as aligned with national priorities? Although the MKUKUTA seems to be much more owned by Tanzanian today, it is necessary to remember that donors were involved in commenting on the MKUKUTA draft. It is hardly too far-fetched to assume that their concerns were regarded as important. *What if the “intrusive behaviour” of donors today simply is more indirect but nevertheless exists, “disguised” in the form of a PRS?*

Like the EC, DFID has a three year agreement for GBS but shows an even stronger commitment to multiyear funding by planning to begin with 10-year aid commitments. In terms of predictability, the lack of explicit conditions is a double-edged sword. On one hand the broadness of the conditionality can create some unpredictability regarding what actually constitutes compliance. On the other hand, the more general conditionality seems to create a wider tolerance interval for what is considered compliance, which instead increases predictability. Predictability is also enhanced by the fact that the UK has pledged to double aid. Applying too strict conditions would make this dramatic increase of ODA impossible.

However, not underestimating the political capital invested into these pledges, the question is if they can be regarded as a sufficient guarantee. Even if the risk of policy change may not be increased with Blair stepping down (because also Gordon Brown has showed great commitment to increased ODA), political directions change fast and a new administration after the next election may have other priorities. *Are multi-year commitments from a bilateral (democratic) donor ever credible?* Even if the multilaterals also are exposed to a similar political risk, it is smaller due to the many governments involved in funding the organisation.

## Conclusion

We conclude that, according to our definition, the DFID models, but to a large extent also the EC model, seem to be the models most in line with the alignment commitment of the PDEA. If conditionality indicators may reflect the essence of the PRS rather than being literally derived also the WB model seems to qualify.

## Harmonization

Harmonisation aims at reducing the transaction costs of aid and at easing the pressure on the very limited capacity in developing countries. According to the Paris Declaration harmonisation implies that “*donor’s actions are more harmonized, transparent and collectively effective*”.<sup>227</sup> This is achieved when “*donors implement common arrangements and simplify procedures*”<sup>228</sup> for e.g. evaluation and disbursement.

The harmonisation efforts in Tanzania have been both ambitious and victorious. In terms of general ODA, the JAST with a strategic focus has the potential to serve as an important instrument in harmonising the plethora of active donors. With regards to GBS, the successful coordination is an internationally acknowledged fact. The structure and implications of this coordination will be studied below in more detail. As for now we will define harmonisation as the ability of the different conditionality models to simplify or complicate harmonisation into one single, unified conditionality model of GBS.

## The World Bank model

One specific feature of the WB conditionality model is that it can never contain political conditionality. A unified conditionality model, which includes the WB, could thus never contain conditions regarding, for example, democracy and human rights. Since both the EC and DFID claim adherence to democracy and respect for human rights as vital part of their conditionality, this prohibition in the WB statues has to be regarded as an impediment to a fully unified conditionality model. The donors that insist on political conditionality would need to add it outside an integrated framework of conditions.

As a result of the lively debate about *if development is contingent on democracy and respect for human rights*; it is possible that the WB will re-consider its ban on political conditionality. Considering the complex weave of politics and economics in all societies, it seems rather old fashioned to pretend that economic reform and poverty alleviation can be catalysed in isolation from a political context. In the case of Tanzania the most important political issue affecting the overall development of the country seem to be the dominating position of the CCM. The strong power concentration in the party runs the risk of triggering accelerating corruption, which will have repercussions on poverty reduction as well as accountability. Another political issue that cannot be disregarded is the risk of clashes between mainland Tanzania and a partly separatist oriented Zanzibar.

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<sup>227</sup> Paris Declaration of aid Effectiveness, 2005

<sup>228</sup> Ibid



## **The European Commission model**

The EC has put a lot of efforts in promoting its rather sophisticated conditionality model. These efforts have been successful to the extent that several of the bilateral donors have begun experimenting with variable tranche schemes of their own. Also, the focus on outcome indicators has raised international interest, even at the research department of the WB, which encourages the WB to pilot such an approach. However, there is also a great amount of scepticism and critique of the model, which makes it rather controversial. With its mathematical calculation of the variable tranche and the strong focus on results, rather than processes/policies, the very particularity of the model does not make it very suitable for harmonisation. The only way to create a unified conditionality model including the EC seems to be possible by adding an additional kind of conditionality to the current EC-model, which implies that the EC indirectly has to accept policy conditions.

## **The DFID model**

As DFID uses a conditionality model without any pre-specified indicators and with broadly formulated conditions that most donors will accept, harmonising should be easy. The flexible approach and the lack of a very particular design, makes it very well suited for coordination with other models. Yet, DFID is quite insistent in promoting its view on conditionality and too much zealous conviction can be an obstacle to the compromises needed in a harmonisation process. As, however, DFID has declared its aspiration to take lead in the building of a new consensus around the practice of setting a performance framework for GBS, it will hardly succeed without a will to compromise.

## **Conclusion**

We conclude that, according to our definition, the DFID model seems most in line with the harmonisation commitment of the PDEA. Further implications of harmonisation will be studied below.

## ***Managing for results***

Managing for results reflects the importance of ODA to show concrete results in terms of poverty alleviation. As a response to past experiences, where aid inputs did not always translate into clear and identifiable outcomes, this commitment thus underlines the significance of real effects. According to the Paris Declaration “*managing for results means managing and implementing aid in a way that focuses on the desired results and uses information to improve decision-making*”. In order to achieve this, donors should “*link country programming and resources to results and align them with effective partner country performance assessment frameworks*”<sup>229</sup>. Donors should further “*rely, as far as possible, on partner countries’ result-oriented reporting and monitoring frameworks and work together with the partner countries to strengthen its capacity*”<sup>230</sup>.

It is obvious that there are several links between the commitment to managing for results and the alignment commitment, which means that some aspects have already been

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<sup>229</sup> Paris Declaration of aid Effectiveness, 2005, <http://www.oecd.org/dataoecd/11/41/34428351.pdf>

<sup>230</sup> Ibid

touched upon in the section on alignment. Applied to our context of assessing conditionality models, we define managing for results as the linking of GBS disbursement to results-oriented conditionality and as relying, to the extent possible, on partner countries' result-oriented reporting and monitoring frameworks, while in concert with the development country also work to strengthen them.

### **The World Bank model**

Using process-oriented and not result-oriented conditionality, the WB conditionality model does not seemly link disbursement to results. That would imply a rather weak performance in implementing the managing for result commitment of the PDEA. However, it can be questioned what really constitutes a result. Is the result only the fulfilled target or is *the way to reach the target* a result in itself? If we chose to define result in the latter, broader way, it may be argued that complying with process/policy oriented conditionality is also to obtain results.

