



Julie Catterson
Claes Lindahl

The Sustainability Enigma

Aid Dependency and the
Phasing out of Projects
The Case of
Swedish Aid to Tanzania

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Julie Catterson
Claes Lindahl
Management Perspectives International
Vasav. 24
169 58 Solna
Sweden
Telephone: + 46 8 82 68 20
Telefax: + 46 8 735 02 48
e-mail: mpi@swipnet.se

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Foreword

Julie Catterson and Claes Lindahl are responsible for all of the views expressed in this study. William Lyakurwa and Samuel Wangwe made valuable contributions to the thinking of the study, but their views are explicitly expressed in Appendix 1 which contributes a separate essay on aid dependency in Tanzania. We thank them for this and for the meticulous research work on the case material undertaken in Stockholm by Petra Stark.

We would also like to express our appreciation to all interviewed individuals in Tanzania and in Sweden, for taking considerable time and effort to contribute insights to this study.

The study focuses particularly on issues of aid management which concern the Swedish development co-operation agency, Sida. Sida management and staff have shown interest and strong co-operativeness in what has been largely a self-critical process. This kind of process is never easy and we thank Sida staff for their frankness in expressing their experiences relevant to this study.

Finally, to the reader: the study contains a balance of detailed narrative and analysis of supporting case material, and of macro analysis. Some readers will find the case study analyses in Chapter 4 perhaps somewhat cumbersome, although we have tried to make the reading as interesting as possible. However, we have incorporated them at the centre of the study, as we believe that the supporting analysis that emerges from these is what makes this study a new contribution to existing analyses of aid dependency.

Julie Catterson & Claes Lindahl
Stockholm, 22 December 1998

by Julie Catterson & Claes Lindahl
with contributions from William Lyakurwa, Petra Stark & Samuel M.
Wangwe

It is stupid to rely on money as the major instrument of development when we know only too well that our country is poor. It is equally stupid, indeed it is even more stupid for us to imagine that we shall rid ourselves of our poverty through foreign financial assistance rather than our own financial resources.

– Julius Nyerere, 1968

I don't know what the disease is. When donors leave, everything collapses ...

– Tanzanian educationalist, commenting on the Swedish support to the vocational training sector

Yule aliyenacho ndiye Mwamuzi

– Swahili expression meaning: he who has is the one who dictates

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Acronyms

BITS	Swedish Agency for International Technical and Economic Co-operation
BIS	Basic Industry Strategy
DCO	Development Co-operation Office (Sida)
DFID	Department for International Development (UK)
EGDI	Expert Group on Development Issues
EIU	Economist Intelligence Unit
EIRR	Economic Internal Rate of Return
ERP	Economic Recovery Programme
EU	European Union
FDC	Folk Development Colleges
FIDE	Finnveden Idéutveckling AB
FINNIDA	Finnish International Development Agency
FHS	Folkhögskola
GDP	Gross Domestic Product
GNP	Gross National Product
GoT	Government of Tanzania
GoZ	Government of Zambia
GTZ	Gesellschaft fuer Zusammenarbeit
HADO	Hifadhi Ardhi Dodoma soil conservation project
HESAWA	Health, Water and Sanitation programme
ICH	International Child Health Unit
IDA	International Development Association
ILO	International Labour Organisation
IMF	International Monetary Fund
IRA	Institute of Resource Assessment
ISO	Industrial Support Organisations International Organisation for Standardisation
KEA	Kondoa Eroded Area
LAMP	Land Management Programme (Barbati district)
LFA	Logical Framework Analysis
MALISATA	Man-Land Interrelations in Semi-Arid Tanzania
MEIDA	Metal Engineering Industries Development Association
MoNR	Ministry of Natural Resources
MOVTC	Moshi Vocational Training Centre
MSEK	Million Swedish crowns
NGO	Non-governmental organisation
NORAD	Norwegian Agency for Development Co-operation
NVTD	National Vocational Training Division
ODA	Official Development Assistance

OECD	Organisation for Economic Co-operation and Development
PCU	Project Coordination Unit
PPP	Purchasing Power Parity
RVTSC	Regional Vocational Training & Service Centre
SADC	Southern Africa Development Community
SAP	Structural Adjustment Programmes Strategic Action Plan
SAREC	Swedish Agency for Research Co-operation
SATCC	Southern Africa Transport and Communications Commission
SEK	Swedish crowns
Sida	Swedish International Development Co-operation Agency
SIDA	Swedish International Development Authority
SIDO	Small Industries Development Organisation
SIS	Statistics International, Sweden
TA	Technical assistance
TAC	Tanzania Audit Corporation
TAKWIMU	Tanzania Central Bureau of Statistics
TANDEM	Folk Development Colleges project in Tanzania
TANESCO	Tanzania Electrical Supply Company
TAZARA	Tanzania Zambia Railway Authority
TBS	Tanzania Bureau of Standards
TFNC	Tanzania Food and Nutrition Centre
TISCO	Tanzania Industrial Studies and Consulting Organisation
TNC	Tanzania Nutrition Committee
ToR	Terms of Reference
TPCC	Tanzania Portland Cement Corporation
TRA	Tanzania Revenue Authority
Tsh	Tanzanian shillings
TYDP	Ten-Year Development Plan
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
USD	United States dollar
VETA	Vocational Education Training Authority
WHO	World Health Organisation

Executive Summary

Background

Aid dependency has become a concern for aid during the 1990s for two main reasons: the non-linear development of some countries turned aid into a permanent industry, which was unintended; 'aid fatigue' and pessimism about the value of giving aid emerged, and aid was seen increasingly as a contributing cause of the failures of poorly performing nations. The term aid dependency depicts various negative manifestations of the aid relationship, but in the development literature it is mostly discussed in the context of the demand side of the aid relationship (i.e. the developing country side).

The Tanzania of today is the epitome of an aid dependent country, some would say a country devastated by aid. Few countries have received so much foreign aid from so many different donors, or have been treated with so much concern by the donor community as Tanzania. At the same time, Tanzania has slid back from the upper levels amongst low income countries in the 1970s in the World Bank's tables to become one of the poorest nations in the world. The donors and Tanzania appear to have become trapped in a mutually unsatisfactory relationship, unable to break out of the shared dependency: Tanzania, due to its heavy dependency on aid flows; the donors, due to old commitments, perhaps a sense of guilt of having contributed to the poor state of affairs, the risk of Tanzania's final default in debt payments, and the in-built institutional momentum of the aid industry. Despite the stated efforts to change this situation and to create *partnership* between Tanzania and the donors, the relationship continues to be one with conflicts of interest and much negativity.

Tanzania has continuously been the largest single recipient country for Denmark, Norway, Sweden and Finland, accounting for 7 to 15 per cent of all the aid from these countries since the late 1970s (OECD, 1993). Sweden is Tanzania's largest bilateral donor seen over the long term. The total disbursements to Tanzania during 1970–96 have totalled USD 1,826 million accounting for 16 per cent of all bilateral aid to the country, and 11 per cent of all ODA to Tanzania for that period. Only the World Bank, with a disbursement of USD 2,091 million is larger. Sweden's unique role as a bilateral donor to Tanzania refers mainly to the period before 1992, and was motivated primarily by political solidarity and the strong personal friendship between Olof Palme and Julius Nyerere. Swedish aid to Tanzania built up in volume in the 1970s and was largely focused on industry, education and infrastructure in support of Tanzania's Basic Industry Strategy (BIS). During the 1990s Sida has been phasing out of these sectors in pursuit of a concentration strategy.

The study

This study, commissioned by the Expert Group for Development Issues (EGDI) linked to the Swedish Ministry for Foreign Affairs, focuses on phase out issues as an element of aid dependency. It is one of a series of studies commissioned by EGDI focusing on the issue of aid dependency. Ultimately the issues to be addressed by the study were: What is the relationship between aid dependency and project phase out performance, and thus what is the relative importance of 'good' phase out performance to reducing aid dependency? What are the elements that make 'good' phase out performance? The study was to contribute to the formulation of a framework for the improved design of development co-operation projects in order to enhance the sustainability of the activities supported.

The study uses Tanzania as a case study, reviewing the macro aspects of aid dependency, and giving special attention to micro aspects. The basis for the study is twelve Swedish funded projects that have been implemented during the last two decades. The project sample includes projects from each sector in which Swedish aid was involved. Tanzania is not selected as a typical case. Rather, Tanzania belongs to the extremes in terms of aid dependency. On the other hand, it has the advantage of illustrating more clearly certain underlying causes of aid dependency and issues in phase out.

The methodology for the analysis of the projects was based on a model with three variables linked to the issue of aid dependency: the success of a project during the project period; whether or not the project had been phased out and whether this was done in a timely manner; the sustainability of project achievements after the cessation of Sida and other external funding. Using these criteria five project typologies were identified, and the objective of the case study work was to be able to classify each of the projects selected into a project type. It was hoped that from this lessons about the importance of good/bad phase out to success and sustainability, and the elements of good phase out could be drawn. The model is based on a conceptual framework which illustrates the interdependence between aid dependency, effectiveness, sustainability and phasing out: low effectiveness of aid creates aid dependency and vice versa, aid dependency creates difficulties in phase out, difficulties in phasing out are a cause of aid dependency; low sustainability is a cause of aid dependency and vice versa; and sustainability problems are a reason for slow or no phase out.

Findings

The main finding in the case material is that project phase out is complicated by the lack of financial sustainability of the institutions supported. This has not purely to do with Tanzania's overall poor macro-economic environment (since some institutions are managing to survive in it while others are

not), but with a number of underlying factors. The study discusses each of these factors in some detail. They include:

- The *level of technical ambition* in projects which became islands of development, increasingly isolated from the reality of their environment and increasingly difficult to phase out as the discrepancy between what the donor could afford and what the government could afford expanded.
- The *lack of finance, organisation and management skills* is a result of the heavy focus on technical skills (often a consequence of Swedish–Tanzanian institutional twinning arrangements), and the failure to give much attention to finance and management issues until the tail end of a project.
- *Government expectations and donor replaceability* meaning: in the case of the former, that parastatals' and local governments' bargaining positions vis-à-vis central government is eroded by central government's expectation that donor funds will be found to support development budgets; in the case of the latter, that Tanzanian institutions which have been Sida supported will seek more aid from other sources as Sida withdraws, rather than putting into practice a financially sustainable strategy.
- *Perverved incentive structures* on both the recipient and donor sides which lead to unsustainable projects that can be difficult to phase out. e.g. donor replaceability on the recipient side and disbursement targets on the donor side.
- *Windfall profits and rent-seeking* can have a dramatic effect on sustainability as there is no incentive for public sector run projects to pursue a less donor-reliant strategy (another perverted incentive structure).
- *The lack of attention to cost-effectiveness* has significant consequences for financial sustainability. Neither the donor nor the recipient have any sense of what is reasonable (and affordable) to spend in order to achieve certain objectives. This lack of attention to cost-effectiveness is also one explanation for the failure to phase out in a timely manner in projects which are failing since there is no brake on 'bad' spending.
- *A micro-macro delinkage* in which Sida changed its policy direction and joined with the forces of structural adjustment at the macro level during the mid 1980s but continued in a 'business-as-usual' fashion at the project level for at least another ten years.

There are also other factors which influence the sustainability of a project and make phasing out difficult. These include:

- *The fallacy of synergy in aid* in which developing projects in tandem with one another appeared to create synergy, but in fact created an inflexibility which now threatens the sustainability of the institutions created as Sida phases out.
- *Stakeholders' vested interests* including those of the Tanzanian partners,

Sida staff, researchers, implementation consultants and Swedish institutions. Contrary to what is usually claimed by the donor, it was found that implementation consultants, Swedish institutions and researchers are rather powerless in prolonging a project once Sida has taken the decision to phase out, although they can encourage the continuation of projects where there is no firm decision to phase out. Where their impact is more strongly felt is in frustrating the achievement of local ownership, which is vital to attaining sustainability and to 'good' phase out.

- *Flock mentality in the donor community*, meaning that donors tend to collectively support certain development trends, can produce a whole mindset on the recipient side undermining local ownership although these 'trends' are thought to represent learning in development. The distortion effects of aid are reinforced by the collective action.

In most of the projects reviewed, phase out decision-making has usually taken place as a unilateral decision by Sida management based on factors other than success and sustainability at the project level. Sida's policy of *concentration* during the 1990s, which resulted in the phase out from a number of sectors, was to produce greater aid effectiveness but appears to have been somewhat of a fire-fighting exercise to deal with reduced administrative capacity within Sida rather than issues of project success or sustainability. It was also found that this concentration pressure sometimes influenced evaluations whose recommendations to phase out rapidly sometimes did not reflect their own analyses. The low status attached to regular monitoring of projects in the case material has made the job of the evaluators even more difficult, so that the possibility of an objective and accurate evaluation is very much compromised. The selection of evaluators is also a factor influencing the quality of the information regarding organisational and financial sustainability, since these teams consist frequently only of specific technical subject-matter specialists rather than individuals with expertise in management and organisation.

Recommendations

Prior to making its own recommendations, the study reviews and assesses some of the main efforts which Swedish (and other) aid has made in order to address some of the issues identified above. These include the partnership policy, aid co-ordination, concentration, matching funds and performance orientation, Logical Framework Analysis, and promoting ownership through participation. However, the study concludes that all of these efforts, though well-intended, are being made within an aid system which thwarts good development. This is because it is highly supply-driven and public sector focused, and because the supplier (the donor) is basing decisions on issues other than on what makes success and sustainability.

While the recommendations made by the study are certainly far beyond policy guidelines concerning phase out, the authors believe that without addressing the underlying causes of ineffective aid, aid dependency and poor sustainability, no guideline for phase out, in its narrow sense, would achieve much.

The guidelines are based on two basic conclusions. In order for aid to be effective and efficient it must be 1) shifted from a supply driven, disbursement oriented venture towards a demand driven, performance oriented one; 2) shifted from a primarily government to government undertaking to aid which responds to the whole society; and 3) focused on becoming a knowledge-based service venture rather than an administrator of aid flows. The specific recommendations include the following:

- *Eradicating disbursement orientation and country frames* which create perverted incentive structures both on the donor and recipient sides;
- *Creating competitive demand between different providers* for aid rather than creating the expectation within GoT that it will always receive more money from aid sources and therefore does not need to focus much on success and sustainability – the study discusses how this competitive demand might be stimulated;
- *Pursuing a joint venture approach and long-term sector programmes* in which Sida would take a long-term and financially realistic stake in the development of certain vital sectors;
- *Adjusting the ambition level to suit the conditions* or applying a *reality test* in which two factors are considered: what is needed most immediately in the local context; what is affordable to operate after the investment has been made;
- *Measuring cost-effectiveness* so that there is some sense of what is reasonable and affordable to spend for a desired outcome, and so that there is greater understanding of why development at the macro level is so unimpressive while there are some good achievements at the project level;
- *Creating and supporting service-oriented institutions through promoting finance and management skills*;
- *Orchestrating vested interests* which requires that the donor recognises its role as the dominant stakeholder in the development web;
- *Prioritising strong information systems*, a major prerequisite for good aid management.

