

Evaluation Study Commissioned by the Expert Group for Aid Studies,
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Evaluation Report: Long-term Development Co-operation between Sweden and Tanzania



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The evaluation addresses two broad questions:

- Has Swedish aid contributed to poverty reduction in Tanzania over the long period of cooperation since 1962? In what ways has Swedish cooperation been effective in supporting poverty reduction?
- What are the lessons from experience with cooperation with Tanzania for Swedish development cooperation today? What is the evidence base for any implications?
- Caveat: Numerous factors influenced the limited achievements in poverty reduction over this long period and it is not possible to directly attribute a quantitative impact to Sweden. *The evaluation assesses how Sweden has supported measures that may reduce poverty.*



The AQEF Approach

Aid Quality Evaluation Framework (AQEF)

- Developed for earlier long-term evaluations of Swedish cooperation
- Heuristic tool when it is not possible to directly observe or quantify the impact of development co-operation
- AQEF consists of three components:
 - ✓ consistency with Paris Declaration principles for aid effectiveness adopted by the donor community in 2005;
 - ✓ consistency with poverty reducing development needs in the recipient country; and
 - ✓ cognizance of development capacities (local and aid delivery)



The AQEF Approach

- Applying the AQEF requires judgement to assess the *likely* contribution to poverty reduction of the development cooperation
- Mixed methods research employing quantitative and qualitative methods to evaluate types of evidence on context, evolution, and outcomes of cooperation
- Stage 1: identify the Tanzanian context (historical narrative)
- Stage 2: Features of Swedish aid to Tanzania
- Stage 3: Interviews with key informants (to identify lessons and qualitative assessments)
- Stage 4: Deriving lessons and implications



Stage 1: The Tanzanian Context

Establishing the context within which cooperation took place involved examining:

- Trends in poverty (monetary and multidimensional) and poverty reduction achievements in Tanzania over time (reliable income poverty data only available since about 1990);
- The policy environment, institutional setting and (macro) economic performance during the period; and,
- Overall donor community support (aid and policy) over the period, with an assessment of development effectiveness.