Hence, it could perhaps be argued that the policy conditions in the PRSC-4 in fact are results. Also, a national budget in compliance with MKUKUTA, expenditure outturn in line with budget and a timely national auditing report could be regarded as results, since they (hopefully) will lead to poverty sectors receiving allocations in the budget and then later receiving these earmarked funds. And yet, when it comes to policy conditionality there is no guarantee that legislation regarding roads and crop boards lead to results in terms of poverty alleviation. The everlasting problem with policy conditionality seems to be; that the expected outcomes/results might not materialise. The fierce debate about WB policy conditionality in the 90ies was, among others, about certain policies (most often first generation reforms) not turning out to catalyse the intended results. However, with the current focus on second and third generation reforms, the choice of policy conditionality appears more nuanced and adapted to the specific country. The causality from policy to result thus seems more credible today and many of the required processes appear essential for producing the desired results. Also, policy conditionality can have the positive effect in providing the government with political capital to go through particularly unpopular reforms that might necessary achieve results. Nevertheless, the direct link between disbursement and results is not ensured and therefore cannot be considered in line with the PDAE commitment.

However, when it comes to strengthening the capacity of the national results and monitoring systems, the three triggers demanding satisfactory sector reviews are definitely contributing positively. With the assumption that the phrase "satisfactory" also refers to the conducting of the review process itself and not only their outcome, this conditionality puts focus on the importance of reliable and efficient national monitoring systems and thereby contributes to boosting them.

### **The European Commission model**

Much of the philosophy behind the particularities of the EC model of conditionality is about managing for results. In terms of linking disbursement to results, the model is therefore greatly in line with the PDEA commitment. However, this very focus on precise and quantified outcomes is not without its problems. One of the central issues here, are

whether the government actually is able to control the realisation of the results spelled out in the conditionality. It is not unrealistic to assume that there could be events outside the control of the government that affect the outcomes. According to the EC model, non-compliance leads to reduced disbursement of the variable tranche, which then even more exacerbates the situation. However, *should a country be additionally punished for external shocks?* Further, there may be time lags between actions and results. This implies that appropriate measures could have been undertaken but results are still invisible. This fact additionally illustrates the need for multi-year conditionality.

Other challenges in linking disbursement to exact results, is how to select adequate result indicators. Assuming that the indicators are aligned with the MKUKUTA (which is not always the case), this still leaves a choice of over 100 indicators. The more specific the indicator, the less the scope of an issue will be covered. Simultaneously the harmonising efforts strive to minimise the amount of conditionality indicators. Hence, it is a delicate task to choose a small amount of representative indicators that cover the most important issues related to poverty reduction.

In addition, the selected indicators have to be statistically measurable, preferably through the national monitoring system. Data quality in Tanzania still poses a great problem and the existing poverty monitoring system is far from complete. The EC has experienced the consequences of this weak statistical capacity several times when insufficient quality of result indicators for the variable tranches led to withheld disbursement. A subsequent risk of unreliable statistics is that conditionality indicators are chosen more due to their measurability than their relevance.

Despite these problems, the EC model by demanding result-oriented conditionality encourages and puts focus on the importance of poverty-monitoring' skills and in line with the PDEA commitment contributes to the strengthening of its capacity.

### **The DFID model**

The DFID model does not link disbursement to explicit result conditionality. Again, though, the issue about how to define results arises. One of the three broad conditions that DFID applies is the commitment to poverty reduction. Even if the agency does not require any particular outcomes in order to qualify for disbursements, there is a demand for a general development in the "right" direction. Thus, it could be argued that DFID does require general results, although not specific ones. Still, the lack of specificity seems to be the opposite of results-orientation and, hence, not in line with the PDEA commitment.

The WB apparently wants to influence the way to the results while the EC instead is influencing by defining the very results. DFID, as a contrast, seems to encourage Tanzania to identify both results and the ways leading to the results on its own. At least as long as the road travelled is called poverty reduction, respect for human rights and sound PFM and accountability. *But when does this lack of specific and results-oriented conditions become complacency?* Despite the limitations set by the general conditionality, there is a risk that almost anything can be regarded as results. Also, there

is no indication of how quickly the development in the “right” direction should proceed. As development is a very intricate issue and national ownership should be supported, it is perhaps wise to refrain from a specific time schedule of progress. True results may only materialise if donors are kept on an arm’s length distance and Tanzania can get space and time to find its own way to prosperity. Again, however, it is clear that the DFID model relies on judgments of rather a political nature.

By not demanding explicit conditionality, the DFID model neither puts focus on improved poverty-monitoring’ skills, nor does it contribute to the strengthening of its capacity.

## **Conclusion**

We conclude that, according to our definition, the EC model seems most in line with the managing for results commitment of the PDEA. However, if the concept of results is defined somewhat more broadly, also the WB model may be considered results-oriented.

## ***Mutual accountability***

Mutual accountability is crucial for strengthening public support for ODA in the donor countries and for national policies and strategies in the developing countries. According to the Paris Declaration “*donors and partners are accountable for development results*”. Donors commit to “*provide timely and comprehensive information on aid flows, so as to enable partner authorities to present comprehensive budget reports to their legislatures and citizens*”. Hence, mutual accountability includes national public support in both donor and partner countries as well as the accountability between the donor and the development partner.

GBS is a more politically sensitive ODA modality than project aid and thus the need for mutual accountability is even more important. Sometimes the different “directions” of accountability, however, seem to be in conflict with each other. Adapted to our comparison of conditionality models, we define mutual accountability as a commitment comprising three dimensions; the conditionality model’s ability to ensure the donor’s accountability to its home constituencies, the model’s ability to reinforce the accountability between the donor and Tanzania’s government manifest as predictability of funding from the side of the donor, and the model’s ability to strengthen the Tanzanian government’s accountability to the Tanzanian people.

## **The World Bank model**

The home constituencies of the WB are the funding members of the World Bank. This means that the WB is accountable to all citizens in a large number of countries. However, tax payers probably perceive the distance to the WB rather long and therefore this dimension of accountability may not be that obvious. Nevertheless, the WB is dependent on the funds and definitely vulnerable to the opinions of its major contributors. The history of policy lending with, among others, the SAPs in the 80ies, has made the organisation controversial and it has fought hard to shuffle off its reputation as the hardcore multilateral, which bulldozes into the development countries imposing unfair conditions. Despite the profound reforms of the WB, faith in the institution could still be

undermined by bad conduct and potentially lead to channelling of aid to other organisations.

The fact that the WB provides (concessional or soft) loan instead of grants could be seen as one way to ensure accountability to the home constituencies. Considering the recent massive debt relief programs in the HIPC initiative, it is, however, quite possible that the loans will be written off in the future.