Lessons learned

The lessons learned can be divided into three categories: learning about aid to Tanzania, specifically; learning about aid dependency overall; and learning about project success, sustainability and phase out.

On learning about aid to Tanzania: The poor economic performance must

be qualified by a relatively successful social development in terms of health, education and equality, i.e. objectives at the heart of the Arusha Declaration and of many donors' development agendas, not least the Scandinavians' and the World Bank's. At least to judge from the international statistics, Tanzania has managed to provide a standard of living in terms of literacy, child health, nutrition and access to basic social services which is comparable to nations at a considerably higher income level in Africa and elsewhere. Moreover, Tanzania today is a peaceful island in a continent plagued by collapsing nations, ethnic conflicts, tribal warfare and civil wars leading to genocide. If nation-building and the creation of basic institutions such as shared value systems and a national identity are key concepts for development, as is claimed by many scholars, Tanzania's development over the last decade might, in spite of the economic travails, have provided a basis for positive long-term growth. While it is difficult to prove a causal relationship, aid might have played a significant role in this process. If Julius Nyerere and his vision was instrumental for the nation and institution-building in the 1970s, he gained his legitimacy from his relationship with the rest of the world and particularly the donor community, at least until the early 1980s. *A broader historical perspective on the development of Tanzania can thus bring a quite different judgement on the consequences of aid and the way in which the value of the aid relationship is seen. It also places the debate about aid dependency in a rather less negative light.*

Second, *a micro – macro paradox exists in aid to Tanzania.* This means that many projects perform well, but the overall impact seems to be poor, or even negative. The paradox can be explained by several factors: 1) aid projects do not have economic growth as their prime objective and at times have a negative impact on growth due to contradiction with other objectives; 2) the cost side is rarely assessed in (bilateral) projects and cost-effectiveness is likely to be low as donors put in considerable amounts, often for extended periods; 3) aid is almost entirely public sector focused. As this sector has performed poorly in Tanzania throughout the aid presence, the considerable volume of disbursed aid has had relatively meagre results in terms of overall (economic) impact.

On aid dependency overall: First, the issue of Tanzania's aid dependency, as in the case of other aid dependent countries, is a complex one and requires qualification. With reference to the Tanzanian case, the high share of ODA to GNP is one of the facts that has made Tanzania a focal point in the discussion of aid dependency. The high degree of aid dependency in Tanzania is easily explained: a low income country which received rapidly increasing aid flows in the 1970s and late 1980s combined with fairly slow economic growth and a massive devaluation in 1986 (which adjusted down the GNP in dollar terms). However, there has been a change in trend in terms of ODA to GDP, and ODA to exports during the 1990s. There have been improvements in exports, a steady growth of the economy, but more importantly, a

decline in aid levels. Only the ODA to GoT expenditures continue to show a negative trend, and thus the concept of aid dependency might be reformulated as GoT's dependency on aid. This is not only in terms of statistical figures but also in terms of ownership of the development agenda. The shift in ideology underpinning the aid relationship during the mid 1980s from political fraternity and solidarity with GoT to the Bretton Woods dictated economic thinking of the SAP in which GoT became a subject rather than a partner, has resulted in a de-legitimising of the Tanzanian state which has contributed to the perpetuation of aid dependency (Sobhan, 1996). *Aid dependency is primarily a public sector phenomenon.*

Second, the dependency of stakeholders on the supply side of aid is not usually considered in discussions of how to solve the problem of aid dependency. There is some discussion of supply-side stakeholders in the context of a cynical calculation of how to prolong the aid (e.g. consultants), but these types of arguments do not usually consider all of the stakeholders on the supply side (e.g. aid agency staff) and do not recognise that these supply side stakeholder interests (as well as recipient side interests) are legitimate. There is nothing wrong with a recipient organisation, advisers, consultants, NGOs, lobby groups and others trying to prolong the aid. *Aid dependency is a negative term and is perhaps not rightfully recognised in a strict sense as being intrinsically intertwined with aid, and, as such, being a neutral phenomenon, simply a fact of aid.* Beyond this, the aid relationship, like other global relationships, is based on mutual dependencies and it is naïve to believe that everyone will do well by relying on their own resources. However, what is unusual in aid is *the absolute power wielded by the donor (and the government collecting the aid resources) over aid resources. The corrective feedback mechanisms are weak in the aid relationship.*

On learning about success, sustainability and phase out: First, *the linkage between project success, sustainability and phase out decision-making has been weak.* This is mainly the result of two management tendencies within Sida. One is strong ownership of projects by staff responsible for managing specific projects for long periods of time, leading to a sometimes quite emotional defence of these projects. The other is a highly administrative decision-making process concerning phase out and other matters where the reality of projects is less of a concern. Effective aid requires different management of project portfolios in which decision making is based on knowledge. While Sida has over the years deliberately worked quite hard to accumulate development knowledge, the aid framework in which the organisation operates does not allow this knowledge to come into play in moments of vital decision making. This is due to two factors: the strong supply driven nature of aid where disbursement is the key objective and the tendency of donor governments to underrate the resources required for effective aid management.

Second, Sida's orchestration of the role that the consultants play in pro-

ject design and implementation is vital to the outcome. The various other project stakeholders will naturally seek to maximise the duration and size of a project, as well as their role, but it is up to Sida, the organisation with the ultimate decision-making power, to determine at what point the level of involvement becomes uncondusive to achieving the objectives. In contrast to this, a common expression used by Sida staff of why it is so difficult to phase out certain projects is that they 'live their own lives'. *The need for the donor to be realistic and to fully appreciate its dominant role in the aid web as well as the consequences of this role is vital to achieving favourable outcomes in terms of success, sustainability and phase out.*

Third, *the problems of sustainability in Tanzanian projects are primarily a question of financial sustainability rather than technical competence.* Swedish aid financed projects tend to be very focused on technical matters. When financial sustainability becomes an issue, the projects have great difficulties in adjusting to these changed circumstances, and tend to continue with improving technical competence. This creates aid dependency and lack of sustainability. This situation is one of the problems with supporting institutional co-operation since there is no incentive for the institutional partner to wean the counterpart off aid, rather an incentive to continue. Sida's capacity to counteract such tendencies is weak due to the administrative rather than management role played by staff.

Fourth, for successful projects, *'good' phase out is about making sustainability a prominent goal at every phase of a project.* Planning a blue print for phase out from the beginning, particularly in projects which are long-term, is no solution since flexibility and adjustment are required in changing economic conditions. Waiting until the last years of a project to consider sustainability issues, a situation that was found so frequently in the case material, is too late.

Phase out seems less of a problem in projects which have an inherent capacity to generate revenues, such as commercial or semi-commercial operations. From this the conclusion *should not* be drawn that such projects are more effective aid. Rather, the efficiency in implementation and less problematic phase out, should be judged against the achievement of overall Swedish development objectives. Projects such as power plants, cement factories, etc., which have proven the most successful in a phase out perspective to judge from our sample, make little, if any, contribution to achieving the broader development objectives of Swedish aid, while projects that appear to have major problems in phase out due to their strong dependence on public sector financing potentially have a considerable contribution.

Chapter 1. Aid effectiveness, dependency and phase out

1.1 Why the concern?

When Official Development Assistance (ODA) was created after World War II through the establishment of the United Nations and the Bretton Woods institutions, and in the 1950s and 60s, in the form of various bilateral aid agencies, the perception was that development assistance was a temporary phenomenon. Just as a devastated Europe was rebuilt with the help of the Marshall Plan, so the countries newly emerging from colonialism would be assisted by the industrialised world to bring about self-sustaining development. Aid would eventually make itself obsolete. The assumption seemed correct in some exceptional cases. Poor and war-torn South Korea emerged over a few decades as an industrial nation and a donor of aid. Other major recipients of development assistance in South East Asia industrialised to become commercial partners in the global market.¹ India, plagued by chronic food shortage and receiving of massive (food) aid, became an exporter of food and one of the major industrial economies of the world, albeit still a poor nation and a recipient of aid. Other cases challenged the linear assumption of development. If not wrong in the long-run, it was at least an over-simplification. A major donor such as the Soviet Union, became a massive recipient of aid. Late-comers amongst independent nations in Sub-Saharan Africa seemingly never took off, became increasingly dependent on aid and were sliding backwards into civil war and anarchy in disturbing numbers. The manifestations of modernism that had been established in these African nations during colonialism and the first years thereafter were in many cases dismantled.

One consequence of the non-temporary and non-linear pattern of development was that official development assistance turned into a major, permanent industry with the attendant institutions, professionals, technical language and resource flows. A second consequence was that the idealism and optimism which characterised development assistance during the post-war period through to the 1960s shifted increasingly towards realism and pessimism during the 1980s and 1990s. The expansionist mood of ODA in the 1960s and 1970s, when the resource flows surpassed USD 60 billion per annum, ended in the late 1980s declining to a level of USD 50 billion. Staunch supporters of aid, such as Sweden, gave up principles such as 1 per cent of GNP for aid. 'Aid fatigue' set in with increasingly tough critiques of foreign aid appearing commonly. Contributing to the change was the end of

¹ The recent financial turmoil in Southeast Asia might prove even this assumption incorrect.

the rapid growth of the post-war years in the industrialised world, which was replaced by escalating budget deficits and unemployment in major donor countries. Contributing to this was also the end of the Cold War, and the convergence towards one model for development which reduced the window for ideologically motivated aid.

1.2 Aid effectiveness and dependency

The very uneven performance amongst developing nations, and the generally poor performance in countries where aid had become most important to the local economies – Sub-Saharan Africa – triggered a search within the ODA system for the answer to the question of how to achieve effective aid. Interestingly, for countries which had done very well (at least until the recent financial crisis in Asia) the role of aid tended to be discounted, and the importance of correct macro economic policies was claimed to be the key for success (World Bank, 1993). On the other hand, in the poorly performing nations where aid became a dominating force, it was seen increasingly as a contributing cause for their failures. The concept of ‘aid dependency’ worked its way into the debate, and depicted various negative manifestations of the aid relationship. There are many expressions of these manifestations or distortions of aid in the development literature:

- a seemingly eternal need for foreign aid and no increase in self-sustaining development (Riddell 1996);
- the creation of a mental dependency in the sense that aid is perceived as necessary by the recipient (Hydén 1985), and to the extent that aid has in some cases turned whole countries into ‘aid junkies’ (White 1996);
- aid had taken away the ownership of development from the recipient and placed it with the donors (Sobhan 1997, Stokke 1995);
- aid created or sustained various distortions in the macro economy, preventing economic reforms, overloading the administrative structures, creating macro economic imbalances, promoting the inefficient use of resources, stimulating rent-seeking, etc. (World Bank 1995; de Vylder 1988; Riddell 1996).

As a means of establishing indicators for the degree of aid dependency, a series of quantitative measures have been suggested, such as the level of aid in absolute terms, aid per capita, aid as a percentage of GDP, of exports, of overall investments, of government expenditures, of domestic savings, etc. (World Bank 1995).

ODA, especially grant aid, has been a non-rewarding system. The resource flows shift towards countries that fail to develop, or which for one reason or another fall into crisis. The whole justification for (grant) aid is that the

recipient is poor, in need of aid for pure survival (emergencies), minimum social welfare, or as an investment in the future when the country's own resources or its ability to attract private capital are insufficient. At least in most cases, aid would not be provided if the recipient was not dependent on aid. Hence, in a strict sense aid dependency is intrinsically intertwined with aid and as such is a neutral phenomenon, simply a fact of aid. This is the conclusion which Lensink and White (1997) draw after having reviewed the concept and meaning of aid-dependency. However, the demand side is only one aspect of the relationship. There is also a supply-side, not less important for the creation of aid dependency and possibly not less dependent on aid. There is also a question of real needs and perceived needs.

1.3 The aid relationship

Aid is a relationship between nations based on the mutual interest of the donors and the receiving nations. The receiving nation wants the support to foster its various development efforts and solve immediate problems. The donor's interest is a combination of a moral dimension to help the worse off – which in itself has various political-psychological benefits to the donor – as a means of reducing the risk of wars, flows of refugees and disturbances to international peace; to stem economic migration patterns towards the industrial world; as a means of building trading relations and other commercially valuable links; as a means of building an integrated, global world, and so on. Relationships are based on mutual dependencies which are not inherently negative, rather the reverse. In an increasingly integrated world dependencies will be more common and transfer mechanisms such as aid are also likely to be enhanced. This is not a reflection of a dysfunctional world development, but rather of a globalisation process. In such a process with its in-built traumas of transformation it is perhaps naïve to believe in the linear development process and in aid as a temporary phenomenon. It is equally naïve to believe that everyone will do well by relying on their own resources.

The aid relationship is more complex than is often perceived and development is not a simplistic concept with a single objective accepted by everyone. Foreign aid is driven by donor visions of a future world, explicitly or implicitly based on specific values which might be more or less shared by the recipients of aid. Thus, foreign aid driven development is more than economic development. It propagates values such as humanism, democracy, gender rights and equality, the use of profane versus religious law, accountability and transparency, adherence to international law, and, specific models such as the Swedish model of management and decentralisation. It is a fallacy to believe that all these values necessarily reinforce one another and contribute, at least in the shorter term perspective, to the one objective

which dominates as the success measure: economic growth. The pursuit of a series of development objectives by donors might, as a side effect, add to the aid dependency if there is a (short-term) trade off between, for example, economic growth and poverty alleviation, equity and democracy.

Yet, the problems of aid effectiveness are real. The negative manifestations of aid dependency are a serious matter for both donors and recipients, and to critically review the underlying causes is essential. There is an increasing awareness that foreign assistance has a series of in-built distortion effects that can be detrimental to sustainable development. As any type of economic activity, the aid industry has an interest in preserving itself and preferably expanding. This in itself is not a sign of dysfunction or lack of morale, rather it is a human and social condition.

1.4 Stakeholders

The role of stakeholders – various parties, organisations and professionals that are related to the development assistance at the donor country or at the recipient end – has been given increased attention in the discussion of aid effectiveness. Thus Valdelin and Schill (1997) in a Sida sponsored study, claim that:

The analysis of stakeholders points at the existence of a national and international aid establishment, with a joint interest of keeping aid at high levels, as the strongest single engine of the ever moving conveyor belt for new projects. Alliances of stakeholders between countries and across the frontiers of roles make it very difficult to terminate projects and to graduate countries.