The Tanzanian Context: Poverty

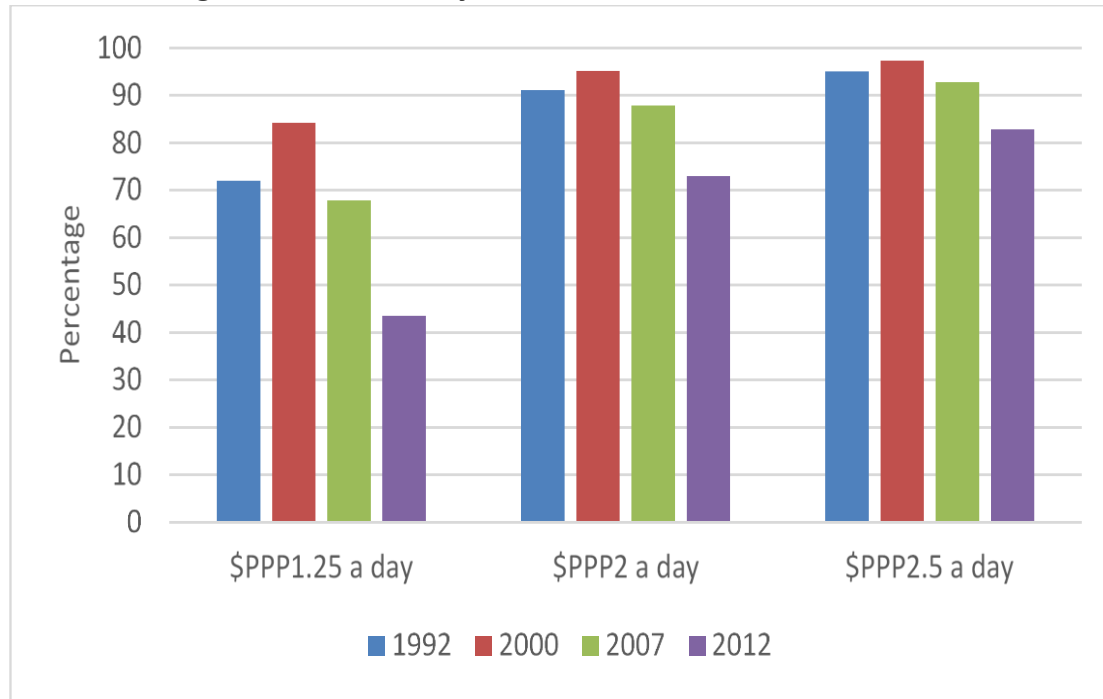
Poverty Reduction Achievements

- Limited but positive achievements (given variable data)
- Poverty may have increased between 1992 and 2000, but on almost all income poverty measures it decreased between 2007 and 2012
- Income poverty gaps are lower in 2012 than in 1992
- But there are more Tanzanians living in income poverty in 2012 than in 1992 (at \$2 per day, not so evident at \$1.25 per day)
- Generally positive trends in non-income dimensions of poverty, such as life expectancy, education and sanitation
- Poverty reduction almost entirely urban (DSM)



Variable poverty reduction

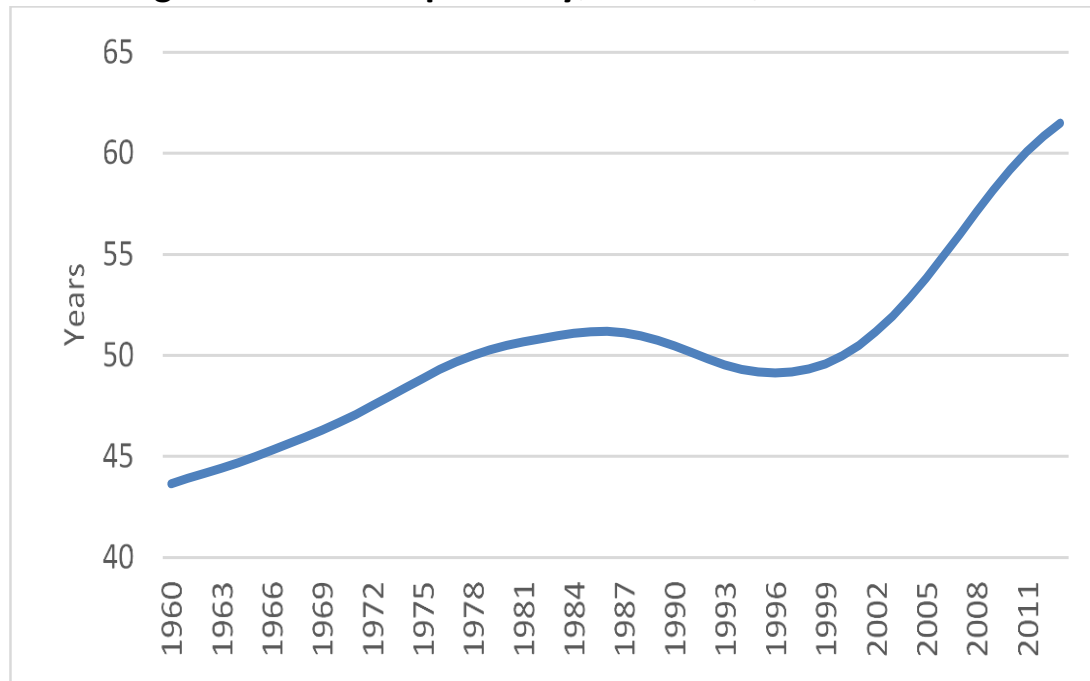
Figure 2.1: Poverty Rates, Tanzania, 1992 to 2012