Accountability to its home constituencies may have spurred the upset WB reaction regarding the purchase of the presidential jet in 2004. As the biggest GBS donor and the father of the PRS, the acquisition of a new aircraft for the president was politically explosive material. By not preventing the purchase it, however, seems like the WB choose to prioritise the accountability to the Tanzanian government before the accountability to its funding members. This illustrates the potential tension between different kinds of accountability. This tension also arises in case some of the triggers to the next PRSC are not accomplished. The legal agreement between the WB and Tanzania, which springs out of the accountability towards the funding members, dictates non-disbursement in case of inadequate performance. However, non-disbursement operates contrary to the accountability against the Tanzanian government and has potentially disastrous consequences for the Tanzanian population. With its on-off approach to disbursement, the WB thus faces an intricate balance in terms of accountability. Not disbursing is very harmful, however, if the agreement is never enforced (because the triggers are modified, the assessment is delayed etc), the WB can indeed be accused of window dressing. *When does accountability towards the development country transform conditionality into empty threats that undermines the accountability to the home constituencies?*

In terms of strengthening accountability of the Tanzanian authorities against its own public, the WB model has many positive features. By imposing process indicators that insist on satisfactory sector reviews, an expenditure review consistent with the budget and a national audit, the government will be able to be increasingly accountable to its citizens in line with the third dimension of accountability.

### **The European Commission model**

The EC has a large amount of home constituencies in the form of the citizens in 27 member states. Through the variable tranche's gradual approach to insufficient performance, the EC model must be considered to achieve a sufficient level of accountability towards the citizens of the European Union. In case there are no results, the funds will not be disbursed, and in case there are semi-successful results, only parts of the funds will be released. Thus, the system is very easily communicated to the public at home in Europe and thereby helps to strengthen the support for GBS. The only question mark is; what happens to the funds that are withheld due to unsatisfying results?

The use of the variable tranche makes it impossible to predict the exact final funding, which could be regarded as a lack of accountability towards Tanzania's government. However, as already pointed out in the section of predictability, the clear criteria of

disbursement could also be seen as a system to enforce accountability because the government does not need to interpret the conditions any further. Thus, it is possible to argue that the EC model also is reasonably accountable to the Tanzanian government.

By insisting on clear results that are measured and reported by the national poverty monitoring system, the EC also contributes to strengthening the PMS, which benefits the accountability of the Tanzanian government towards its people, since the information of the PMS is publicly available and reveals both progress and lack of progress.

### **The DFID model**

The DFID model's lack of precise conditionality creates problems for the accountability to the home constituencies in the UK. Since GBS is such a political modality, the inability to point to specific results can potentially weaken the public support for GBS. The British tax payers may not share the Prime Minister's commitment to Africa and it is a nightmarish PR task to communicate that "the general development" in Tanzania goes in the right direction. The fact that Tanzania is a former colony, in which continued engagement is desirable, may somewhat mitigate this problems. Nevertheless, the combination of lack of explicit outcomes linked to the funding and the overall scaling up of budget support may threaten accountability. The fact that the purchase of the Presidential jet in 2004 was defended by the Prime Minister and several ministers (even though the Cabinet was split) is not surprising in the context of the current commitment to double aid. However, the pledges to dramatically increase ODA could be made at the price of accountability to the British people, which in the future might backfire against the entire budget support modality.

In relation to the Tanzanian government, the accountability manifested by predictability is, however, very satisfying. Not disregarding the possibility of non-disbursement, the overall impression is that DFID will disburse, regardless of outcomes. At the same time, however, the uncertainty produced by the general criteria for a satisfactory evaluation, gives DFID profound leverage in terms of policy dialogue. With surging levels of budget support, this influence will only increase, since withheld GBS would be catastrophic. By putting the Tanzanian government in this increasingly more dependent situation, the UK almost seems to revive their influence from the days of the old Empire. An increasing leverage on the policy dialogue will at some point infringe on the national ownership and then it is questionable whether the Tanzanian government can be accountable for the results produced by a "non-owned" agenda. This reasoning is an illustration on how the different commitments in the PDAE also influence each other.

### **Conclusion**

We conclude that, according to our definition, the EC model seems most in line with the mutual accountability commitment of the PDEA.

### ***Conclusion of the comparison of implementing the Paris Agenda***

In terms of implementing the Paris Declaration on Aid Effectiveness, it is hard to point to an evident “winner” among the three conditionality models. Both the DFID and EC models seem for different reasons to implement the PDAE rather successfully, while the WB model, according to our analysis, seem less in line with the five commitments. The DFID model seems to strengthen ownership and alignment as well as be conducive to harmonisation. On the other hand it is weaker in focusing on result and ensuring accountability. As a contrast, the EC model manages to secure the focus on results and accountability, however, not being easily harmonised and lesser prone to ownership. The WB model shows a somewhat less distinct profile, scoring only average on ownership, alignment and focus on results.

Further, it appears as if some of the commitments reinforce each other, while others conflict. *In fact, it can be questioned if it is possible to successfully implement all the five commitment of the PDAE at the same time.* Ownership is closely linked to alignment and managing for results seems to reinforce accountability. Accountability, however, sometimes seems to be at odds with ownership and too much focus on results does seem not to be conducive to harmonisation. Since the Paris Agenda does not declare any order of priority among the commitments, it is also not possible to weight them against each other. Our analysis rather points to the difficulty of implementing the entire PDAE in a conditionality model for GBS. The donors seemingly have to decide what to prioritise among the commitments and is hardly going to be capable of successfully implementing them all. A potential remedy could, however, be harmonization among the donors and models, something that we will touch upon in the next part of the thesis.

## Harmonisation of conditionality for General Budget Support

In line with the fourth commitment of the Paris Agenda, an active harmonisation process among GBS donors has been in place for several years in Tanzania. The results are so far considered very successful and the Tanzanian GBS coordination has been hailed as a best practice that other countries are encouraged to study.<sup>231</sup>

### *The GBS group in Tanzania*

14 development partners, DPs are currently providing GBS to the Government of Tanzania and form the GBS group. They include: The African Development Bank (ADB), Canada, Denmark, DFID/UK, European Commission (EC), Finland, Germany (KfW), Development Cooperation Ireland, Japan<sup>232</sup> (JICA), Netherlands, Norway, Sweden, The Swiss Development Cooperation and the World Bank.<sup>233</sup> Their total amount of GBS in FY 2006/07 is expected to be ca 630 Million USD, including loans and grants.<sup>234</sup> This is ca 14 % of total budgeted expenditure in Tanzania and around 4.5% of Tanzanian GDP.

The GBS group has a scheme with a rotating chairmanship currently held by Switzerland. The responsibility for the representation of the GBS group in high level dialogue with the government lies with the “Troika plus”, which consists of the current chair, the past chair and the incoming chair as well as the World Bank.<sup>235</sup> The “Heads of Corporation Group”, which includes all the Heads of the participating DPs, has the responsibility for the internal decision making.

A “Coordination Group”, which consists of representatives of the “Troika plus” at the technical level and representatives of key thematic groups on MKUKUTA monitoring, public expenditure and governance, is responsible for leading the technical work of the GBS group.<sup>236</sup> The GBS group is further supported by a permanent GBS secretariat.