Stakeholder analyses, such as that quoted above, identify all potential groups which have an interest in aid, specific development projects and various forms of ‘unholy alliances’ as key factors contributing to ineffective aid. The analyses also tend to have a streak of cynicism: the various parties involved in the aid relationship have vested interests with little concern for what is achieved, and are instead driven by the promotion of their own self-interest. As such, the analyses follow the tradition of the public choice theories propagated in the 1980s with rent-seeking in public administration as an endemic, if not inherent, feature. This analysis is sometimes taken to absurd extremes by journalists (see, for example Hancock, 1989). Our premise is that aid is unlikely to be occupied by less morally bound people than in other walks of life. There is nothing wrong with a recipient organisation trying to prolong aid. After all, it adds resources of both financial and other kinds to the organisation, contributing to its survival and, in most cases, to the quality of its services. There is nothing wrong with a recipient country

wanting to attract more aid resources, as it adds to the domestic resources. There is also nothing inherently wrong with the fact that advisers, consultants, NGOs, lobby groups and others try to extend their roles in the aid relationship. They operate in a market, just as everyone else does. What is atypical for the aid industry is that the donor (and the government allocating aid resources) has an unusual and absolute power over the aid resources. The corrective feed-back mechanisms such as those on a commercial market with suppliers competing for buyers, or in a public service organisation with discontented tax-payers threatening to vote one way or another supported by the mass media, are very weak in the aid relationship. The balance of power that exists in most modern social contractual arrangements in one form or another do not exist in aid. A consequence of this is that the supply side is dominating. Country frames, lending targets, project budgets, implementation targets are all supply oriented. It is donors that determine which countries should be aided, with how much and basically in what form and for what purpose. Another consequence is that the responsibility of the donor agency to ensure effectiveness and minimisation of dysfunctional elements is unusually large. It is the responsibility of the aid administrators to arrange the aid relationship in a way that the various stakeholders act in a productive way.

1.5 The purpose of the study

This study is focusing on phase out issues as an element of aid dependency. It is one of several studies falling under the theme of aid dependency. According to the terms of reference, the reason for looking into the issue of phase out is the intrinsic relationship between aid dependency and phase out. Poor project designs, limited ownership by the recipient country and limited considerations of sustainability make phasing out a problem. Contributing to this are the vested interests of stakeholders, that aid can be described as a “power game for resources among stakeholders with quite different access to resources”, and that most stakeholders have an interest in prolonging an aid project. The terms of reference recognise that to “initiate a well-functioning aid project might be difficult, but to end an aid project may prove to be even more complicated”. The study is expected to contribute to the understanding of which actors, forces and processes are at work in, and how they interact and influence the outcome of the design, implementation, and phasing out of an aid project. Questions to be addressed are:

- What are the underlying forces influencing why aid projects are or are not phased out?

- Which elements in the aid relationship may explain and influence the goals, means and prolongation of an aid project?

Ultimately the issues to be addressed are:

- What is the relationship between aid dependency and project phase out performance, and thus the relative importance of 'good' phase out performance to reducing aid dependency?
- What are the elements that make 'good' phase out performance?

The study should contribute to the formulation of a framework for improved design of development co-operation projects in order to enhance the sustainability of the activities supported.

The study uses Tanzania as a case, reviewing the macro aspects of aid dependency, but giving special attention to micro aspects. The basis for the study is twelve Swedish funded projects that have been implemented during the last two decades. Some conclusions on the linkage between macro and micro performance are drawn. The methodology for the study is elaborated in Chapter 4.

It should be noted that Tanzania is not selected as being a typical case. Rather, Tanzania belongs to the extremes in terms of aid dependency. It is also atypical in the sense that Swedish aid has had a disproportionate influence in Tanzania as compared to other recipient countries due to the political ties between the countries in the 1960s and 70s, and the relative weight of Swedish aid in the total ODA to Tanzania. Sweden has been Tanzania's largest bilateral donor over the last decades, and, until recently, the largest of all providers of ODA, including the World Bank. Tanzania is Sweden's largest recipient of foreign aid. Using such an atypical case for a study of a general phenomenon has certain drawbacks – it is difficult to generalise to other countries. On the other hand, it might have the advantage of illustrating more clearly certain underlying causes of aid dependency and issues in phase out.

1.6 The definition and linkage between some key concepts

Four concepts are frequently applied in discussion about aid dependency, and will also be utilised in this study. They are defined below.

aid effectiveness: The ability of foreign aid to reach the development objectives pursued. These objectives can either be at the micro-level, pertaining to the specific objectives for a project, or at the macro level, pertaining to achieving the overall objectives of foreign aid.

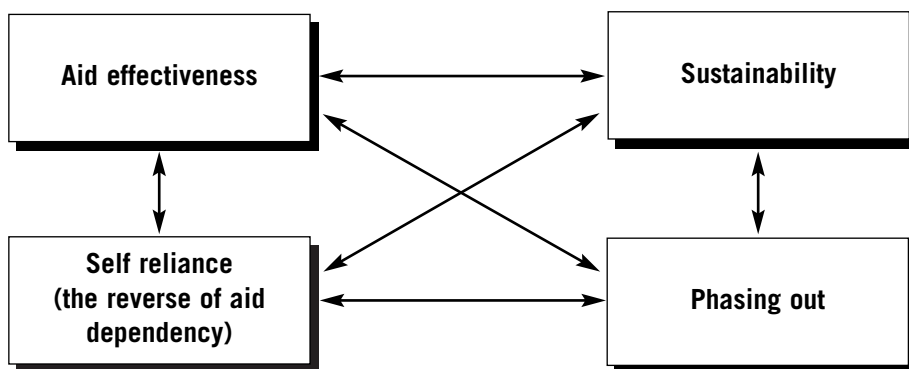
aid dependency: The supposed reliance of various stakeholders on foreign aid which can be discussed both at the micro level (i.e. in the project context) and at the macro level (i.e. at the national level).

sustainability: The capacity of an aid supported project, institution, or programme to continue to function post-aid; there is also, at least in theory, the question of sustainability at the macro level.

phasing out: The process of terminating aid to a project, institution or programme. There is also the issue of phasing out at the macro level when a country *graduates* to a new level of development no longer requiring aid.

While not engaging in a discussion of the precise meanings of these concepts, their relationships are essential to outline as they form the basis of the debate. They are illustrated in the Figure 1, below:

Figure 1. The relationships between key concepts in the discussion of aid dependency



The relationships are interdependent: low effectiveness of aid creates aid dependency and vice versa, aid dependency creates difficulties in phase out, difficulties in phasing out are a cause of aid dependency; low sustainability is a cause of aid dependency and vice versa; and sustainability problems are a reason for slow or no phase out.

Another concept that is central to the discussion is *cost-effectiveness*. We define the cost-effectiveness of aid at the micro level as the relationship between the aid resources provided for a specific project, institution or programme and the extent to which the main objectives of the project are achieved. Cost-effectiveness is a relative concept which can be assessed compared to other similar projects or programmes, to benchmarks established prior to the commencement of a project, and, in special cases, in the form of economic cost-benefit analysis with economic rate of return as a measurement when all benefits can be expressed in monetary terms. The

concept of cost-effectiveness at the macro level means the relationship between the aggregated aid provided and the extent to which the overall development objectives established by the provider of aid have been achieved. It goes without saying that assessment of cost-effectiveness is complicated due to the many factors influencing projects, programmes and national development besides aid.

1.7 Phase out

Phase out is a concept not much discussed in the development literature. Sida² commissioned a study on it in 1994, comprising a review of three Sida financed projects in Zambia (integrated rural development) and in Laos (a vehicle repair workshop project and a power plant). From the case studies the author, Hans Hedlund, concluded that phasing out of aid is a complex process due to the different and sometimes contradictory interests of the parties involved. The phasing out process highlights key issues of concern in the projects such as sustainability and how the various stakeholders see phase out. The study claimed that parties involved in a project such as the local recipient organisation, consultants, advisers and others have little interest in terminating a project. They would rather extend it, as the termination of a project usually means significant, if not drastic, consequences for the parties involved, as the resource flows decline. Projects represent a process of “social expansion” with increasing resource flows, while termination of a project means “social contraction, leading to insecurity, increasing conflicts over scarce resources and sometimes apathy within the recipient communities, institutions and staff”.

The author found that phasing out in the projects considered was: based on (donor) budget and administrative concerns rather than on the level of sustainability of the projects; a decision made and enforced by the donor with limited consultations with the recipient or project staff; not taken seriously by local staff who generally did not believe a phase out would take place; opposed by the recipient, and both local and expatriate project staff who believed that more could be achieved in well performing projects and a prolonged project period could improve performance in the poorly performing cases. The study also found that a phase out process initiated a process by the recipient institution/government to find new donors to replace the outgoing donor; in the view of the author, a process that was more important than consolidation of what had been achieved in the project.

Based on the case material, Hedlund translated the experience to a set of guidelines for phase out, defined as the “activities carried out between the

² The acronym Sida will be used through out this report, also for the period before 1995 when the Swedish development authority was called SIDA.

decision to terminate a project and the end of all external aid resources to local institutions". These guidelines are strongly related to the project cycle: first, a phase out period should be included in the project document; second, a specific phase out period, preferably over three years, should be established; third, check-points should be established when the phase out starts based on the performance of the project in terms of impact, effects and sustainability; fourth, an independent "quality" team of local and external consultants should be employed to facilitate the process above; fifth, when a date for phase out is defined, a phase out planning document should be established using participative techniques, amongst others; sixth, a new project management, comprising new and old staff should be installed to carry out the phase out.

Hedlund identifies some of the dynamics in donor projects making phase out a difficult process. One is that an aid project in a poor country means an often dramatic change of conditions for the parties involved and termination of such aid is an inherently negative process for those parties. In reflecting on Hedlund's conclusions, while an explicit phase out process might reduce some of the problems related to the "contraction", it fails to deal with the underlying causes of the aid dependency at the project level; that is, the process that creates the dependency. While guidelines for good phase out might do something to improve the process, they miss the basic problem.

Valdelin and Schill (1997), in a policy analysis for Sida on aid management focusing on "graduation and time limits in aid", noted that the absence of specific, measurable, achievable, relevant and time-bound (SMART) targets in development projects tends to dilute the attention to time limits. They further noted that the low degree of target achievement tends to lead to extended periods of support in order to rescue projects. Failure does not lead to the termination of aid, rather the reverse. The implication of this is cost-ineffectiveness. The authors identified a number of possible explanations: the ignorance of the 'sunk cost' fallacy, i.e. that new money generally does not save money already sunk into a poorly performing project; the too close link between evaluators and the donor, implying that critical analysis – perhaps that a project has failed – might be politically incorrect and is therefore suppressed; vested interests amongst stakeholders at the donor or recipient side creating pressure for the continuation of projects; disbursement targets, implying that continuation is more convenient than phasing out, since it helps to fulfil disbursement targets.

The authors recommend that strict time limits should be established for projects, preferably related to SMART targets in a Logical Framework Analysis (LFA) structure, and that such time limits should be strictly enforced. Their argument is that without such limits, projects tend to be prolonged "because all influential stakeholders in Swedish development cooperation have direct interests in continued aid flows – both on the aggregated and project levels".

1.8 Blue print versus process oriented projects

In the development literature the distinction between a *blue print model* of development projects, versus the *process oriented project model* has been discussed for many years. In simple terms, the blue print is a classical 'bank' project in which as many details of the project as possible are identified in advance, especially the activities to be carried out and the costs involved, leading to a cost-benefit analysis which will determine if the project has a sufficiently high economic rate of return to be subject for an investment decision or not. The negotiation process between the lender and the borrower is clearly recognised, a pattern applied also in projects largely financed on highly concessional terms. The process style of project, sometimes called a programme, is more typical for bilateral agencies providing grant financing, in which the relationship between the donor and recipient is based on broader political motives and takes the form of inter-governmental agreements. However, bilateral agencies also apply the blue print model, especially in the context of co-financing with international banks, while the banks are working towards a more process oriented style of lending, due to the problems encountered with the blue prints.

While the blue print model is based on the principle that as much as possible is specified (and known) in advance, and the project is a matter of implementing this in an efficient manner, the process style is based on the reverse principle. In this model, development is complex, a matter of trial and error, creating change and institutional capacity in a process which is difficult to specify in advance; in fact, too much specification can contradict development. In terms of phase out, the typical for the blue print project is a project period fixed in advance, and deviations from that period are either determined by slower disbursements than planned, or, in exceptional cases, the cancelling of the project. Phase out of such projects is rarely an issue and not subject for negotiation. The process model, on the other hand, has generally no time frame for the duration of the project, except sometimes in very indicative terms. These projects are generally longer in duration, the inputs much less specified in advance and costing only specified for each successive period in broad budgetary terms. The process style projects operate generally through administratively determined phases which have nothing to do with the project progress as such, but are geared to donors' own administrative requirements for budgetary purposes. The discussion of blue print versus process orientation has generally focused on the relative merits of the two models in terms of effectiveness of aid, rather than on issues of aid dependency and phase out.

The two different types of projects have different implications for phase out. While the blue print style of project, with its fixed exit time and fixed project cost, generally should not face problems in phase out, the process style projects have to make decisions both on continuation or exit and on

the allocations in the process of implementation. The negotiations over resource flows, which in the blue print project take place at the time of the planning of the project, are ongoing in the process model. As such, negotiations over resources take time when the donor and other parties have certain vested interests in the project, resulting in negotiations and sometimes conflict. These are inherent features of the process style of project, and not dysfunctional.

Partly by design but also to some extent by default, Swedish aid has become highly process oriented relative to other donors in its development co-operation. As a result, Sida probably experiences more issues concerning phase out than most donors. In our view, this is not a problem in itself, and can be a strength. The process style of projects and programmes has often proven more effective in attaining developmental impact and institutional sustainability. The apparently more problem free phase outs in the blue-print projects often disguise broader problems in the aid relationship, while the often considerable phase out issues in the process style projects tend to highlight the good and bad aspects of the latter from a development perspective. In our view, the ultimate objective of any policy guidelines for phasing out of aid projects should not be to suggest measures guaranteeing the reduction of problems involved, but to address the underlying causes of why phasing out is a problem in the first place, keeping the effectiveness of aid and sustainability as the overriding principles.

1.9 The structure of the report

The report is structured in the following way: in chapter 2 Tanzania's development since independence and how it coincides with the different phases of official development assistance are outlined. The Chapter identifies the era of strong optimism in the 1970s, the dramatic growth of aid and the major achievements during that period, followed by the Tanzanian crisis both in the economy and in the aid relationship in the early 1980s, the renewed development and aid relationship since the mid 1980s, but on quite different terms and following a different development agenda. The Chapter discusses the major manifestations of aid dependency in Tanzania, and ends with a summary of the learning in aid from the experience in Tanzania by some major studies. Chapter 3 deals with the Swedish aid to Tanzania, the origins and manifestations of the special aid relationship between the two countries and the shift in orientation parallel, but partly distinct from that of ODA in general. The Chapter discusses the composition of Swedish aid in sectors and programmes, and how this allocation relates to the changing economic and aid environment. The Chapter ends with a summary of the historical environment for project aid in Tanzania, and the potential implications for development projects, for sustainability and for phase out.