Human Development since 1960s

- Life expectancy, for example

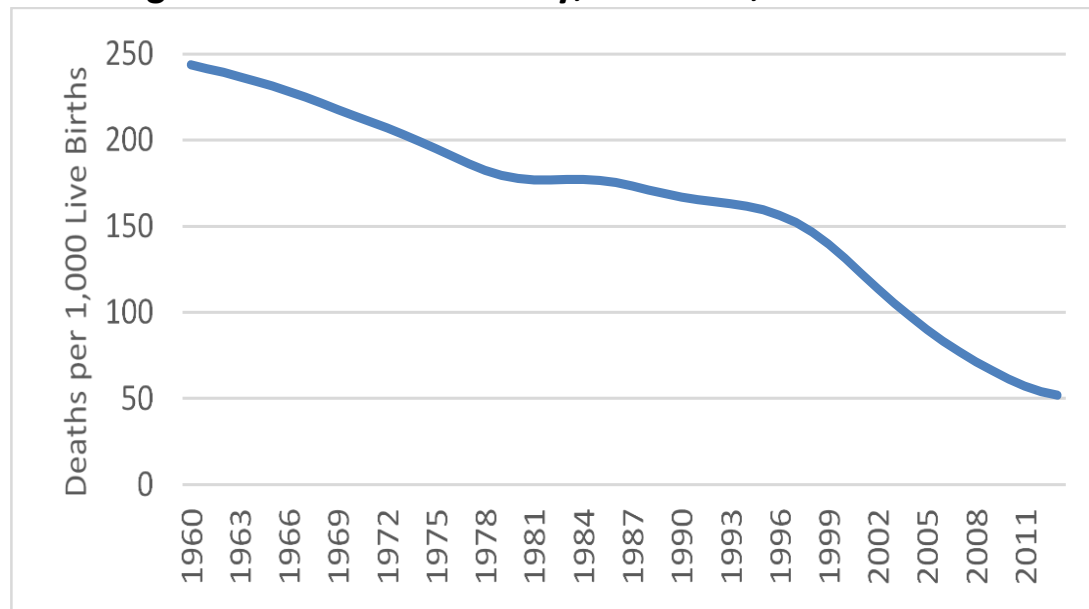
Figure 2.4: Life Expectancy, Tanzania, 1960 to 2013



Human Development since 1960s

- Good record on one MDG

Figure 2.5: Child Mortality, Tanzania, 1960 to 2013



Measuring Poverty

Different Data (prices), Different Conclusions?

- The World Bank \$1.25 a day: headcount fell from 72% in 1992 to 44% in 2012 (40% over 20 years, but with increases in between)
- National poverty line (HBS): poverty fell (steadily) by only 27%, from 38.6% in 1991/92 to 28.2% in 2011/12
- The 1990s was a period of low growth and little if any poverty reduction
- All sources concur that poverty fell since 2007
- Very low growth in household consumption (hence minimal poverty reduction); the relatively high GDP growth since 2000 was in components other than private consumption
- Improvements in non-monetary indicators of deprivation were generally good over 1991-2012



The Tanzanian Context: Economic Policy

Early period to 1980 (Julius Nyerere)

- 1961-66: open, market-oriented economy; revenue from export taxes (mostly on agriculture); modest economic performance, agriculture dominated and manufacturing sector very small
- 1967 saw the emergence of a state controlled economy with inward looking policies (and 'African Socialism')
- Aim: structural economic transformation from an agriculture-based to industry-based economy based on self-reliance
- Failure – in agriculture, manufacturing and macroeconomic policy
- Some success in human development (health and education)