The decision whether to disburse GBS or not is based upon the progress made by Tanzania, measured against a jointly elaborated Performance Assessment Framework, PAF (See Appendix 1). The PAF together with the Partnership Framework Memorandum (PFM) and a Joint Review Process constitutes the new GBS framework agreed between

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<sup>231</sup> Lawson, Andrew, Gerster, Richard, and Hoole, David (2005) *Learning from experience with performance assessment frameworks for general budget support*, Synthesis Report, SECO in DAC

<sup>232</sup> The fact that Japan is participating in the GBS group is unique, since the Japanese legislation actually prohibits direct support to governments!

<sup>233</sup> Until recently the IMF provided a “GBS- like” low-income lending facility, the Poverty Reduction and Growth Facility (PRGF), which limits funding to balance of payments support for growth and poverty reduction. August 2006 saw the completion of the PRGF but the IMF will still participate actively in the discussions within the GBS group and can therefore almost be regarded as a fifteenth group member (Interview, Lelde Schmitz, IMF, Dar es Salaam)

<sup>234</sup> World Bank, Program Document for a proposed credit, report No 35800-TZ, 2006

<sup>235</sup> Interview Elisabeth Børve, GBS Secretariat, Dar es Salaam

<sup>236</sup> Ibid



the 14 DPs and the Tanzanian government in October 2005.<sup>237</sup> It is created to be alignment with the Tanzanian budget process.

The PFM spells out the objectives and underlying principles for the provision of GBS to Tanzania as well as the responsibilities of the government and the DPs. It defines the GBS facility as a five-year programme to support the implementation of the MKUKUTA.<sup>238</sup> The principles set out in the PFM seek to operationalise various international commitments, including the Rome and Paris declarations and the JAST.

The donors seem generally very satisfied with the work and functioning of the GBS group. Also, the GoT welcomes the arrangements, since it puts less pressure on their constrained capacity in, for example, the Ministry of Finance. Instead of having to handle all the GBS donors separately, the MoF can maintain the important policy dialogue with one donor, i.e., the present chairman of the Troika. Despite this formalised representative system, there is some suspicion within the GBS group that certain donors still continued to have individual contact with the Tanzanian government representatives.<sup>239</sup>

The GBS contributions are likely to increase, since several donors (among them Sweden, Canada and the UK) are planning to scale up GBS in the coming years.<sup>240</sup> The Tanzanian Government's response to increased GBS is naturally very favourable.<sup>241</sup> Other GBS donors argue that a too quick increase in the amount of GBS will create absorption problems due to limited national capacity and urges their donor colleagues to proceed with caution.<sup>242</sup>

## ***The Performance Assessment Framework, PAF***

*“We have been so busy coordinating ourselves that there has hardly been any time for our main task; the policy dialogue with the government”*

Jonathan Wolsey, EC<sup>243</sup>

Each GBS donor still has its own bilateral funding agreement with the GoT, however, these agreements are not supposed to include any conditionality not included in the PAF.<sup>244</sup> The current PAF does, however, not contain any political conditionality

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<sup>237</sup> Ibid

<sup>238</sup> Partnership Framework Memorandum, 2006

<sup>239</sup> Interview Jonathan Wolsey, EC Dar es Salaam

<sup>240</sup> Interview Eric Johnsson, Swedish Embassy, Tim Harris, DFID, Jacob Dahl Winther, Danish Embassy, Dar es Salaam

<sup>241</sup> The Tanzanian Minister of Finance, Zakia Meghji, even wrote an article in a Swedish newspaper, expressing her gratitude to the Swedish decision to scale up budget support to 50-70% of total Swedish ODA Sydsvenskan, *Förbättrad biståndsform*, 22 October

<sup>242</sup> Interview, Martin Saladin SDC/SECO, interview Jacob Dahl Winther, Danish Embassy, Dar es Salaam

<sup>243</sup> Interview Jonathan Wolsey, EC, Dar es Salaam

<sup>244</sup> Alina Rocha Menocal and Sarah Mulley (2005) *Learning from experience? A review of recipient government efforts to manage donor relations and improve the quality of aid*, ODI, London [http://www.odi.org.uk/publications/working\\_papers/wp268.pdf](http://www.odi.org.uk/publications/working_papers/wp268.pdf)

(primarily due to the WB prohibition of political conditionality) and consequently assessments of democracy and human rights are made outside the PAF.

The PAF has been renegotiated several times and the amount of indicators has been shrinking steadily. In 2004, critique was expressed that the high number of GBS donors had led to far too many sets of conditionality and that unclear borders between dialogue and conditionality undermined the country policy ownership.<sup>245</sup> As a response the latest PAF version managed to slash the amount of indicators substantially. The current PAF contains around 25 outcome indicators, 29 underlying processes and 19 so-called temporary processes actions covering 6 focus areas, including public financial management, macroeconomic management and public service development.<sup>246</sup> The outcome indicators consist of results-oriented conditionality from the EC and the underlying processes are the range of processes that are supposed to produce the results, including some of the WB conditionality. The temporary processes were created in order to fit in the conditionality that neither could be regarded as underlying processes nor as outcome indicators.<sup>247</sup> They include several of the WB's triggers as well as other policy conditionality induced by other donors.

As the product of hard negotiations and compromises, the current PAF matrix is, hence, something of a “smorgardsbord” of conditionality. All the previously described indicators from the WB and the EC are present in the PAF, as well as additional conditions pushed for by the other 11 donors in the GBS group. Some of the bilateral donors (among them Sweden), however, have a similar approach to conditionality as DFID, that is, they do not formulate explicit conditions.<sup>248</sup> Others have mixtures, such as Switzerland, who has explicit conditions in some areas on which they base the release of their own version of a variable tranche.<sup>249</sup>

Apart from the critique of policy conditionality in the form of legislation, no particular preference for either process or results-oriented conditionality seems to exist from the side of the Tanzanian MoF.<sup>250</sup> The different approaches to conditionality present in the “hybrid”-like PAF were instead regarded as complementary.<sup>251</sup> However, in order to actually work as complements, the necessity of coherence was emphasised, that is, process conditions must be linked with the outcomes in the PAF.<sup>252</sup> Also, there was a desire to see an even more far-reaching coordination; “*ideally I wish to see a one page PAF*”.<sup>253</sup>

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<sup>245</sup> Lawson, A. et. al (2005), “*Does General Budget Support Work? Evidence from Tanzania*”, ODI report

<sup>246</sup> Performance Assessment Framework, 2005

<sup>247</sup> Interview Elisabeth Borve, GBS Secretariat

<sup>248</sup> Interview Erik Jonsson, Swedish Embassy in Tanzania

<sup>249</sup> Interview, Martin Saladin, SECO/SCO, Dar es Salaam. The Swiss, however, do not release a percentage of the tranche as the EC does but disburse everything or nothing of the tranche.