Chapter 4 outlines the methodology for the twelve case studies on Swedish projects. It contains a narrative for each of these projects, covering all sectors Sweden has supported in Tanzania, focusing on the achievements, the phase out process (emphasizing the dynamics of decision-making for each project) and sustainability issues. The Chapter ends by drawing out conclusions about the characteristics of each of the project types identified in the model applied in the methodology for analysing the projects. Chapter 5, discusses the key issues relating to phase out and sustainability emerging from the case material, and in the context of the evolution of Tanzania's development and aid relationship with Sweden. Chapter 6 reviews policies and measures which represent learning in aid to Tanzania (and in general) during the 1990s and considers in how far these address the issues identified in the previous Chapter. It summarises the key conclusions from the case material and from the study overall, and sets forth policy guidelines for effective, sustainable aid. Amongst the appendices to the report is an essay written by Dr. William Lyakurwa and Professor Samuel Wangwe, representing a Tanzanian view on aid dependency. Dr. Lyakurwa and Professor Wangwe both made significant inputs to the thinking in the overall study.

Chapter 2. Aid and the Tanzanian development process

2.1 *A basket case in aid?*

In many ways the case of Tanzania represents the change of mood characteristic of official development assistance from the great expectations of foreign aid in its earlier years during the late 1960s and 1970s, to the growing disappointment characterising aid in the 1980s and 1990s. The debate about the effectiveness of aid has had, explicitly or implicitly, Tanzania as a reference. Few countries can compete with Tanzania in terms of its high profile in the aid debate. For the critics of aid Tanzania is the proof that aid does not work, for the defenders, Tanzania is a case of soul searching and of finding the weaknesses in the aid management systems to improve effectiveness.

At the time of the expansion of official bilateral development co-operation in the early 1970s, Tanzania became an important, sometimes the most important, recipient country for many of the major bilateral aid agencies, a position the country has maintained since then. For countries which committed a high share of their GNP to official aid, such as Sweden, Norway, Denmark and the Netherlands, Tanzania was generally one of the first countries to be included amongst the recipient nations. It also became one of the leading recipient nations in terms of the amount disbursed. Tanzania was also a major recipient of World Bank IDA credits, and attracted aid from more unconventional sources such as China and countries in Eastern Europe.

The Tanzania of today is the epitome of an aid dependent country, some would say a country devastated by aid. Aid has accounted for 30–50 per cent of GNP during the 1990s, one of the highest shares in the world. Aid finances the largest part of the Government's budget and without aid, the Government and most of its services would come to a standstill. Foreign aid is at a level of 150–200 per cent of the value of Tanzania's total exports, and as non-aid external inflows are limited, aid finances most of its imports. Tanzania, with an international debt of nearly USD 8 billion, is one of the most indebted countries in the world in terms of debt in relation to its GNP. Most of this debt is from concessional loans provided by donors and international organisations for development purposes – another reflection of a failed past. Rescheduling of debt payments and conversion of debt to grants by Tanzania's donors is a recurrent event since the mid 1980s.

Few countries have received so much foreign aid from so many different donors, or have been treated with so much concern by the donor community as Tanzania. At the same time, Tanzania has slid back from the upper levels amongst low income countries in the 1970s in the World Bank's tables to become one of the poorest nations in the world. Currently, Tanzania is

competing for the bottom position with Mozambique and Ethiopia, countries which have been ravaged by war for most of the last decades. The average Tanzanian is poorer today than at independence in the official statistics. The conclusion is easily drawn that Tanzania's development has failed, and that aid has not only proven ineffective for development, but might also have contributed to the failure. If the Tanzania of the 1970s was seen as charged with a mission under an inspired and charismatic leader, the Tanzania of today is often portrayed as a country which has lost the vision of its own development, passively subjugated to the dictates of the donor community, plagued by rampant corruption and other forms of rent-seeking, while the remnants of the achievements of the 1970s in terms of social development are being dismantled due to chronic shortage of funds and poorly motivated civil servants. To judge from the aid dialogue, the donors and Tanzania seem bound in a mutually unsatisfactory relationship, unable to break out of the shared dependency: Tanzania, due to its heavy dependency on aid flows; the donors, due to old commitments, perhaps a sense of guilt of having contributed to the poor state of affairs, the risk of Tanzania's final default in debt payments, and the in-built institutional momentum of the aid industry.

2.2 *The years of vision*

Few countries in the world attracted so much attention to their development model as Tanzania in the late 1960s and 1970s. To a large extent, the model is personified in Julius Nyerere and the Arusha Declaration of 1967, its manifesto. The Declaration, inspired by the international radical movements of the late 1960s, was a clear break with the pattern of private sector and market led development which Tanzania had pursued since independence in 1961. The four principles of the Arusha declaration were socialism, self-reliance, rural development and economic growth. It was a vision of change that enchanted a world, not least leaders of many developed nations and countries with a social democratic tradition in the North such as Scandinavia, Germany and Holland (Sobhan 1996; Hydén et al 1997). It also appealed to the World Bank under Robert McNamara, which pursued the new doctrine of *growth with redistribution* focusing on the poor.

The translation of the Arusha Declaration into development plans and actions during the early 70s became large scale nationalisation of agricultural estates, industry, banking, trade, construction and urban housing. Over a short time span, the whole modern sector of the economy was placed in the public domain. Most major industries had been nationalised, imports were handled by newly created state trading companies, exports by state-controlled marketing boards and crop authorities, and domestic trade in major foods and cash-crops by state marketing agencies.

The nationalisation of the economy was accompanied by ambitious plans for the provision of universal social services such as health care, education, water and sanitation. The *ujamaa* strategy would make communal villages the focal point of reform for the rural areas, forcing the population to move into newly created villages. The basic underlying motive for this was that Government should be able to provide the population with basic social services. This policy reflected a sense of urgency felt by Julius Nyerere who commented that “we must run while others walk” (Hydén 1979).

In 1974, Tanzania launched the Basic Industry Strategy (BIS) as a twenty year plan (1975–95) for rapid industrialisation based on state ownership and import substitution. Industries were to be given priority over agriculture. The basis for industrialisation was the establishment of basic producer goods industries such as cement, iron and steel, machinery, chemicals and textiles. These would serve industries producing essential consumer goods, services and agro processing. Administrative plans rather than the market, would determine the production orientation. Fuelled with resources from the donor community, Tanzania established a series of capital intensive industries heavily dependent on imports of machinery, spare parts, fuel and raw materials. Industrialisation required investments in infrastructure, especially power and transports. In effect, it was a contradiction to the Arusha Declaration’s orientation towards rural development and self-reliance almost of the same magnitude as the contradiction which existed in India during the 1950s between the Gandhi and Nehru philosophies. The difference in Tanzania was that the contradiction took place under the same leader.

While the industrialisation policies and the forced *ujamaa* programme had not been envisaged in the Arusha Declaration, and were subject for various criticisms by the donors, the external support for Tanzania did not falter, rather it escalated. Donors, ranging from China to the World Bank, willingly supported the modernisation strategy. By its nature, it allowed the transfer of considerably larger volumes of funds, than the Arusha style of development would have made possible.

2.3 *The years of good performance*

The Tanzanian economy performed quite well in the 1960s with an average GDP growth of 6 per cent per annum, well above that of the average of other low income countries at that time. The rate declined during the 1970s, but was still 4.5 per cent per annum for the period 1970–1977 (World Bank, 1979). Tanzania was one of the fastest growing low income countries in the world as well as amongst Sub-Saharan African nations during the 1960s. Tanzania maintained this position during the period 1970–77. (See table 1.)

Table 1. Tanzanian economic growth, 1960–1977

<i>Growth indicators/periods</i>	<i>Tanzania (per cent)</i>	<i>Low Income Countries (per cent)</i>
Annual GDP growth 1960–70	6.0	3.9
Annual GDP growth 1970–77	4.5	3.2
Average GNP/capita growth 1960–77	2.6	1.4

Source: World Bank: *World Development Report* 1979.

The achievements in the social sectors were particularly significant: For example, the primary school enrolment which in 1960 had been 28 per cent, was 70 per cent by the end of the 1970s; the adult literacy rate which was 10 per cent in 1960 had increased to 66 per cent by the mid 1970s and by 85 per cent by the mid 1980s; the infant mortality rate declined from 147 per 1000 live births in 1960 to 100 in 1980 and life expectancy at birth increased from 42 years in 1960 to 52 years by the mid 1970s.³ In terms of human development, Tanzania achieved more during these years than most other low income countries and most of the countries in Sub-Saharan Africa. The judgement of Tanzanian development during its first phase must be that the country had been one of the more successful in combining growth with equity. There were no reasons, from the donor community's perspective, not to underwrite and support Nyerere's vision for Tanzania.

2.4 Crisis and reality

Although the signs of economic imbalance had started to show in the early 1970s, it was during the latter part of the decade that the Tanzanian economy displayed various signs of stress leading to a crisis by the end of the decade. The rate of growth of the economy from 1977 was below the rate of population growth, and by 1981 it was negative. Exports declined, import needs escalated and aid increased to finance the investments and the trade gap. From a position of being self-sufficient in food, Tanzania became a major importer. The irony of the Arusha Declaration is that despite its self-reliant doctrine, its implementation set Tanzania on a path of becoming one of the least self-reliant nations.

In hindsight, the policies of state-owned industrialisation and strong administrative influence in the economy pursued by Tanzania have proven inefficient in most places. But in Tanzania, with its very limited cadre of trained manpower for administration at the outset of the reform, the dra-

³ Various sources UNDP 1996, World Bank, 1979, 1997, Bagachwa et al, 1997.

matic reorientation of the economy towards planned socialism proved to be economically disastrous. Tanzania showed early signs of mismanagement both at the macro and the micro levels, by shifting the management from the market place to the public sector, and by replacing the management (largely foreign) with indigenous people, largely inexperienced in running commercial operations. Adding to this, and not least due to external support, Tanzania had created a capital intensive, import dependent industrial sector without sufficient infrastructure. The parastatal industries generally were inefficient and turned out to require massive subsidies financed through bank loans. The import dependency of the modern sector, the neglect of traditional agricultural exports, and an overvalued local currency created an increasingly severe foreign exchange shortage. By the early 1980s, industries in Tanzania generally operated at 10–20 per cent of capacity due to the lack of foreign exchange, even for the most basic imports. Unaudited for years, the accounts of many of these organisations were in a shambles. The parastatals had become havens for their employees and the owners allowed rent seeking on a massive scale in the form of outright corruption and mismanagement. Tanzania had systematically misallocated resources to the least efficient producers for more than a decade (de Vylder, 1988).

The *ujamaa* villagisation proved to be unpopular and disruptive of economic activities. In many cases, it required coercion to be implemented, and became a political liability of the Government, both domestically and abroad. The many demands on the Government budget led to an increasing shortage of funds to maintain the social services. The breakdown of these due to lack of maintenance and lack of funds to cover recurrent costs began in the 1970s and has escalated since. The parastatal industries, created to generate resources for the economy, had become ‘cuckoo birds’, eating the resources that should have been used for the social sectors and others. As a result, Tanzania’s social indicators have declined overall since the early 1980s.

There were various external events adding insult to injury in the Tanzanian economy: the break up of the East African Community, the war with Uganda in 1978, the oil crises of 1979 and the droughts in the early 1980s. However, the crisis was largely home-grown and the external events exposed the vulnerability of the economy rather than creating it. By the early 1980s the Government also began initiating reforms, the first attempt in the National Economic Survival Programme of 1981, followed by a home-made Structural Adjustment Programme in 1982. Neither of these programmes was agreeable to the IMF/World Bank which by then had innovated the Structural Adjustment Programmes (SAP) to deal with macro economic imbalances like Tanzania’s. Due to continuous poor performance and declining aid flows, by 1986 Tanzania finally agreed with the IMF and the World Bank on an Economic Recovery Programme (ERP). This includ-

ed measures such as a massive devaluation, liberalisation of the economy, including agricultural production, the commencement of privatisation of the parastatal industries and estates, civil service reform and a reduction of the Government expenditures and deficit. The ERP was followed by an Economic and Social Action programme in 1989 following the same principles. The economic reform programmes commenced in the mid 1980s shifted the negative trend of the 1977–1985 period and the economic growth rate increased to a level of about 3.5 per cent per annum in the period 1986–95, implying a marginal real growth in per capita income, but below the development of the 1965–75 period (See table 2.).

Table 2. Annual growth rates in Tanzania, 1960–95

<i>Period</i>	<i>Average annual GNP growth (per cent)</i>
1960–70	6.0
1970–77	4.5
1978–85	1.5
1986–92	4.0
1990–95	3.2

Source: World Bank Development Report 1993 and 1997; Adam 1994.

2.5 A failed development?

In the UNDP's Human Development report for 1996, Tanzania is ranked the poorest nation in the world with a GNP per capita of USD 90 in 1993. Using Purchasing Power Parity (PPP) Tanzania fares marginally better, yet still belongs to the three poorest nations in the world after Ethiopia and Mali (UNDP 1996).⁴

While the economic indicators are manifestations of failed development over the last decades, GNP per capita is a crude measurement of poverty and standard of living. Table 3 shows some common indicators used by the UNDP's Human Development Report, comparing Tanzania with other developing countries and with the average for Sub-Saharan Africa.⁵

⁴ In the World Bank: World Development Report 1997, Tanzania is ranked the third poorest nation in the world with a GNP/capita of USD 100, and sixth poorest in PPP (World Bank 1997).

⁵ Note that data are from 1993 or nearest year.

Table 3. Human development indicators for Tanzania (1993)

<i>Indicator</i>	<i>Tanzania</i>	<i>Rank from the bottom (world)</i>	<i>Average for SS Africa</i>
GNP/capita	USD 90	1	USD 555
PPP/capita	USD 630	3	USD 1,385
Human Development Index	0.365	30	0.379
Life expectancy at birth	52 years	33	51 years
Adult literacy	66 per cent	47	56 per cent
Combined school enrolment	34 per cent	20	42 per cent
Infant mortality rate	85/1000	39	97/1000
Daily calorie supply	2021	22	2027
Prevalence of malnutrition	25 per cent under 5	30	31 per cent under 5
Access to health care	80 per cent	50	57 per cent
Access to safe water	50 per cent	27	45 per cent

Source: UNDP: *Human Development Report 1996*.

The indicators above show that Tanzania, at the bottom in terms of economics, whether measured in GNP per capita or in PPP, is far from the least developed according to other indicators. In fact, in a Sub-Saharan African context Tanzania ranks high. Thus, at least to judge from international statistics, Tanzania has managed to provide a standard of living in terms of literacy, child health, nutrition and access to basic social services which is comparable to nations at a considerably higher income level in Africa and elsewhere. It is also noteworthy that in terms of the World Bank's assessment of poverty as measured by the percentage of the population living on less than USD 1 per day (in PPP), Tanzania ranks better than any other nation in Sub-Saharan Africa for which data is available (World Bank 1997). Thus, the poor economic performance must be qualified by a relatively successful social development in terms of health, education and equality, i.e. objectives at the heart of the Arusha Declaration and many donors' development agendas, not least the Scandinavians' and the World Bank's.