The Tanzanian Context: Economic Policy

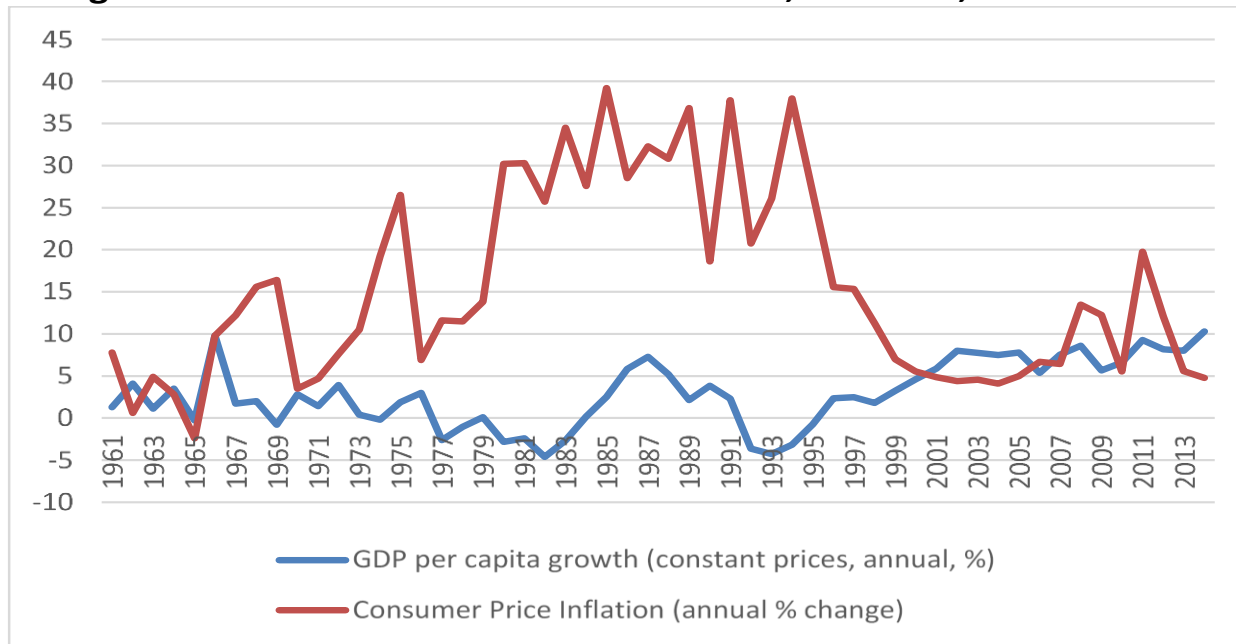
Shocks and instability 1975-1985 (Nyerere)

- Shocks: severe drought in 1973/74; 1973/74 and 1979/80 oil price rises; declining world prices for cash crop exports; collapse of the East African Community (EAC) in 1977; and the very costly 1978/79 war with Uganda
- Serious economic crisis by 1980
- Nyerere very resistant to devaluation
- Policies under Nyerere were ineffective but may have appeared desirable at the time
- Donors were supporting policies that the government owned