<sup>250</sup> Interview Philippina Malisa, Ministry of Finance, Dar es Salaam

<sup>251</sup> Interview Mugisha Kamugisha, Ministry of Finance, Dar es Salaam

<sup>252</sup> Ibid

<sup>253</sup> Ibid

Progress of the conditions in the PAF is assessed during an annual joint review in October.<sup>254</sup> In order to avoid having too many parallel review processes, the information provided in the preceding annual PRS Progress Report is intended to feed into the joint PAF review. The PRS review in its turn contains the results of the various sector reviews that take place earlier during the year. Since full alignment with the MKUKTA has not yet taken place, the PRS Progress report has, however, to be complemented by other sources of information.

The green light for disbursement of the pooled budget support is “a satisfactory review”. However, exactly what this implies is not obvious and a working group has been formed in order to define its meaning.<sup>255</sup> Despite the joint review and joint decision whether the review is declared satisfactory, the individual donors, still have the legal right to decide if they will disburse or not.<sup>256</sup> Thus, an individual donor can refuse to release funds even if the majority in the GBS group consider the review satisfactory.

The coordination among the GBS donors has been very successful but the price of the “coordination obsession” and its lengthy and cumbersome negotiation has been too little time for policy dialogue with the government.<sup>257</sup> Hence, the general sentiment seems to be that any further harmonisation efforts now have to wait.

As a coordinated club with fourteen members, the GBS group becomes increasingly powerful. There is a risk that governments can become subject to political pressure and leverage exercised through the joint donor approach. This concern is referred to as the risk of “*donors teaming up*”.<sup>258</sup> There have been several such examples, such as the EC in Kenya suspending the transfer of €150m worth of budget support after allegations of corruption made by the British High Commissioner.<sup>259</sup> A similar situation also occurred in Uganda.<sup>260</sup> When coordination increases, it appears as if something akin to “group thinking” can evolve. The politically sensitive issue of corruption is also in Tanzania the most probable reason for interrupted disbursement.<sup>261</sup>

It would be a disastrous scenario for Tanzania if a majority of the donors suddenly deemed the country’s performance unsatisfactory and refused to disburse. Even if such an event seems very distant today, it is not the first time in history that a donor darling all of a sudden becomes something of an enfant terrible. Regarding the pressure exercised by the conditionality, one representative of the MoF commented: “*When I ask my boss, -*

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<sup>254</sup> Rocha Menocal, Alina and Mulley, Sarah (2005) *Learning from experience? A review of recipient government efforts to manage donor relations and improve the quality of aid*, ODI, London

<sup>255</sup> Interview Jacob Dal Winther, Danish Embassy, Dar es Salaam

<sup>256</sup> For FY 07/08, the Danes decided not to release its variable tranche of 18 million Danish Kroner due to failed revision of the anti-corruption legislation.

<sup>257</sup> Interview Jonathan Wolsey, EC, Dar es Salaam

<sup>258</sup> Hauck, V., Hasse O. and Koppensteiner M. (2005) *EC budget support: thumbs up or down?* ECDPM Discussion Paper 63, Maastricht: ECDPM

<sup>259</sup> *The Guardian Weekly*, 30 July to 5 August 2004

<sup>260</sup> *European Voice*, 23 September 2004

<sup>261</sup> Interview Martin Saladin, SECO/SCO, Dar es Salaam

*what if we don't make it? He always answers, - that is not an option, we have to make it”<sup>262</sup>*

## **Implications of a harmonized PAF**

Successful harmonization has many implications, since it profoundly changes the environment of and way in which donors work with the government. For the Tanzanian government the gain is less pressure on their limited capacity. However, if the suspicion that some donors continue to have individual GBS relationships with the government outside the jointly agreed division of labour is correct, this gain is more theoretical. In the first part of the thesis, we studied the different conditionality models as if they were the only players on the GBS scene, however, harmonisation has implications for them and also has additional impact.

### ***Implications for the three conditionality models***

Without GBS coordination, the models would be the same but the amount of indicators would surely be much larger in the WB and EC models. The harmonisation efforts have forced these two donors to reduce the amount of indicators used in their conditionality. If the very existence of pre-specified conditions is regarded as a detriment to ownership, harmonisation has mitigated this negative effect. Hence, harmonisation seems to support the DFID model in so far that the *total amount of conditions is smaller* today than earlier when all donors separately executed their models. On the other hand, DFID's vision about no pre-specified policy conditions seems unfeasible today, despite the fact that several other bilateral donors apply this approach.

Drowning in an ocean of pooled funds, the amount of the variable tranche becomes rather miniscule relative total GBS. Hence, *the entire raison d'être of the variable tranche can be put into question*. The only way for it to function as an efficient incentive, is if several bilateral donors adopt the EC model but as of today this does not seem realistic.

Through its mosaic of different conditionality, the PAF seems to moderate some of the deficiencies in the three conditionality models. By adding outcomes to the WB model, processes to the EC models and both, i.e. clearly defined results to the DFID model, the PAF appears to have the potential to become a new “super model”, satisfying all tastes. However, the super model will only materialise if there is coherence between the conditions, that is, if the processes through the temporary processes interlink with the outcomes. This requires continued close co-operation between donors, especially between the WB and EC. If the processes and results are not coherent they will not be complementary and instead impose a double burden on the government or at least not offer any improvements compared to an un-harmonised approach.

A future somewhat more speculative potential impact of the harmonised framework is that it will catalyse the abolition of the ban on political conditionality. Since all other donors include assessments of democracy and human rights in their performance

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<sup>262</sup> Interview Philippina Malisa, Ministry of Finance, Dar es Salaam

evaluation outside the PAF there could be increased pressure to include it in the joint framework.

### ***Further implications of a harmonised PAF***

In order to produce added value, the PAF must be subject of permanent revisions and improvements. Yet, it is obvious that too much focus on harmonisation drains the capacity of the donors. It risks to end in a dangerous “coordination fatigue”, which may prevent any future progress. Harmonisation is not an end in itself and, hence, there must be a reasonable trade off between harmonisation and performance. If donors spend most of their time discussing with other donors they will have no time to be partners in the policy dialogue with the government. The intense coordination ambitions reveal a tendency of donors to focus a little bit too much on their own technicalities and thereby become somewhat narcissistic. If the PAF is ever so aligned but does not catalyse any results, it fills no function.

The effect of “donors teaming up” because of integration can have several effects. If it results in a favourable joint assessments and support for increased multi-year commitment, harmonisation has the potential to increase predictability and thereby accountability towards the Tanzanian government. The harmonised approach, however, increases leverage on behalf of the donors and implies that certain agendas can be pushed in concert, which may threaten the Tanzanian ownership. If the teaming up one day results in a “contagion” of interrupted GBS, it could potentially be disastrous for the country. Regarding what is at stake in case of non-disbursement it is of utter importance to establish the meaning of “a satisfactory review”.