These achievements were reached fairly early in Tanzania's development, and a negative trend has set in for many indicators, particularly for education. Primary school enrolment has declined from a level of above 90 per cent to below 70 per cent in the 1990s. Illiteracy rates are increasing: a 1992 report suggested that it was above 30 per cent as compared to 10–15 per cent in the mid 1980s (World Bank 1993). This change of trend is linked both to the poor performance of the Tanzanian economy and to the economic reforms: in spite of a massive inflow of aid, Tanzania cannot afford to keep up its social service levels, nor its strong emphasis on equality under the liberalisation of the economy. Recent efforts to balance the Government

budget through cash budgeting has hit the service levels hard. Tanzania is trapped between an economy which cannot afford its social services and the expectations of a population for improved human conditions.

2.6 The creation of institutions

While the social and human development modifies the picture of a failed development in Tanzania, there are also other aspects to take into account. At the time of independence, Tanzania was a country poor in institutions and with a meagre resource base in terms of trained people. For historical reasons, the modern economy was almost entirely in the hands of a non-indigenous community, either foreigners or Tanzanians of Indian origin. The stratification in terms of economic class was extreme, with the indigenous Africans at the bottom as subsistence farmers, herders, or employees in estates owned by minorities of other ethnic origin. The Tanzanian model was a bold attempt to rectify the underdevelopment in terms of economics, social development and socio-economic stratification. It is often claimed, but difficult to prove, that the development agenda under Julius Nyerere – while disastrous for the economics of the country in hindsight – was successful in building a national identity, institutions and a human resource base. In a continent plagued by collapsing nations, ethnic conflicts and tribal warfare and civil wars leading to genocide, Tanzania has been comparatively stable. In terms of nation building Tanzania must be considered one of the most successful cases in Sub-Saharan Africa. In the words of a group of Tanzanian scholars:

Overall, in spite of drastic political changes, Tanzania has managed to maintain a high degree of peace and stability. It is known for its fairly high level of self-perceived national solidarity, a reasonable record of adherence to human rights, a high level of tolerance towards minority communities, a smooth transition from one president to another; a remarkably peaceful transition towards multi-partyism (Bagachwa et al 1997).

If nation-building and the creation of basic institutions such as shared value systems and a national identity, are key concepts for development, as is claimed by many scholars, Tanzania's development over the last decade might have provided a basis for positive long-term growth, in spite of the current economics travails. While it is difficult to prove a causal relationship, aid might have played a significant role in this process. If Julius Nyerere and his vision was instrumental for the nation and institution building in the 1970s, he gained his legitimacy from his relationship with the rest of the world and particularly the donor community, at least until the early 1980s.

A reversal of the process might be taking place. Many observers today see threats to the institutional development in what is perceived as renewed social stratification, increasing poverty amongst those at the bottom of the ladder, a return to the previous ethnic divisions, poorly disguised corruption by a political elite, and an increasing number of people deprived of what were considered rights to social services. Tribalism, according to some, is on its way back, and ethnic rivalry might be a consequence of a small group capturing most of the visible benefits of the liberalisation.

The argument here is not to claim that the 1970s brought good policies to Tanzania, but to put the evolution of Tanzania in a broader historical perspective than what is common today, and also a broader perspective than the purist economic framework which tends to dominate the debate. As is further discussed in later chapters, the capacity building in human resources and institutions has been quite considerable, but these achievements tend to be overshadowed by Tanzania's macro economic performance and, in particular, by the issue of aid dependency. There is a discrepancy in the micro orientation of development assistance with its plurality of objectives in the form of institution building, human resource development, poverty alleviation, gender equality, etc., and the strong focus of the overall macro economic achievements in the aggregate of aid. It is essential to keep in mind that development projects rarely have been driven by the objective of optimum economic growth.

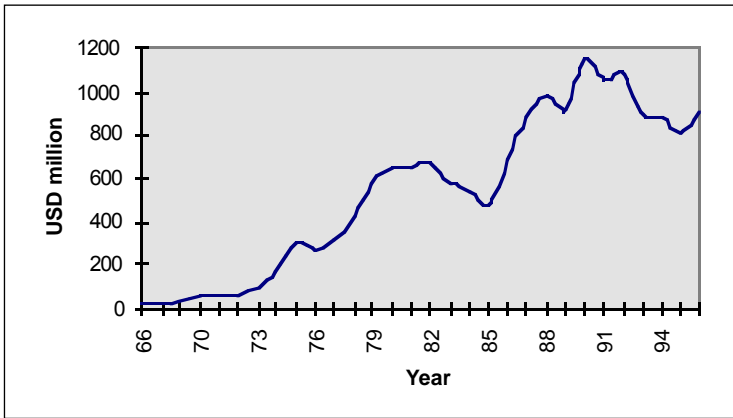
2.7 The pattern of ODA to Tanzania

Aid to Tanzania, which in the sixties and first years of the 1970s was at the level of USD 30–50 million per annum, expanded rapidly after 1973.⁶ By 1982 Tanzania's annual aid flow was in the order of USD 600 million. A decline set in between 1982–1985 due to Tanzania's disagreement with the Bretton Woods institutions concerning economic reforms, but the flow increased dramatically after 1986 when an accord with the IMF on the SAP was reached. The total aid peaked at USD 1,150 million in 1990 after which the level has been in the order of USD 900 million, as indicated in Figure 2.

The stages in the aid flows to Tanzania parallel distinct aid policy phases. Four phases can be distinguished:

- 1) The build up of aid during the 1970s coincided with a period when the donor community at large endorsed and supported Tanzania's socialist model. The faith in Julius Nyerere as the leader of the nation was strong and Tanzania was perceived by many donors as one of the most promis-

⁶ All figures are in current USD.

Figure 2. Aid disbursements to Tanzania

Source: Development Assistance Committee, OECD.

ing of developing nations. This was also a period when foreign aid expanded rapidly in general, both from bilateral sources and the international financial institutions.

- 2) The stagnation and decline in aid flows between 1982–85 coincided with a period when the donor community became increasingly disenchanted with Tanzania's overall economic performance, leading to a confrontation between GoT and the Bretton Woods institutions in which eventually all (western) donors sided with the IMF/World Bank. This period has been described as “a war of attrition” between the Government and its donors (Adam et al 1994). The period ended with the donors setting the agenda, leading to the stepping down of Julius Nyerere from the Presidency in 1985.
- 3) The rapid build up of aid after the accord with the IMF and World Bank in 1986 up to the early 1990s coincided with a period when Tanzania *de facto* abandoned its socialist past under President Mwinyi and began an economic liberalisation process largely based on the conventional approach of the SAP.
- 4) The fourth phase began in the 1992 when aid flows stagnated to a level of USD 800–900 million. There was a renewed crisis between the donors and the Government, caused by GoT's misuse of the import support, leading to a suspension of IMF support until 1995, and also suspension of Nordic support due to allegations of major tax corruption in 1994. The current phase, under president Mkapa is characterised by continuous economic reforms and a donor-government relationship which might be described as mutual distrust (although an effort to change this situation has been made by discussions on a ‘new partnership’, see Chapter 6), with the donor community continuously concerned with misappropriation of development aid, inefficiencies and what appears to be a chronic

aid dependency. While some major political reforms have taken place in Tanzania in recent years with the introduction of multi-party democracy, the present relationship between the donor community and Tanzania is a long way from that of trust which existed in the 1970s.

The two expansionist phases (1970–82 and 1986–90) represent two different paradigms in aid: the first, one of supporting a country's development agenda set on the recipient's terms; the second, one of supporting a development agenda set to a large extent by the donors. The stagnation periods (1982–85) and (1992–ongoing), seem to represent periods in between paradigm shifts: the first, from one in which Tanzania dominated the development agenda to one in which the agenda was set by the donors. The meaning of the second one is still difficult to interpret, but might represent an expectation from the donor side of a return of the lead to the recipient. 'New' concepts such as *partnership* indicate such a trend.

The changing paradigms also have implications for the perception of the aid relationship. Adam et al (1994), has described it as:

... a shift from an essentially co-operative, arms-length relationship between sovereign partners in the 1970s, to a confrontational relationship between 1980–1985, and finally a renewed collaboration but one influenced by the recognition of clear conflicts of interest between donor and recipient and by the overwhelming concentration of bargaining power in the hands of the donor.

While disappointing economic performance might be seen as a reason for this shift, its real cause is probably more related to the aid relationship as such. Tanzania has become aid dependent, which means that the donor community is locked into a situation where exit is difficult to see. From a willingness to provide aid of free will in the 1960s and 70s, basically without obligations, donors are now trapped in a mutual aid-dependency where free will has been replaced by a *de facto* obligation.

2.8 The manifestations of Tanzania's aid dependency

Tanzania received a mere 0.6 per cent of total ODA in the first years of the 1970s, when the major aid flows in the world were to a large extent directed to India and Pakistan. Tanzania's share of all ODA increased during the 1970s, declined during the confrontational years with the IMF/World Bank but after the agreement with the Bretton Woods institutions increased to a level of 2.5–3 per cent of all ODA. In recent years, the per centage has dropped to below 2 per cent (UNDP 1996, World Bank 1995). Tanzania is a major, but not a leading ODA recipient country in total volumes of aid.

There are ten to twelve countries receiving larger amounts of ODA than Tanzania. In the 1990s the league is dominated by China (USD 3.2 billion), Egypt (2.7), India (2.3), Pakistan (1.7), Bangladesh (1.7) and Indonesia (1.6).⁷ These economies are many times larger than that of Tanzania. In a Sub-Saharan context, Tanzania has been one of the largest recipients of aid together with Ethiopia and Mozambique.

In terms of ODA per capita, Tanzania, has a fairly high ratio in a global sense, but not a prominent position as an aid recipient country in an African context. In the peak years of aid to Tanzania, per capita aid was USD 44, the same level as Kenya, Ghana and Uganda, but below that of Zimbabwe and Malawi (World Bank 1996). In 1994, at a level of USD 35, the aid per capita to Tanzania was considerably below that of countries such as Cameroon, Ivory Coast, Malawi, Mozambique, Somalia and Zambia, and even slightly below that of Kenya, Uganda and Zimbabwe as indicated in Table 4, below.

Table 4. Official Development Assistance to selected African nations (1994)

<i>Countries (in order of disbursement amounts)</i>	<i>Disbursements (USD million)</i>	<i>Per cent of GNP (1993)</i>	<i>Income per capita (USD)</i>
Ivory Coast	1,594	18.4	63.1
Mozambique	1,231	89.5	76.5
Ethiopia	1,070	17.2	23.3
Tanzania	968	38.4	34.9
Uganda	753	21.6	35.5
Cameroon	731	7.6	51.3
Zambia	719	22.8	90.8
Rwanda	713	47.6	52.2
Kenya	676	10.0	35.2
Zimbabwe	561	9.7	39.9
Ghana	546	7.8	37.9
Somalia	538	64.4	98.4
Malawi	470	23.1	47.9
Sierra Leone	276	42.7	44.7

Source: UNDP: *Human Development Report 1996*

If aid is measured against the size of the economy, Tanzania – with one of the lowest official Gross National Products per capita in the world – has a very high share of aid to GNP, in the order of 40 per cent as indicated above.

⁷ The figures in brackets are for 1994 and the source, the UNDP Human Development Report 1996.

In this respect Tanzania is only superseded by poor, war-torn countries such as Mozambique, Somalia, Rwanda and Sierra Leone in Africa, and Nicaragua elsewhere. The high share of ODA to GNP is one of the facts that has made Tanzania a focal point in the discussion of aid dependency.⁸

Tanzania's aid dependency as measured in the amount of ODA to GDP is relatively recent, and largely related to the period after Tanzania's acceptance of the IMF/World Bank ERP. A part of the structural adjustment programme was a major devaluation of the Tanzanian Shilling, resulting in an official reduction in dollar terms of GNP. This combined with the inflow of aid associated with the programme had the effect of an apparent dramatic aid dependency in statistical terms. From a level of ODA/GDP of 3 per cent in 1970, the ratio increased during the 1970s to about 15 per cent in 1980, whereafter it declined to less than 10 per cent by the mid 1980s when the aid flows were declining. After the accord with IMF and the associated devaluation, the dependency ratio escalated to over 50 by 1990. With the declining trend in aid flows after the early 1990s, the dependency ratio has also declined to 35–40 per cent currently. The high degree of aid dependency in Tanzania is easily explained: a low income country which received rapidly increasing aid flows in the 1970s and late 1980s, combined with a fairly overall slow economic growth and a massive devaluation in 1986 (which adjusted down the GNP in dollar terms).

Measuring aid in relation to exports shows a similar negative trend, from 20 per cent in 1970 to nearly 300 per cent by 1990, and declining thereafter as Tanzania's exports have improved and aid has reduced. In terms of aid in relation to Government expenditures, the negative trend was unbroken, at least until 1993, as indicated below:

Table 5. Indicators of aid dependency for Tanzania

<i>Year</i>	<i>ODA as a per centage of GDP</i>	<i>ODA as a per centage of exports</i>	<i>ODA as a per centage of GoT expenditures</i>
1970	3	20	14
1975	8	79	37
1980	15	132	37
1985	8	170	26
1990	56	293	113
1993	40	226	157

Source: Bagachwa, et al: *A study on Aid Effectiveness in Tanzania. The Case of Danish Aid*, Dar es Salaam, 1997 for 1970–90; World Bank for 1993.

⁸ Although official GDP is likely to be seriously underestimated due to the difficulties in assessing the subsistence and informal sector.

The data above shows that a change in trend in terms of ODA to GDP and ODA to exports has set in during the 1990s (more recent data would indicate a more pronounced shift in trends). The shift has been accomplished partly by improvements in exports, a steady growth of the economy, but more importantly, a decline in aid levels. Only the ODA to GoT expenditures continue to show a negative trend.

2.9 Who is dependent?

As most aid flows are directed towards the Government budget, today providing 80–90 per cent of the development budget and a substantial share of the recurrent costs, the concept of aid dependency might be reformulated as GoT's dependency on aid. It is the modern sector, represented to a large extent by the Government machinery, including the parastatal industry sector and the Government-controlled modern infrastructure in the form of roads and power, that has been built largely by donor funds. The cumulative effect of the aid on the subsistence economy, small scale farming and the informal economy, which most Tanzanians depend upon for their livelihood is unknown. According to some, it has been negative. The interpretation of the effectiveness of aid could be that this investment has created an unsustainable system in the Tanzanian economy. On the other hand, the impact of the liberalisation on the economy, promoted by development co-operation, is likely to have been a plus for the informal sector.