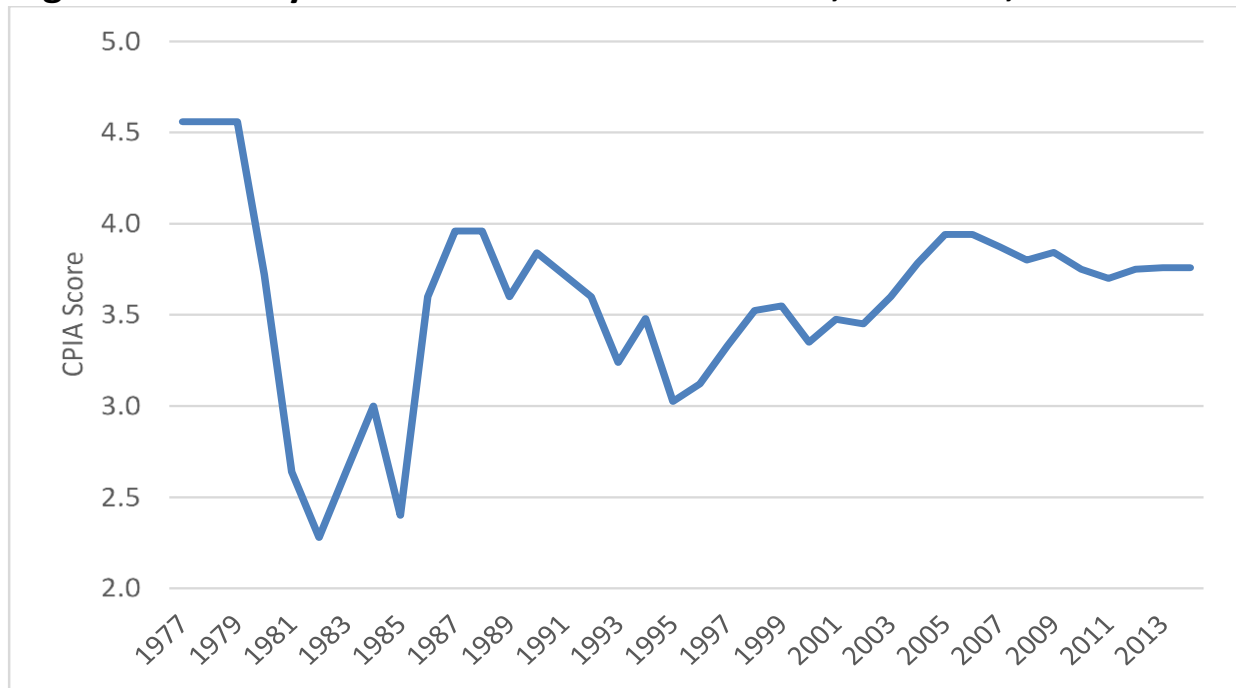
Volatile Macroeconomic performance

Figure 2.8: Economic Growth and Inflation, Tanzania, 1961 to 2014



World Bank recognizes some policy improvement

Figure 2.9: Policy and Institutional Performance, Tanzania, 1977 to 2014



The Tanzanian Context: Economic Policy

1985-95: Erratic Reform

- Tighter monetary policies, exchange rate and tax reforms in early 1980s had limited success
- Significant change in 1985 with President Ali Hassan Mwinyi (more amenable to economic reforms advocated by donors)
- Adjustment from 1986 (devaluation, import liberalization, public enterprise and tax reform) assisted some recovery by 1990
- Agriculture performed relatively well in Tanzania in the 1980s (food crops more than export crops)
- Reforms under Mwinyi gradually restored a market economy although relations with donors deteriorated in early 1990s



The Tanzanian Context: Economic Policy

Since 1996: Sustained Reform and the Advent of Growth

- Presidents Benjamin Mkapa from 1995 and Jakaya Kikwete from 2005 deserve some credit for overseeing a series of reforms:
- Fiscal consolidation (only gradually increased tax revenue) and improved in public financial (and aid) management
- Trade liberalization (lower tariffs) and regional integration (EAC)
- Market-oriented exchange rate and sound monetary policies (BoT)
- All supported greater macroeconomic stability and improving economic performance (most evident from mid-2000s)
- However, while Mkapa restored good relations with donors, Kikwete was seen as softer on reform and tackling corruption



The Tanzanian Context: Economic Policy

Some Interim Conclusions

- The relationship between donors and the government was strongly influenced by the personality of Presidents
- Julius Nyerere believed in self-reliance and self-determination, building an independent 'institutional culture' that sometimes caused difficulties but Tanzania was committed to local ownership
- Economic transformation has not been achieved: agricultural productivity remains low and manufacturing is still weak
- Consequently, achievements in poverty reduction have been limited