One of the most common reasons for disrupted disbursement has internationally been allegations of severe corruption. This also seems to be the Achilles heel of Tanzania. As a consequence of harmonisation, allegations of corruption can have a domino effect in terms of interrupted disbursement because too much leakage due to the features of the budget support mode is impossible for any donor to defend politically. Too much corruption can also backfire against the current favourable attitude towards GBS and might force donors to shift back to other modalities and thereby slowing down the implementation of the PDEA.

### ***Conclusion***

Harmonisation seems to have the potential to cancel out some the weaknesses of the individual conditionality model. This, however, demands that the eclectic mix of processes, policies and outcomes in the PAF is coherent. The risk of a too strong emphasise on improved co-ordination is that donors focus too much on their own technicalities and become myopic. The enhanced harmonisation between donors could further result in too much of a joint, non-independent decision making, substantially increasing the power of donors. This implies weaker ownership of the Tanzanian government and it could have catastrophic consequences for the Tanzanian people in case the GBS group collectively decides to withhold budget support.

## **Further aspects of future General Budget Support**

We would like to end our thesis by finally pointing to a few additional pertinent aspects of future GBS in Tanzania. They include the planned up scaling of budget support, further improvements of the PAF and the urgent need to elaborate a communication strategy of GBS.

### ***The scaling up of GBS***

Budget support is certainly on the march and in addition to the, so far, promising results; the modality also seems a little “trendy”. Several of the donors are about to scale up their budget support in Tanzania. DFID’s rather dramatically increasing contribution is a result of the political pledges in the UK to double aid. Even if the UK is truly convinced about the merits of GBS, it cannot be denied that budget support is the only realistic way to realise the pledges. It would be impossible to channel such large amount of funds in a short time through projects. *The UK has no other choice than to rely on GBS.*

The Tanzanian Ministry of Finance does not consider increased amounts of budget support as a problem. It is argued that the ministerial infrastructure is more or less the same regardless of the size of funds.<sup>263</sup> A too sudden increase of GBS could, however, create problems in terms of absorption. There is a risk that increased volumes in combination with lacking capacity results in worse performance, which subsequently undermines the credibility of the entire modality in the donor countries as well as among the Tanzanian population. Thus, the enthusiasm for GBS may backfire in case the increased funds are not immediately accompanied by better results. Already being more politically sensitive than other aid forms, the vulnerability of GBS will increase with larger amounts while the tolerance for failure will decrease. In order not to experience an “unfair” backlash for the modality as such, the donors should probably exercise some caution. Increased Technical Assistance in the form of foreign consultant may be a short-term solution to limited capacity, especially in times of increased provision. However, substituting limited local competence with short-term foreign consultants is hardly a sustainable solution. Instead, that may even stall certain necessary reforms and actions.

### ***The future PAF***

The harmonization of the PAF will most probably continue but hopefully not at the expense of the policy dialogue with the government. In order to avoid adding conditionality and to enable even further shrinking of the PAF, a framework of different conditionality levels has been proposed.<sup>264</sup> As long as no particular problems are evident, the donors only use very broad conditionality, somewhat similar to the DFID model. However, in case a particular issue shows signs of deterioration, the PAF can be expanded with ad hoc indicators reflecting the challenges at that specific time. This allows the donors to “unpack” the conditionality and go to a level of more numerous and further detailed indicators, that dig deeper into the momentary problematic issue. Through this system donors can (hopefully) guide the government through the problems and act proactively to avoid later dire consequences. This system would work as a kind of

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<sup>263</sup> Interview Mugisha Kamugisha, Ministry of Finance, Dar es Salaam

<sup>264</sup> Interview Allister Moon, WB, Dar es Salaam

“contingency plan”, striving at timely managing GBS instead of waiting until an issue totally breaks down and later results in interrupted disbursement.

This system proposed by the WB seems to have a lot of merits but it can be discussed *when* a problem is to be considered as threatening enough to justify additional conditionality. As pointed out by Samuel Wangwe, “*discovering problems is not always a bad thing, instead it can actually be a sign of health*”.<sup>265</sup> The very fact that the problem is detected proves that a certain level of transparency exists. In a more closed environment troubles and scandals would most probably not be uncovered and therefore not known until much later. If the donors are to decide if an issue is developing in the wrong direction, this could potentially weaken national ownership.

### ***Communication strategy for GBS***

Regardless of whether budget support is being scaled up or not, the modality is inherently more politically sensitive than project aid. With the tremendous media power of today, not much is needed to adversely affect the public opinion in the donor countries. In, for example, Sweden a TV program accusing the Swedish government for funding the war in northern Uganda by GBS, was very harmful for the general perception of budget support. The reports explaining the rationale and function of GBS have, however, been very few, which illustrates the need for additional information.

Presenting project aid is a much easier task, since the results can be illustrated by pictures of a hospital under construction or by school children using new textbooks. However, to demonstrate that 10% of such things (possibly) are the result of the donor’s contribution to the Tanzanian budget is much more difficult.<sup>266</sup> In order to minimise the political risk of GBS, the modality has to be explained and communicated in a more proactive way.<sup>267</sup> Hence, the donors should invest in a *GBS communication strategy* and work for “international GBS enlightenment”. This includes informing the general public that aid efficiency is contingent on the commitments of the Paris Agenda, and about the consequences of choosing other, less efficient routes.

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<sup>265</sup> Interview Samuel Wangwe, IMG, Dar es Salaam

<sup>266</sup> Ibid

<sup>267</sup> Interview, Jacob Dahl Winther, Danish Embassy, Dar es Salaam

## Epilogue

*Take up the White Man's burden  
In patience to abide,  
To veil the threat of terror  
And check the show of pride;  
By open speech and simple,  
An hundred times made plain  
To seek another's profit,  
And work another's gain  
Take up the White Man's burden  
The savage wars of peace--  
Fill full the mouth of Famine  
And bid the sickness cease;*

From the White Man's burden, Rudyard Kipling, 1899

General Budget Support seems to have the potential to profoundly change the development scene and the provision of ODA. The conditionality under which GBS is provided will therefore continue to be intensely debated. Our thesis shows that it is difficult to find a form of conditionality that corresponds to all the five commitment in the Paris Agenda. Through harmonisation, the existing different views on conditionality can, however, be complementary in a joint performance assessment framework. Paradoxically such a framework strengthens the influence of donors and risks to undermine national ownership. The increased leverage of donors is also boosted by the fact that GBS is harder to communicate, easier to attack, and thus easier to turn off. In order to avoid the undermining of Tanzanian ownership and the potentially apocalyptic consequences of a major disruption of budget support, provision of GBS has to be accompanied by increasing Tanzanian economic independence.