The current trend in aid to stimulate increased revenue collection by the Government through taxation to pay for its recurrent costs and as matching funds for development aid projects, is largely a public sector funding measure. While well beyond the scope of this study, there seems to be a major risk that the pressure by a collective donor community on the Government to collect taxes might end up in a system of collection of such taxes from the few existing viable, mostly private industries and increasingly from the common man, and used largely to maintain an inefficient government bureaucracy with ample ongoing rent seeking. While there is no doubt that GoT must increase its tax revenues in order to pay for necessary social services, for example, the risk at present is of taxes being collected, often in a non-transparent fashion as has been found in one of the case studies presented in Chapter 4 (see Tanzania Portland Cement Corporation), and largely being soaked up by bureaucracy and corruption. The problems posed by matching funds, a concept designed to increase joint responsibility for development and thus a strategy for promoting sustainability, are discussed further in Chapter 6.

2.10 Ownership of the development agenda

Ownership is portrayed in modern development theory as fundamental to sustained development. The loss of ownership is also seen as a manifestation of negative aid dependency. There is no doubt that the development strategy pursued by Tanzania from the late 1960s until the late 1970s was owned by Tanzania. The ‘war of attrition’ of 1980–85 between the donors and Tanzania shifted the ownership, culminating with the stepping down of Julius Nyerere as president in 1985 and with the IMF agreement 1986. Bagachwa et al (1996) claimed that the Government’s failure to get support for the home-grown reform programmes in the early 1980s and the boycott of Tanzania by a large number of the donors during the period of conflict with IMF led to a tendency in the Government to “shy away from effective participation in the design and operation of aid projects and programmes, leading to an erosion of ownership”. The argument is basically that opposition to the IMF/World Bank led reforms has a high cost in terms of reduced aid levels not only from the Bretton Woods institutions but also from most bilateral sources.

Sobhan (1996), in a comparative analysis of aid dependency in Tanzania and Bangladesh, sees the “confrontational years” of 1980–85 as a shift away not only from a Tanzanian owned development agenda to a donor-driven one, but also from a development policy ideology in line with the Scandinavian/Dutch bilateral donors to one which was in line with the Bretton Woods institutions. The former had based their support on political fraternity and solidarity with Tanzania on the basis of a shared ideology, while the latter, through the SAP, was based on a quite different ideology. The result, in Sobhan’s analysis, has been that “the price of donor hegemony in the development arena in Tanzania, in fact, has been a de-legitimising of the Tanzanian state which has compromised the reform process and contributed to the perpetuation of aid dependency”.

Although the present efforts under the ‘new partnership’ are partly designed to restore ‘ownership’ of the development process to Tanzania, the policy is essentially a donor driven one and donors themselves admit that Tanzania has not yet taken ‘ownership’ of this new approach.

2.11 Policies to reduce dependency

A number of steps are being taken by the donor community to reduce Tanzania’s aid dependency. Most of these are related to the influence over macro economic policies, and to a large extent to a continuation of the SAP. Major achievements have been accomplished. The reduction in the Government deficit has been successful through a variety of means such as reduction of the civil service by some 80,000 employees, or 25 per cent of

the total, the introduction of cash-budgeting (implying that Government can only spend what it collects in revenues on a monthly basis), efficiency reviews and divestiture. Privatisation is picking up momentum: over 150 parastatal industries have been privatised or liquidated, the banking system is being privatised, and the next phase is privatisation of power and telecommunication utilities. Revenue collection is given a high priority, reflected in the fact that a new Tanzanian Revenue Authority has been established and given unusual freedom and resources to carry out its work. The drive in the donor community to shift aid towards matching funds for revenues collected has created a strong incentive for revenue collection.

The reform process has a series of negative implications well known in the aid debate:

- demoralisation in the civil service as staff cannot survive on the salaries; the increase of petty corruption, moon-lighting, and possibly large scale corruption should be seen in this context;
- there is a scaling down of ambitions for social services, partly by introduction of cost-sharing; the decline in social indicators should be seen in this context;
- there is a clear process of social stratification in Tanzania not only leading to pockets of poverty, but also to social tension.

These apparently short-term costs of the reform process are considered necessary to bear for long-term benefits. From a bilateral donor perspective, the reform agenda is to some extent relinquishing the ambitions, at least in the short run, of poverty alleviation (as expressed in social services and indicators), equity and possibly also gender equality, in the hope that the improved economic performance both will distribute to the poor and that a sustained growth will allow sustainable services. However, development is not a blue-print process, and the actual social, economic and political outcome of the reform process is as yet unknown.

2.12 Learning in aid management

The poor economic performance of Tanzania since the late 1970s has led to considerable reflection within the donor community on the effectiveness of aid. Overall, there is no doubt that foreign aid has had an extraordinary influence over the investment pattern in the modern economy, the build up of a Government, infrastructure and the social sectors mainly due to the limited non-aid inflows of private investments or commercial loans, and the low degree of resource mobilisation within the country. Thus, aid and the way that foreign aid has been provided, has been critical to the pattern of development.

Tanzania has been subjected to in-depth reviews concerning aid effectiveness by most of its major donors. For example, the World Bank reviewing its lending to Tanzania found that almost all projects fell short of the objectives and that the economic rate of return for a majority of the projects in industry and agriculture had been negative (World Bank 1991). Bilateral donors have come to similar conclusions. More recent reviews have been undertaken by bilateral donors including the Netherlands (1993), Sweden (1994), Finland (1995) and Denmark (1995, 1997).

One consistent strand in the assessments is that foreign aid in the 1970s and early 80s helped the Tanzanian Government to sustain bad macro economic policies. By neglecting the broader framework, or endorsing the policy environment, aid enabled the Government to over-invest in industries, neglect agriculture, continue with an over-valued exchange rate and discriminate against exports. Thus, donors facilitated and reinforced what in hind-sight was bad macro-economics. This was partly a result of neglect since most of the aid had a strong micro-orientation, including the World Bank's. Too little attention was paid to the compounded effect of foreign aid on the macro-economic environment. But the support for what turned out to be bad macro-economics was also partly a result of what was considered an innovative approach to development: Nyerere's vision for Tanzania.

When the results of the bad policies became more obvious, there was criticism that the donors continued their past support unchanged, preventing necessary reforms. Such criticism concerns particularly the donors which had based their aid on solidarity with Tanzania, including the Scandinavians and the Dutch (Adam et al, 1994; Netherlands Development Co-operation, 1993).

Another strand in the assessment has to do with in-built distortions in certain types of foreign aid. Thus, foreign aid in the 1970s created a distortion in the investments towards large scale, capital and import intensive investments in capital goods and in recurrent inputs in production. This contributed to making the Tanzanian economy more import-dependent and was partly responsible for deepening the balance of payments crisis which became acute in the early 1980s. The bias was further reinforced by the tying of aid for procurement of goods in donor countries, implying higher prices, less choice in selection of technology and higher costs for maintenance. The blame was shared by the Tanzanians and the donors: Tanzania asked for modern industrialisation focusing on basic industries; the donors were willing to provide this, and reinforced the problem by the choice of technology, tying of aid, and neglect of the recurrent cost implications.

A negative side-effect on the macro-economy has been that aid to Tanzania seems to have replaced rather than complemented domestic savings and resource mobilisation. One observer notes, that "the domestic savings rate has gone down in a way that is almost parallel to the increase in foreign assistance" (de Vylder, 1988). Tanzania's socio-economic system has

adjusted itself to the volume of aid, a process that has been labelled structural aid accommodation. The relatively easy availability of foreign assistance has also caused Government to become lax in revenue collection: “the government’s dependence on the generosity of donors has become more adhesive” (Bagachwa et al 1997). An expression of the negative impact of aid is the problem of *Dutch disease*, i.e. the inflow of aid resources causes a decline in export performance and production caused by an appreciation of the real exchange rate and a shift of resources from production to other sectors (Nyoni, 1997).

At the micro level, project aid has had its own problems. Projects have often been poorly designed. They have lacked sound prerequisites for project execution, have been hastily put together, too large and complex given the management capacity in Tanzania, and lacking the required expertise in Tanzania. Preparation has often been undertaken by foreign consultants not always familiar with the conditions in Tanzania (Bagachwa et al 1997; World Bank 1991). Poor project preparation leads to problems in the execution. Compounding the problem, the Government has often not honoured its commitment in terms of counterpart funding, counterpart personnel etc. (Bagachwa et al, 1997). Projects also expanded without taking the capacity in Tanzania into account.

Phasing out has its own record of poor aid management: The sustainability of the projects were not planned from the beginning, and unplanned handing over of projects to the unprepared Tanzanians further counteracted sustainability potential. As Government often did not make budget provisions for handling the project after phase out, delayed phase out usually ensued:

The withdrawal (of Danish aid) from the projects could have amounted to their collapse. As such, projects have been difficult to get rid of and have been extended again and again mostly by default rather than by design. In 1986 a quarter of Danish projects were over 10 years old ... Excessive optimism during the planning phase has been typical during the project aid era. (Bagachwa et al (1997)

Project aid also creates serious administrative problems, sometimes referred to as ‘administrative overload’. Each donor wants to have a system that supports the efficient management of their projects and makes it possible for them to be accountable to the taxpayers at home (Adam et al, 1994). Parallel structures have been created, forming islands with their own administrations. These islands have put pressure on existing administrative structures by employing civil servants in these projects or by demanding too much time from government administrators. This has tended to erode rather than to build local capacity (Bagachwa et al 1997).

2.13 From self-criticism to enforcing reforms

The assessments of aid to Tanzania focusing on the period prior to the reforms in the mid 1980s, the period during which the Tanzanian development agenda was largely pursued, tend to be highly self-critical. While not absolving the Tanzanian partners from selecting bad policies, the donors should have known better. It was a time of ignorance, of aid more based on good-will and solidarity, than on realism. Donors were enchanted by Nyerere's visions and provided support in an idealistic fashion. The conclusion of the reviews from the post-reform period, the period in which the donors led the development agenda, lacked self-criticism and preferred to focus on Tanzania's resistance to change, claiming that it obstructed the reform agenda due to self-interest, lax management, rent-seeking, and lack of political will. While foreign aid in the 1970s and early 80s allowed the Government to pursue bad policies due to the ignorance of the donors, the aid in the late 80s and 90s has not sufficiently strongly forced Tanzania to undertake the necessary reforms, to the extent that withholding aid is seen as an effective instrument with which to accomplish change (Adam et al 1994). In a review of Sida aid in 1996, the conclusion was that, while the reform work was on the right track, it was too slow. The Government apparatus functions poorly due to weak leadership, surplus of staff, low salaries and low motivation. Corruption is common in all sectors, partly due to weak control systems.

Chapter 3. Swedish aid to Tanzania

3.1 The most important donor

The presumed failure of aid to Tanzania has a special relevance for the Scandinavian donors as no other countries have focused their aid so heavily on one particular country. Tanzania has continuously been the largest single recipient country for Denmark, Norway, Sweden and Finland, accounting for 7–15 per cent of all the aid from these countries since the late 1970s (OECD, 1993). No other major donor country has given the same relative weight to Tanzania in its aid budget. Major donors to Tanzania such as the Netherlands and the United Kingdom have generally allocated 2–3 per cent of their aid budgets to Tanzania, while in the aid budgets of Japan, USA and Germany Tanzania accounts for less than 1 per cent.

More than any country, Tanzania has represented the ambitions and the expectations of development co-operation by the predominantly social democratic Scandinavian countries, and perhaps more than any other coun-

Table 6. Official Development Assistance to Tanzania, 1970–96

	ODA Disbursements (USD million)		
	1970–92	1993–96	1970–96
Total bilateral	9,700	1,937	11,637
of which:			
Sweden	1,588	238	1,826
Holland	1,055	197	1,252
Norway	987	225	1,212
Denmark	932	271	1,203
Germany	990	87	1,077
UK	740	217	957
Japan	675	268	943
Total multilateral	3,267	1,510	4,777
of which:			
IDA	1,495	596	2,091
UN	399	358 ⁹	757
EU	619	362	981
Total	3,079	3,212	16,291

Sources: Sida *Country analysis Tanzania 1996* for 1970–92, and UNDP 1997 for 1993–96.

⁹ These figures excluded UNHCR and WFP from the official UN statistics which have provided support to refugee assistance inside Tanzania to the victims of the civil war in Rwanda.

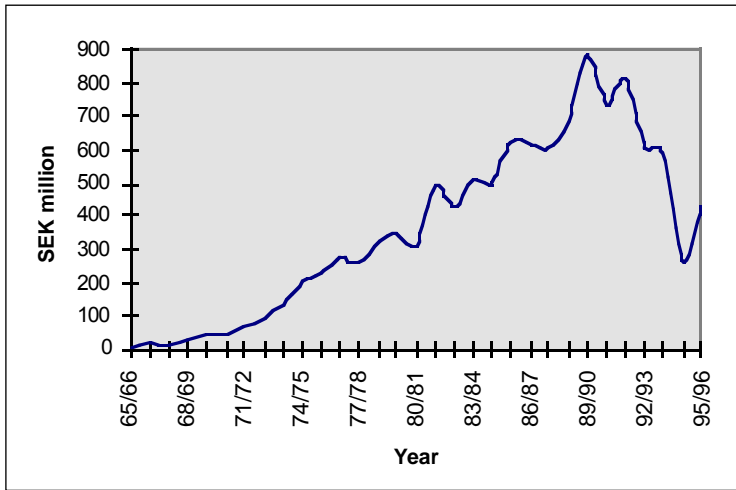
try Tanzania has represented the disillusionment with aid in the late 1980s and 1990s. If Tanzania is a test case of Scandinavian aid in general, it is specifically so for Swedish aid. Sweden is Tanzania's largest bilateral donor seen over the long term. The total disbursements to Tanzania during 1970–96 by Sweden have totalled USD 1,826 million accounting for 16 per cent of all bilateral aid to the country, and 11 per cent of all ODA to Tanzania for that period. (See table 6.) Only the World Bank, with a disbursement of USD 2,091 million is larger. Sweden's unique role as a bilateral donor to Tanzania refers mainly to the period before 1992. Since then Sweden has lost its leading position, and Denmark and Japan are now the major bilateral donors. Amongst all donors, Sweden is the fifth largest for the 1993–96 period, after the World Bank and the EU, amongst others. Nevertheless Sweden accounted for 7 per cent of the total ODA to Tanzania during 1993–96.

3.2 The evolution of Swedish aid to Tanzania

Aid to Tanzania was at a low level when official Swedish development assistance began in 1964, until the end of the decade. From the 1970s it started to build up rapidly to a level of SEK 200–300 million per annum by the mid 1970s, reaching SEK 500 million by the early 1980s. During the late 1980s a new expansion took place (in current SEK), peaking at almost SEK 900 million in 1990, whereafter there has been a drastic reduction of the disbursements as indicated in Figure 3.