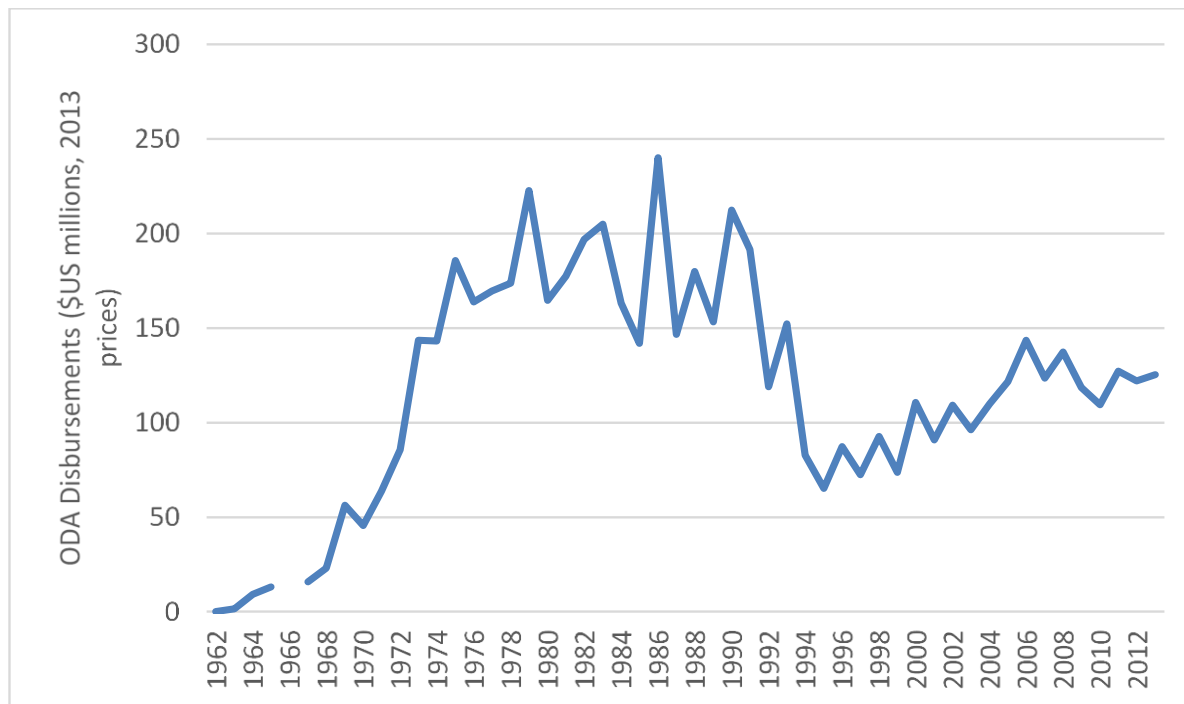
Stage 2: Swedish aid to Tanzania

- Donor support to Tanzania has followed the pattern of its development record: rising, falling, partial recovery and an upward (volatile) trend since 1996 (peaking at 36% of GDP in 1992)
- When donors have had confidence in Tanzanian development policy they have provided strong support
- Swedish aid to Tanzania increased notably during the 1960s and 1970s, but has been volatile (especially in 1980s)
- Swedish aid is now relatively fragmented (given the volume): no more than 26 activities per year in 1973-1988; 221 by 1991; a low of 92 in 2004 jumped to 261 in 2006;
- In 2014, Sweden funded 145 activities in Tanzania.