Ideally, budget support along with all ODA should strive to abolish itself. The current trend in Tanzania is, however, growing aid dependency. Even if the MKUKUTA in its role as the national strategy of poverty reduction and growth is an important instrument in reducing aid dependency in the long term, it may not be sufficient. Also, the donors must have a time plan for their exit. Since no such plan exists, we cannot help questioning *if there really is a genuine will to reduce aid dependency?* Tanzania will for a long time to come have endless needs and it is not realistic to expect that the country voluntarily refrains from ODA that is being offered. The donors on their side seem more than willing to provide aid in order to get political influence and goodwill. There is also a whole class of aid workers that most probably prefer to remain employed. Thus, it rather seems as parts of the philosophy underneath the (in)famous Kipling poem still prevail in the world of development. It may, however, finally be upon time to shuffle off any remains of shady and patronising colonialism and put an end to the White Man's Burden. That much said we nevertheless share the vision posted in the lobby of the World Bank:  
*"Our dream is a world free of poverty"*



## Interviews

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Börve Elisabeth	Co-ordinator, Secretariat for Budget Support
Dal Winther, Jacob	First Secretary, Royal Danish Embassy, Dar es Salaam
Danielsson, Anders, Dr.	Director-General, Swedish Agency for Development Evaluation (SADEV)
Furukawsa, Minaru	External Finance Department, Aid Coordination Section, Government of Tanzania
Harris, Tim	Statistics Adviser, DFID Tanzania
Johansson Anita	Desk Officer, Tanzania, Swedish Ministry of Foreign Affairs
Jonsson, Erik	Economist, Embassy of Sweden, Dar es Salaam
Keller Robert	Senior Policy Adviser Department for Global Development, Swedish Ministry of Foreign Affairs
Kabett, Congesta	Policy Analysis Department, Government of Tanzania
Kamugisha, Mugisha	Commissioner for Policy Analysis, Ministry of Finance, Government of Tanzania
Malisa, Philipina	Assistant Commissioner, Aid Coordination Section, Ministry of Finance, Government of Tanzania
Mataba, Deodatus	External Finance Department, Aid Coordination Section, Government of Tanzania
Moon, Allister	Lead Economist, The World Bank, Dar es Salaam
Nokkala, Marko	Counsellor, Economic Affairs, Embassy of Finland, Dar es Salaam
Olander, Sven	Public Financial Management, SIDA
Rutasitara, Longinus, Dr.	Senior Lecturer, University of Dar es Salaam
Saladin, Martin	Deputy Country Director, Economic Affairs SDC/SECO, Embassy of Switzerland, Tanzania
Schmitz, Lelde, Dr.	Senior Resident Representative, IMF, Tanzania
Spitzer, Hanno	Head of Division for Development Co-operation, German Embassy, Dar es Salaam
Suzuki, Yuko	Programme Analyst, Development Management Unit, UNDP, Dar es Salaam
Tarimo, Ben, Dr.	A-director, Economic Policy, Bank of Tanzania
Temu, Mark	External Finance Department, Aid Coordination Section, GoT
Wangwe, Samuel, Prof.	Principal Research Associate, Economic and Social Research Foundation and Director, Daima Associates Ltd.
Wolsey, Jonathan	Attaché, Macro-economics, Delegation of the European Commission, Tanzania
Åkesson, Torvald	Ambassador, Embassy of Sweden, Dar es Salaam

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**Appendix I**  
**UNITED REPUBLIC OF TANZANIA**  
**General Budget Support**

**Performance Assessment Framework (PAF)**

NO	SUBJECT	QUESTION S/ ISSUE TO MONITOR	MAIN PROCESS	UNDERLYING PROCESSES	TEMPORARY PROCESS ACTIONS	OUTCOME INDICATORS	INDICATOR VALUES	
							Baseline (2005) and Target (2010) Values	Actual This Review Period
1	NSGRP implementation: Cluster 1 - Growth and reduction of income poverty	Is broad based economic growth being effectively promoted? Are policy debates/decisions transparent?	NSGRP review	(i) Development of and dialogue on implementation of a growth strategy.  <b><u>To be developed</u></b> (ii) Infrastructure Review, encompassing Roads, Energy, Communication, and Transport sector in 2005/06. (iii) Agricultural Sector Review in 2005/06. (iv) BEST Programme Review (v) Second Generation Financial Sector Reforms Programme	(i) Put in place the agreed sector review processes, ensuring alignment of the next PRBS annual review in October 2006  (ii) Government amendments to the Civil Procedure Code (CPC) by October, 2006.  (iii) Private sector views considered prior to second reading of the Business Activities Registration (BAR) Bill and the Regulatory Licensing Regime reformed  (iv) Draft Roads Act to be submitted to the Parliament by October 2006.	(i) Increase in credit extended to private sector as % of GDP  (ii) Enabling environment for private sector lead growth improved  (iii) Reduction of Income Poverty in Rural Population	Volume of credit to the private sector to increase by 1% of the GDP per annum.  Tanzania steadily moves up the World Bank "Doing Business" ranking.  Baseline: 5.4% Target: 10.0%	(i) 7.9% of the GDP in 2004  (ii) Tanzania ranked 140 in 2005  5.4%

<sup>1[1]</sup> Before the Annual Review 2006, a Joint Task Force will identify a better indicator to capture market access, encompassing the Government's entire efforts in improving such access.



NO	SUBJECT	QUESTION S/ ISSUE TO MONITOR	MAIN PROCESS	UNDERLYING PROCESSES	TEMPORARY PROCESS ACTIONS	OUTCOME INDICATORS	INDICATOR VALUES	
							Baseline (2005) and Target (2010) Values	Actual This Review Period
				<p>Review</p> <p><b><u>In Place</u></b></p> <p>(vi) Per Macro Group</p> <p>(vii) Privatization Review</p> <p>(viii) Tax Modernisation Programme (TMP) Review (to be replaced by a comprehensive NSGRP Cluster Review when developed.</p>	<p>(v) Draft Electricity Act to Parliament by October 2006</p> <p>(vi) EWURA (Energy, Water, and utility Regulatory Authority) and SUMATRA (Surface &amp; Marine Transport Regulatory Authority) fully operational and staffed</p> <p>(vii) Amendment of Legislation for at least two crops Boards by November 2006.</p> <p>(viii) Survey of individual farms 11,693 and issue of CCROs</p> <p>(ix) Production and distribution of the Strategic Plan for the Implementation of Land Laws (SPILs)</p> <p>(x) Special studies on SGR, Input Trust Fund and Input subsidies conducted with Government position on their recommendations</p>	<p>(measured by Annual Agriculture. GDP growth).</p> <p>(iv) Improve rural market access.</p> <p>(v) Increase capacity of LGAs to support agricultural development</p>	<p>Rehabilitate 15,000 km of rural roads by 2010 from 4,500 km in 2003<sup>1[1]</sup></p>	<p>(iv) 8,500 kms of rural roads rehabilitated in 2004</p>