Swedish aid has followed the overall pattern of ODA to Tanzania, with the exception that the aid level was maintained and even increased during Tanzania's conflict years with the donor community (1982–85), and that the decline has been more pronounced in the 1990s. The deviations of Swedish aid from the overall ODA are explained, first by the fact that Sweden, as the other Scandinavian countries, took a different view than that of the IMF and the World Bank during the confrontational years until 1984 when Sweden joined the other donors in the demand for reforms. Secondly, the decline of Swedish aid to Tanzania since the early years of the 1990s reflects both the overall declining budget for Swedish aid from the time when Sweden abandoned the target of 1 per cent of GNP in 1993, and declining country frames for Tanzania specifically. Underlying the declining relative allocations to Tanzania have been problems of governance (corruption), questions about the effectiveness of the aid, and a concern for Tanzania's aid dependence.

For the coming years the expected disbursement per annum of Swedish aid to Tanzania is about SEK 400 million (about USD 50 million), hence less than half of the peak year 1989/90, and furthermore with a declining trend in real as well as in current prices. From a position when Sweden had a significant role as a partner to Tanzania both economically and politically,

Figure 3. Swedish aid to Tanzania 1965–96

Source: *Bistånd i siffror och diagram*, 1997.

Sweden has become less important, and due to changes in Swedish aid policies, less distinct from other donors.

3.3 *The driving forces behind Swedish aid*

The unique role Sweden played in the aid to Tanzania in the 1970s and 80s has several explanations, but is primarily politically motivated. Swedish aid, a creation of the social democratic government in the mid 1960s, coincided with the colonial liberation movement in Africa, and with Julius Nyerere's African socialism and self-reliance policies stipulated in the Arusha declaration of 1967. At the time of a radical world-wide political movement in the late 1960s and early 70s the Tanzanian model for development was broadly admired, especially amongst Northern European socialist sister organisations and other socialist nations in the developing world. This political affiliation created a strong bond between the governments of Sweden and Tanzania to the extent that the people of the two countries often were described as having similar values. Part and parcel of this bond was the close friendship between Tanzania's President and the Swedish Prime Minister, Olof Palme. Many of the major Swedish funded aid projects initiated in the 1970s had a direct background in personal initiatives by Julius Nyerere or his close associates, frequently based on personal experiences of models of development in Sweden. The high level politically driven support at a time when major development projects were initiated might be seen as one factor creating difficulties in phasing out projects connected with these personalities. They

were more than just aid projects – they had an ideology attached to them.

Changes of governments in Sweden in the 1980s and 1990s to liberal-conservative governments did little to influence the orientation and volume of the Swedish aid to Tanzania, and even less to affect specific projects or programmes. A reason for this might be that these political changes in Sweden took place when the institutional framework for aid in the form of Sida had been well established and that the political dimension of aid, complimented by a technocratic-bureaucratic dimension, created its own momentum. While the former Swedish opposition had criticised the aid to Tanzania on ideological grounds, Vietnam had an even higher profile and therefore absorbed much of the politically motivated reform drive of the new governments.

At the time when the Tanzanian economy started to show serious problems in the late 1970s and early 80s, resulting in the conflict over the required reform measures with the World Bank and IMF, Sweden, together with the other Nordic donors, continued and even expanded its support to Tanzania together with political efforts to find a middle ground between the Bretton Woods institutions and that of Tanzania's Government. In hindsight, the period 1980 to 1984, when the Nordic countries joined hands with IMF/World Bank in their criticism of Tanzania's macro economic policies, has been described as a delay of needed reforms by Nordic aid which cushioned Tanzania from the Bretton Woods inspired reduction of aid flows (Adam et al 1994).

By the mid 1980s, the ideological ties between Tanzania and the Nordic donors had started to wane. The two vanguard figures for the special relationship between Sweden and Tanzania, Julius Nyerere and Olof Palme, were on their way out: Nyerere, by resigning as President in 1985; Olof Palme, at the hands of an assassin in 1986. The ideologically based solidarity had dissipated as, in Sobhan's words, "the Nordic/Dutch romance with Tanzania's socialism had given way to disillusion with the continued weak performance of the economy where neither the promise of self-reliance nor of poverty alleviation showed any signs of materialising".

Another major factor of change in the aid relationship impacting on Tanzania was of a broader nature: Macro economics was increasingly given a greater role in donor policies. At the end of the 1970s, the World Bank had innovated structural adjustment lending in response to the awareness of economies going astray in spite of massive aid, but which also had the result that the leverage of the Bretton Woods institutions over the recipient countries increased considerably. A similar process of learning in aid took place amongst bilateral donors, leading to a situation of convergence in aid policies where the Bretton Woods institutions became the undisputed leaders and bilateral donors mainly added to the leverage of the former by explicitly or implicitly tying their aid to the reform packages. Aid had become apolitical in the sense there was no broad disagreement over policies in the

donor community, but also agencies rooted in a different ideology accepted the neo-classical economic policies of the Bretton Woods institutions.

From a Swedish perspective, the change process could be summarised as follows: during the late 1960s to the end of the 1970s, the framework for Swedish aid to Tanzania was one based on endorsement and solidarity with the politically inspired development agenda, including a socialist macro economic framework. Aid was primarily in the form of investment projects. There was great optimism about what could be achieved, and the development was proactive, aimed at rapid change and rapid development. Sweden was a lead agent in Tanzania's development both as the major donor, and through the special political links between the leading political parties and their leadership. Tanzania attempted to replicate Swedish models in a number of sectors, from industrialisation and infrastructure to education.

From the mid 1980s the political solidarity has been replaced by a more technocratic approach, politics has been subordinated to macro economics, Sweden had lost its role as a key agency to the World Bank both in terms of volume of aid, but more importantly, as the setter of a development agenda. Much of Swedish aid took the form of budgetary support which was more defensive in the sense that it represented a remedial approach to keeping a country and a government afloat, and rescuing the projects that had been established in the 1970s through various means of rehabilitation, import support, etc. Swedish aid had become more anonymous due to the convergence with one donor-inspired development agenda.

The change process indicated above is at an aid policy level. The focus of this study is primarily at the project level, or micro level. To what extent has the broader political-economic framework influenced the donor-recipient behaviour at the project level and what is the linkage between the macro policy level and the micro project level? Swedish aid is characterised by its often long-term commitment to specific institutions, projects and programmes, sometimes stretching over twenty years or more. At the micro level, Swedish aid has been supporting projects often initiated in the inspired, optimistic days of the early 1970s, which continued during the turmoil of the 1980s, and are still on-going at the end of the 1990s.

3.4 The composition of the Swedish aid to Tanzania

At the time when the Swedish aid to Tanzania built up in volume in the 1970s, the focus was largely on industry, education and infrastructure. This orientation reflected the Tanzanian Government's wish that Sweden should focus on industrial development and education, sectors for which Sweden was perceived to have a comparative advantage. With Tanzania's escalating economic imbalance and the shortage of foreign exchange from the late 1970s, import support grew to become the most important form of aid.

Over the period 1985–94, import support, including balance of payments support, accounted for about 35 per cent of the overall Swedish support to Tanzania, while industry was the second most important sector in financial terms, as indicated in Table 7.

The growing importance of import support has had several consequences. In the late 60s and early 1970s Swedish aid was largely in the form of investment capital for development projects. From 1978/79, when import support was introduced, a shift took place from capital investments for discrete projects to programme support of recurrent cost financing, and financing of maintenance and rehabilitation. While the import support was to some extent tied to sectors and projects financed in the form of projects by Sweden, about 40 per cent was ‘free’ and therefore a form of general budget support (Doreiye, White and Wuyts, 1993). By 1990, the allocations to commodity import support were increasingly transferred to support of the market-based Open General Licence (OGL) linked to the IMF/World Bank SAP for Tanzania.

From a sector point of view, the dominance of industry and infrastructure in the allocation of Swedish aid is in fact larger than indicated in the table. Firstly, import support has to a large extent been allocated to specific Swedish supported projects where industry has dominated. Secondly, as many of the regional projects are infrastructure development, that sector has a greater real share than indicated.

A review of the composition of the Swedish aid to Tanzania over time reveals some distinct features. The industrial sector dominated the aid during much of the 1970s and the 80s, (if import support is excluded), accounting for about a third of all Swedish sector specific support. This trend was dramatically broken in the early 1990s, when the industrial support was reduced from a level of over SEK 100 million per annum up to 1990 to nearly nil by 1993/94. Infrastructure support expanded radically at the same time from a level of SEK 60–70 million per annum during the late 1980s to over SEK 250 million in 1993/94 after which it returned to the pre-1990 level. No other sectors have displayed such dramatic changes over the last decade, as indicated in Figure 4.

Comparing the distribution of Swedish aid to Tanzania for the last decade with the overall distribution of the Swedish bilateral aid, the import support accounts for a considerably higher share, while the social sectors have received a smaller share, in particular, health. Industry accounted for a higher share until 1992, while agriculture accounted for a smaller portion. It is noteworthy that sectors which generally are associated with being directly relevant to Sida’s poverty target groups, such as (primary) health, (primary) education and (small holder) agriculture, have featured less in the Swedish aid to Tanzania than is normal for Swedish aid. The reasons seem to be that Swedish aid has been oriented predominantly towards support of an overall economic development strategy in which industrialisation was the focal

**Table 7. Sector distribution of Swedish aid to Tanzania, 1986/87–1994/95
(Disbursements current SEK million)**

Sector	SEK million	Per cent
<i>Social sectors:</i>		
Health & population	105	1.8
Education	501	8.6
of which		
vocational training	201	
Water supply & sanitation	310	5.3
<i>Economic sectors:</i>		
Natural resources	351	6.0
of which forestry and land use	289	
Industry, trade and finance ¹⁰	693	11.9
<i>Infrastructure:</i>	600	10.3
of which		
power	495	
telecommunications	91	
<i>Public administration:</i>	193	3.3
<i>Unallocated on sectors:</i>		
Import and balance of payment support ¹¹	2,029	34.9
NGO support	368	6.3
Regional projects	332	5.7
Research & training ¹²	166	2.9
Other ¹³	172	3.0
Total	5,820	100.0

Source: SIDA: *Bistånd i siffror och diagram* 1994/95 and 1990/91.

point. It was assumed that the socialist orientation of this strategy would benefit the low income groups. The importance of the common ideology of Sweden and Tanzania in the formative years of Swedish aid can thus not be overstated. It is noteworthy that when Tanzania effectively abandoned the socialist model in the latter part of the 1980s, no re-orientation took place in sector composition towards more targeted areas. It is also noteworthy that the highly agrarian Tanzanian economy has received so little Swedish agricultural sector support. While Sweden participated in a Nordic Co-opera-

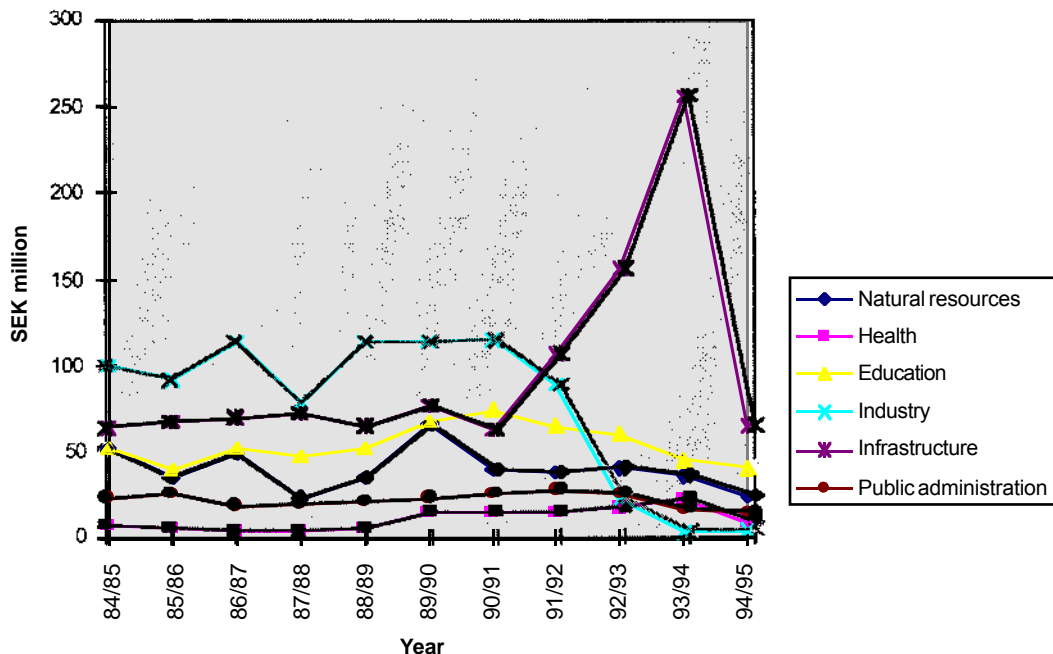
¹⁰ Including IMPOD, SwedeCorp (from 1991/92), and SWEDFUND.

¹¹ Including food aid.

¹² SAREC and BITS.

¹³ Includes Democracy and human rights, Consultancy fund, Disaster relief and Special programmes for women and environment.

**Figure 4. Sector composition of Swedish aid 1984/85–94/95
(disbursements in SEK million)**



Source: SIDA: *Bistånd i siffror och diagram*.

tive project during the 1970s and early 80s, the support for the agriculture sector after the phase out of that project has primarily focused on forestry, soil conservation and the environment.

3.5 Has Swedish aid adjusted to a changed policy framework?

While Swedish aid after 1984 officially accepted the failures of the Tanzanian economic policies of the 1970s, the implicit changes required in the aid are difficult to trace in the sector composition of aid. The Swedish aid to industries instead expanded during the 1980s, rather than declined. Not only did Swedish aid continue projects that had been initiated in the 1970s, but also began new industrial ventures, most notably rehabilitation support to selected parastatal industries. Continuous support was provided throughout the 1980s and the early 90s to what was to become one of Tanzania's most well known industrial failures, the Mufindi pulp and paper mill. Decision makers in Sida today admit that there was a syndrome of trying to

rescue past investments, disregarding the fact that these government-owned, capital intensive and import-substituting industries not only had performed poorly in a protected, monopolistic setting, but were likely to perform worse in an environment with less distortions and greater competition from abroad and/or the private sector. These industrial projects further absorbed Swedish aid resources due to ear-marking of import support allocations. In the words of one of Sida's decision makers:

We didn't want to admit what happened. We wanted to rescue our Swedish projects, throwing good money after bad. It took many years before the new conditions sunk in. We felt a personal obligation to these projects. It was a bad time for Swedish aid in Tanzania.

The change in allocation to industrial projects did not take place until 1992, at that time driven by an overall decision in Sida to phase out of industrial development, coupled by the creation of SwedeCorp, the specialised agency for industrial support, which would provide assistance on different terms.