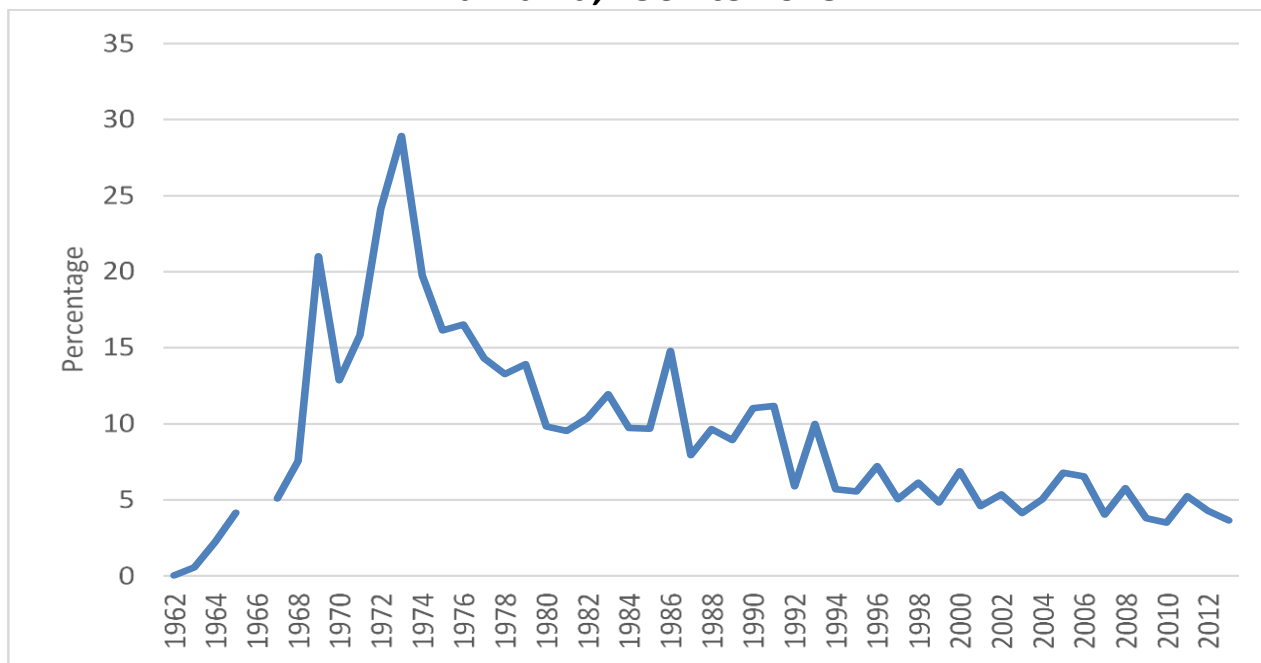
Swedish aid to Tanzania

Figure 3.1: Swedish Official Bilateral Development Assistance to Tanzania, 1962 to 2013



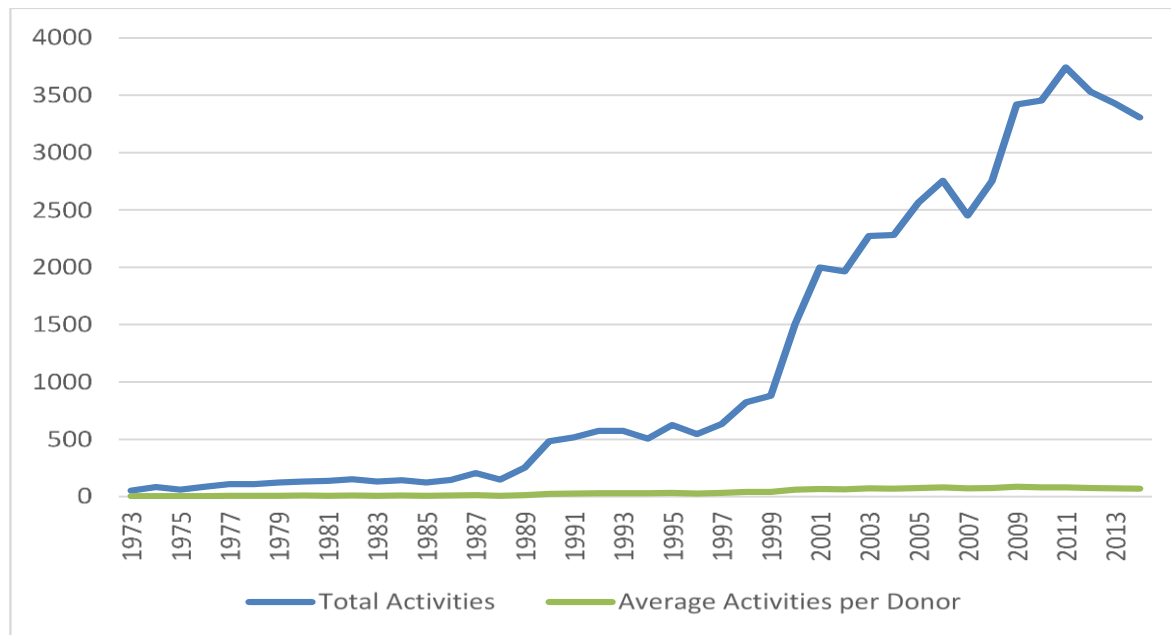
Swedish aid to Tanzania

Figure 3.2: Swedish Share of Total Official Development Assistance to Tanzania, 1962 to 2013



Swedish aid to Tanzania

Figure 2.15: Proliferation of Donor-supported Activities per Year, Tanzania, 1972 to 2014