NO	SUBJECT	QUESTION S/ ISSUE TO MONITOR	MAIN PROCESS	UNDERLYING PROCESSES	TEMPORARY PROCESS ACTIONS	OUTCOME INDICATORS	INDICATOR VALUES	
							Baseline (2005) and Target (2010) Values	Actual This Review Period
2	NSGRP implemen- ta- tion: Cluster 2 - Improveme- nts of quality of Life and Social well being	Is there improved quality of life? Is service delivery improving?	NSGRP review	A comprehensive NSGRP Cluster Review when developed				
			NSGRP review	Implementation of the National Environment Management Act, 2004	Publication of the first State of the Environment Report.	To be identified from the State of the Environment Report.		
			NSGRP review		Action Plan for developing a National Social Protection Strategy adopted.	To be identified from the Action Plan.		
			NSGRP review	Health Sector Review		(i) Proportion of children that receive three doses of vaccine against diphtheria, pertussis (whooping cough), tetanus, and Hepatitis B under two (2) years.	<b>Baseline:</b> 71% <b>Target:</b> 90%	71%

N O	SUBJECT	QUESTION S/ ISSUE TO MONITOR	MAIN PROCESS	UNDERLYING PROCESSES	TEMPORARY PROCESS ACTIONS	OUTCOME INDICATORS	INDICATOR VALUES	
							Baseline (2005) and Target (2010) Values	Actual This Review Period
			NSGRP review	NMSF Bi-Annual Review		(i) National HIV prevalence <sup>2[2]</sup> in the 15 – 24 years age group.	<b>Baseline:</b> 7.5% <b>Target:</b> 6.0%	7.5%
			NSGRP review	Education Sector Review		(i) Net primary school enrolment	<b>NER Primary Average</b> 94.8% Boys 95.6% Girls 93.9% Target 99%	94.8%
			NSGRP review			(ii) Transition rate from standard VII to Form I	<b>Transition Rates:</b> Average 36.1% Boys 36.6% Girls 35.6% Target 50%	36.1%
			NSGRP review			(iii) Gross Tertiary Education enrollment	<b>GER Tertiary Education:</b> Baseline:0.5 % Target: 10%	0.5%
			NSGRP review				<b>GER Higher Education</b> Baseline: 0.27% Target: 6%	0.27%

<sup>2[2]</sup> Target to be reviewed to take into account the effect of ARVs.

NO	SUBJECT	QUESTION S/ ISSUE TO MONITOR	MAIN PROCESS	UNDERLYING PROCESSES	TEMPORARY PROCESS ACTIONS	OUTCOME INDICATORS	INDICATOR VALUES	
							Baseline (2005) and Target (2010) Values	Actual This Review Period
			NSGRP review	Water Sector Review	(i) Satisfactory joint water sector review held in first quarter FY 2006/07  (ii) Revised Water Sector Legislations presented to the parliament by April 2006  (iii) The National Water Sector Development Strategy presented to the Cabinet by end of February 2006	(i) Percentage of the population that has access to clean and safe water from a piped or protected source.	<b>Baseline:</b> Rural 53.5% Urban 73.0%  <b>Targets 2010:</b> Rural 65% Urban 90%zz	Rural 53.5% Urban 73.0%
3	NSGRP implementation Cluster 3 - Governance and accountability	Is good governance and the rule of law ensured? Is government accountable to the people?	NSGRP review	(i) GoT - DPs and other stakeholders' consultations on governance.  (ii) NACSAP (II)  (iii) PSRP Review  (iv) LSRP review	(i) Revised anti Corruption Legislation presented to Parliament by <b>November 2006</b>  (ii) Develop review mechanism for <b>NACSAP (II)</b>	(i) Quarterly NACSAP Implementation Report published and discussed.  (ii) Current pay as a proportion of government's pay	<b>Baseline:</b> 4 reports <b>Target:</b> 4 reports  <b>Baseline:</b> 86% <b>Target:</b>	4 Reports   86%

NO	SUBJECT	QUESTION S/ ISSUE TO MONITOR	MAIN PROCESS	UNDERLYING PROCESSES	TEMPORARY PROCESS ACTIONS	OUTCOME INDICATORS	INDICATOR VALUES	
							Baseline (2005) and Target (2010) Values	Actual This Review Period
				(v) LGRP review		target (PSRP).  (iii) Percentage of Court cases outstanding for 2 years or more.  (iv) Number of strategic plans of central and sector ministries containing a strategic objective to implement decentralization by devolution.	100%  <b>Baseline:</b> 70% <b>Target:</b> 40%  Baseline 2005: One (PO- RALG)  Target 2010: All	70%
4	Resource allocation and budget consistency	Does the budget reflect national policy? Does spending reflect the budget? Are budgetary decisions questioned for consistency with policy and VFM?	PER MACRO  Poverty Monitoring System	(vi) Budget Guidelines. (vii) Fiscal reports (BER, QDR) (viii) PEFAR review (ix) Annual MKUKUTA Progress Report		(i) Approved budget broadly in line with policy objectives (NSGRP, sector policies);  (ii) Expenditure outturn consistent with approved budget.	Recurrent budget deviation reduced:  <b>Baseline:</b> 18%  <b>Target:</b> 10%	18%

NO	SUBJECT	QUESTION S/ ISSUE TO MONITOR	MAIN PROCESS	UNDERLYING PROCESSES	TEMPORARY PROCESS ACTIONS	OUTCOME INDICATORS	INDICATOR VALUES	
							Baseline (2005) and Target (2010) Values	Actual This Review Period
5	Public Financial Managem ent	Are there systems in place within GoT to assess the regularity of expenditures? Is the procurement system open and transparent and provide value for money? Are these enforced?	Single PFM review instrument	(i) PEFAR review which will need to look at (ii) annual procurement audit  (ii) PFMRP JSC consultations	(i) Audit Reform priorities to be reflected fully in PFMRP - see attached table.  (ii) PWC contracted to establish system for monitoring and checking compliance, start November, will end around March 2006	(i) NAO Audit Report is of international standard by 2010 and released within 9 months as required by the Public Finance Act 2001.  (ii) Number of procuring entities complying with the Public Procurement Act 2004	2005: NAO starting to introduce INTOSAI and ISA international standards regarding formats, procedures and reports. 2010: NAO fully compliant with international standards.  <b>Baseline:</b> 10% <b>Target:</b> 80%	10%
6	Macroecon omic stability.	Is the broad macroeconomic environment conducive for budget support?	PER MACRO	(x) Budget Guidelines. (xi) Fiscal reports (BER, QDR) (xii) PRGF (xiii) PEFAR review		Fiscal and monetary stability, reflected by:  (i) Fiscal Deficit (after grants) as % of GDP consistent with PRGF targets.  (ii) Inflation rate consistent with	<b>Baseline:</b> 6% <b>Target:</b> per PRGF  <b>Baseline:</b> 4.5%	6%  4.5%

NO	SUBJECT	QUESTION S/ ISSUE TO MONITOR	MAIN PROCESS	UNDERLYING PROCESSES	TEMPORARY PROCESS ACTIONS	OUTCOME INDICATORS	INDICATOR VALUES	
							Baseline (2005) and Target (2010) Values	Actual This Review Period
						PRGF targets.	Target: per PRGF	