Swedish aid to Tanzania

Shifting sector focus:

- Sweden has operated activities in many sectors, varying from three to 32 (1978 and 2006).
- Involvement in 8 sectors in 1989 rose to 27 in 1991 falling to 18 in 2004
- Over 1991-2014 the average is about 20 sectors
- Initially, Swedish support was directed at industrialization efforts (education and industry the main sectors until the late 1980s)
- From the early 1990s Sweden advocated and supported debt cancellation and the protection of social expenditures
- Since 2000 Sweden gave a large share of aid as budget support



Swedish aid to Tanzania

Four case studies in sectors where Sida has had substantial and long-standing engagement with implications for AQEF:

- HESAWA (water and sanitation program aimed to increase the welfare of poor rural families): appropriate targeting but weak ownership
- Energy infrastructure: addressed a development need but not adequately cognizant of limited local capacity
- Support for education and research capacity illustrates shifts in aid delivery from project to program aid and ultimately to budget support: aligned to government priorities and a development need but a greater focus on primary education would have enhanced poverty impact
- GBS support for poverty reduction was aligned with ownership and agreed needs so supported 'poverty reduction through public expenditure'



Stages 3&4: Swedish Development Cooperation with Tanzania

Broad Conclusions: Responses to AQEF

- Swedish aid did address pressing, poverty related, development needs in Tanzania
- In the first two decades, sector focus was appropriate to needs and Tanzanian priorities
- Mixed evidence of adequate recognition of local development capacities or of addressing constraints through aid delivery
- There is consistency with the Paris principles, given Tanzania's ability to express if not exert ownership
- Swedish cooperation has in all probability contributed to poverty reduction in Tanzania



Swedish Development Cooperation with Tanzania

Lessons and Implications I

- The “**paradox of ownership**” whereby Tanzania has been able to express its strategy, but has been limited in implementation capacity
- The paradox is that while supporting ‘high level ownership’ (strategy), ‘lower level ownership’ (ability to implement) may be compromised
- Donors should recognize these dual layers of ownership, and that they may conflict
- The Paris principle of ownership requires the nuance that aid delivered in accordance with local ownership may not be effective unless there is also sufficient local capacity to implement



Swedish Development Cooperation with Tanzania

Lessons and Implications II

- The tensions between **short-run results and long-run impact**
- Donors' need to justify aid spending leads to a short-run output-based focus on results, rather than on the long-term sustainability of outcomes and impacts
- The lesson is that donors should explicitly acknowledge tensions between their need to monitor short-run results and achieving long-run impacts
- Incorporating local capacity building as an integral element of activities is one way to address these tensions
- Unpredictability and fragmentation unlikely to be helpful



Swedish Development Cooperation with Tanzania

Lessons and Implications III

- The importance of **advocacy and dialogue**
- Donors and recipients don't always agree on actions (even if they agree on direction)
- Tanzania has only relatively recently achieved quantitative poverty reduction (notably when it had achieved economic growth)
- The government and donors have failed to address agriculture and rural poverty so big challenges remain
- Dialogue is needed to work with the government and continue to advocate and support emphasis on agriculture and social protection to achieved sustained and significant poverty reduction



Swedish Development Cooperation with Tanzania

Lessons and Implications IV

- **Proliferation and fragmentation** of aid effort, by donors collectively and individually, is counter-productive
- Donors funded 3308 activities in Tanzania in 2014 (more than twice the number in 2000)
- Combined with the number of donors, transaction costs are so high as to generate inefficiency
- Each donor such as Sweden should adopt greater focus
- Donors should act on commitments to coordinate



Swedish Development Cooperation with Tanzania

Lessons and Implications V

- **Politics, policies and institutional** performance really do matter for effective development cooperation (it takes two to tango)
- Donors cannot presume to dictate, they should work with recipient governments to promote the development impact of policy actions and institutional behavior appropriate to the context
- Acknowledge in actions that informal institutions can be as important as formal institutions (at least for local implementation)
- Success in building institutions and capacity to implement the appropriate policies requires accommodating the political context