The dominance of industrial development in Swedish aid in the 1970s, along with Nyerere's expressed wish for Sweden to become a lead agency in this sector, had spill-over effects in other sectors of Swedish support. The considerable allocations to the power sector throughout the 1970s and 80s and into the 90s, must be seen as an expression of this. Electrical power accounts for a mere 1 per cent of the power consumption in Tanzania, and is largely consumed by industries and other institutional users. The type of industries which were the focal point of the BIS such as steel, cement, textiles, paper and pulp, were major consumers of power, and (electrical) power was seen as a key input for a successful industrial development. In a macro-economic perspective, considering Tanzania's composition of production, the very low level of rural electrification, and given Swedish aid objectives, it is difficult to see the justification for the major investments in electrical power especially in the early 1990s, except as a hang-over of the past development paradigm (or possibly as a convenient means of disbursing large sums of money), when the development agenda required new types of projects.

Another spill-over of the industrialisation strategy was allocations in the education sector, where vocational training, to a large extent tailored to the expected needs of the parastatal industry sector and the associated infrastructure sector, was a major focus for aid allocations. This support was also pursued during the 1980s and early 90s, more or less along the same lines as in the 1970s, until a decision was made to phase out in the mid 1990s.

With a reduced role for Government in the productive sectors, the economic reforms of the 1980s have not translated into a shift of Swedish aid to more traditional areas of Government programmes, i.e. in the social sectors. Such a shift might have been expected, given the obvious difficulties which the Tanzanian Government experienced in maintaining support to

the social sectors and the worsening trends in key social indicators. The limited involvement in health is particularly noteworthy.

A further element of discrepancy in the changing policy framework and the composition of Swedish aid is the allocations to the private sector. At a time when Swedish aid is in basic agreement with the Bretton Woods institutions about a stream-lined role for Government and an enhanced role for the private sector, Swedish aid continues with its very strong bias towards support of Government institutions and programmes as in the 1970s. There are well known institutional reasons for this, but the basic conclusion must be that dramatically changed macro economic conditions in Tanzania in the mid 1980s, appear to have had quite marginal effects at the project level. There are several possible hypotheses for this:

- Projects live their own lives, are patterned in the past, continue due to various commitments, vested interests and with a low degree of adaptation to changing circumstances;
- There is a gap in aid management between a macro and micro perspective with limited interaction; thus, translating a changing policy framework into projects and sector work is a slow process, and understanding the macro framework and its implications at the micro level is limited;
- The changed paradigm of support to the private sector as the lead in development, has yet to be translated into allocations of aid resources aside from the provision of import support to the private sector, which is ongoing.

The environment in which Swedish aid projects were designed and initiated in the 1970s changed dramatically during the 1980s and 90s. At the time when many of the major aid programmes were initiated, the expectation was of steady growth of the economy, a state-run economy based on self-reliance, the fulfilment of highly ambitious objectives for social development, addressing social stratification, and the continuation of a strong Tanzanian leadership which clearly expressed its policies and priorities. Sustainability was not an issue high on the development agenda, as it was more or less seen as automatic in the prevailing system. Many Swedish aid projects and programmes were created in this atmosphere. Some, if not most of these projects and programmes were carried out during the escalating economic crisis of the 1980s, during the reform era of the late 80s, and some of them continue in the present era of privatisation and rolling back of government. Most of the Swedish aid projects and programmes are process oriented, and there are few blue prints. Hence, the ability to change and to adapt to new environments is, at least in theory, in-built in the development co-operation.

Other projects were initiated in the new era of the 1980s and 90s. To what extent did they take the new environment into account, as well as the learning of the distortions in aid that the debate had flagged? At the project

level there have been some efforts to adapt the interventions since the mid 1990s, basically along the lines of the Bretton Woods institutions' ideology. This means supporting measures for decentralising projects, privatising, commercialising, and bringing about public sector reform. The case studies in Chapter 4 present examples of efforts to adapt old projects from one policy environment to another during the 1990s. In most of the cases where adaptation is being attempted, it is taking place at a very late stage, nearing the intended time of the Swedish phase out without enough time to adapt properly. The Nordic donors no doubt carry special weight in bringing about policy changes in the realms of gender awareness, democratisation and human rights but this has been an ongoing influence whether implicit, as it was in the early stages of Sweden's relationship with Tanzania, or explicit, as it is today.

The phasing out of aid projects is not a key issue when sustainability is more or less assumed, when aid projects were initiated in an era of trust and co-operation, and the degree of aid dependency is low. But phasing out becomes an issue when the host country increasingly relies on aid for its investments and recurrent cost financing and when the macro economic situation makes sustainability an issue in almost any type of activity. It becomes even more an issue when relative wages start to decline, there are no resources for maintenance, and foreign financed projects are becoming islands of resources in a resource-starved environment. Phasing out also becomes a problem when the aid relationship is based on a considerable degree of mistrust, and when the relationship is seen as conflict rather than as co-operation. These are some of the issues that the study will focus on in the following chapters.

Chapter 4. The case material

The focal point of this study is twelve Swedish funded projects in Tanzania covering the period 1970–1997. These projects include all sectors in which Swedish aid was involved in Tanzania during this time. This Chapter reviews the approach to selecting the projects and to analysing the case material. It provides a brief of each project in order to present a picture of the dynamics and decision-making processes in each case. Finally, it classifies the projects according to ‘type’ and draws out the key characteristics of each project type.

4.1 The approach to selecting and analysing the case material

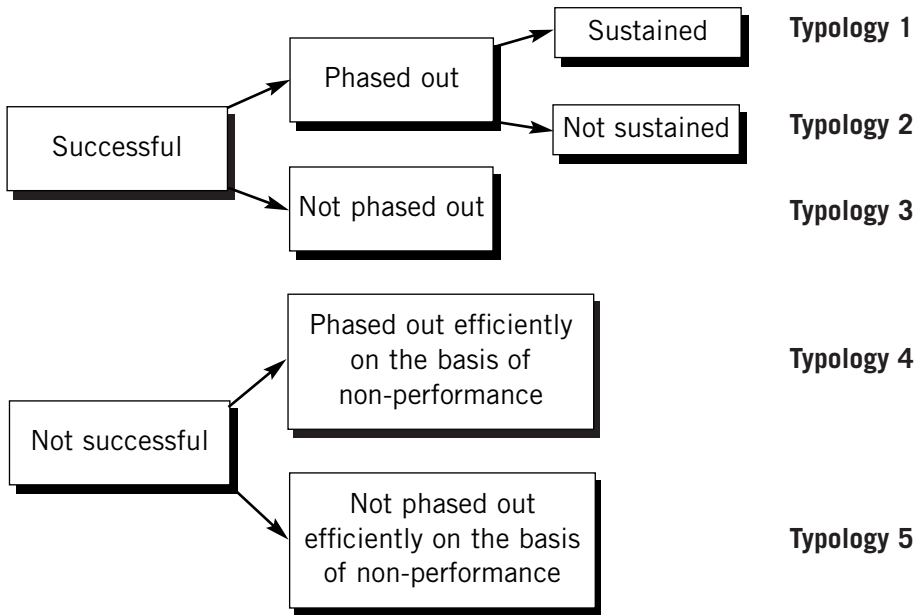
4.1.1 Justification for the number of projects chosen

A broadening of the case material for the study from four projects which had been pre-selected by the Swedish Ministry of Foreign Affairs to twelve projects (including the four pre-selected projects) was proposed. It was also proposed that the additional case material be selected principally on the basis of achieving an even spread of different project types as shown in the model which is elaborated upon below. As a rule, the selection should be limited to projects that were ‘live’ in Sida’s portfolio of Tanzanian projects during the period 1985–1995. This period was chosen both to provide the benefit of hindsight, and to avoid going back so far in time that individuals with relevant information might be difficult to track down.

The principal justification for increasing the case material was that this approach was more likely to fulfil the goals of the study. The objective of the study is to contribute generally to the better planning and management of Sida projects in varying conditions, possibly world-wide. Using more case material, which has deliberately been selected on the basis of a range of possible project typologies, is more likely to yield results which will be valid for a wide range of situations. This approach also avoids the tendency to over-analyse ‘failures’ and to neglect analysis of good performance.

4.1.2 Project types

A long-list of all projects which Sida has undertaken in Tanzania from the Sida central archives was obtained. This list was based on dossier numbers. A short-list of projects was to be drawn up on the basis of selecting projects which appeared to represent the range of typologies outlined in the model

Figure 5. Exiting Aid: Phase-Out Types

in Figure 5 and which fell into the stated ten-year time period of 1985–1995. The information for shortlisting was to be provided by Sida staff and former Sida staff who had worked with Tanzanian projects (both Tanzania and Stockholm based), by key evaluations and by any information quickly accessible through the Sida central archives.

The staff interviewed were provided with an overview of the model, with the long-list of projects and with an elaboration of what is meant by ‘success’, ‘sustainability’ and ‘timely phase out’, as is indicated in Table 8.

4.1.3 Sectors

During the project selection process it was found necessary that each of the sectors in which Sida has been operating in Tanzania should be represented in the short-list. The reason for this is that it was found that decisions to phase out or not phase out were made increasingly on the basis of whole sectors rather than on the basis of particular projects and their successes and failures. Since each of the sectors appeared to include a range of project typologies, it was still possible to apply the first principle of achieving an even spread of typologies. The necessity of bringing in this second level of considerations into the project selection process in itself raises some interesting questions about the way in which decisions to phase out have been made (see Chapter 5).

Table 8. Definition of type criteria

<i>Parameters</i>	<i>Criteria</i>
Success during the project period (excluding considerations of sustainability and phase out)	<ol style="list-style-type: none"> 1. Defined activities delivered during the project. That is, the 'tangibles' of the project (outputs) were delivered in an efficient manner (meeting time and cost targets). e.g. training programs completed, institution established, technology in place, latrines constructed. 2. The project objective was achieved through the accomplishment of planned project results in an efficient manner (these may not be directly measurable, but there may be indicators to show that these results were achieved during the project), e.g. hygienic behaviour changed, social services improved, skills upgraded. 3. Unplanned results were accomplished during the project, significant enough to justify the project.
Phase out of Sida support	<p>For types 1, 2 & 3:</p> <ol style="list-style-type: none"> 1. Has the project been phased out of Sida's portfolio (and for how many years has the project been financed by Sida? <p>For types 4 & 5:</p> <ol style="list-style-type: none"> 1. Was the project phased out efficiently on the basis of non-performance?
Sustainability (after the cessation of Sida and other external funding)	<ol style="list-style-type: none"> 1. The planned activities continue after the cessation of Sida funding and other external funding. e.g. host institution continues to deliver services established by the project. 2. The intended results and/or planned development objective fulfilled during the project are maintained after the cessation of Sida funding and other external funding. e.g. improved hygiene, better access to clean water, better farming practices, services continually upgraded. 3. The unintended positive results fulfilled during the project are maintained after the cessation of Sida funding and other external funding.

4.1.4 Volume of funds disbursed

While no strict upper or lower limits on the financial volume of projects were placed, the short-list was drawn up on the basis of a weighting of sectors based on the volume of funds disbursed. Thus, for example, only one project was chosen from the health sector, while three were chosen from the industrial sector. The short list includes a range of projects in terms of volume disbursed so that it is possible to make comparative analyses of phase out issues in connection with low budget projects versus those in high budget projects. Although import support and now balance of payments sup-

port constitutes the largest portion in terms of volume of Swedish aid to Tanzania, these were not included since the study focuses specifically at the project level.

4.1.5 The pre-selected projects

The authors were conscious that the Ministry had gone through some investigations to arrive at its choice of projects stated as the case material for the study. However, it was not clear exactly how these had been arrived at. Therefore a free-thinking approach to the long-list of projects was adopted and a short-list based purely on the criteria and information provided during the selection process was drawn up. The four projects which the Ministry had chosen emerged on the short-list in this way.

4.1.6 Project research

The selected projects were researched through the field work in Tanzania in which Tanzanian and other stakeholders were interviewed, through extensive interviews with stakeholders on the Swedish side, through detailed research of Sida archival information and through published information on the projects (see Sources Consulted in Appendix 1). They were researched according to the criteria listed in Table 8 and with a view toward confirming their 'type'. They were also researched with a view toward understanding the nature of phase out decision-making.

4.1.7 Alterations to the model required as a result of the project research and analysis

The hypothesis behind the proposed model was that there are certain features that each project type has in common. If these could be identified through the project research and an even spread of types was chosen in the first place, the model should be able to distil what makes a successful and, at least, potentially sustainable project and what makes a 'bad' project. In this sense, the model was designed to consider whether 'good' phase out was a key element. The analysis of the projects was also to bring an understanding of what 'good' and 'bad' phase out are. In the event, the model served these purposes. However, it was necessary to alter the phase out criteria from 'timely phase out', meaning aid phase out when the intended results and potential for sustainability have been achieved or as soon as the results are not forthcoming, to whether the project is phased out or not. This was made necessary by the fact that four of the projects chosen have not been phased out from Sida support, although they have all been supported by Sida for many years (in all but one case, the Sida phase out date is known). This is a flaw in the selection of the projects, rather than a flaw in the model.

The consequence of the change to the phase out criteria in the model made types 4 and 5 problematic. Type 4 projects are considered desirable outcomes since the aid is phased out efficiently on the basis of non-performance and not because they are simply phased out at some point. Type 5 projects are considered undesirable outcomes since the aid is not phased out efficiently on the basis of non-performance, usually, much later, if they have been phased out already. Therefore the phase out criteria for type 4 and 5 projects was altered to reflect this.

Although not, on the whole, reflected in the model, the issue of 'timely' phase out is an important one examined during the project research and which is discussed further at the end of this Chapter and in Chapter 5.

In applying the model, it became very clear that not only selecting projects which have been phased out, but selecting those which have been phased out for some years is important in making clear assessments about sustainability.

4.1.8 The problem of objectivity in assessing project types

The projects were assessed according to broad pre-identified criteria. Where data was available to support decision-making about project type, it was analysed and used. However, it was found that there was very little hard data on which to base judgements of projects. This is a result, overall, of the lack of benchmarks and the low importance attached to monitoring the projects. Instead, the main thrust of the approach was to gain the detailed impressions of as many project stakeholders as possible and to construct a 'picture' of each project out of these.

4.1.9 Ensuring accuracy

Building an accurate picture of the twelve projects considered was complicated by the difficulty of assessing some of the basic information, by the considerable periods of time covered and by the number of parties involved. In order to ensure as accurate a portrayal as possible, each of the project briefs was sent out to individuals within and outside of Sida directly involved with the projects. The comments received from these individuals were taken into account as the report was finalised with the exception of the Hesawa Programme where, despite considerable efforts to obtain them, no comments were received.

4.2 Project briefs

4.2.1 Agriculture & Natural Resources

HIFADHI ARDHI DODOMA SOIL CONSERVATION PROJECT (HADO)

Project history/Sida phase out

HADO was a Tanzanian concept, and was based in a district where soil conservation had been in focus since the 1930s and 40s. It was launched in 1972-3 by GoT as a soil conservation project in two districts in Dodoma region (Kondoa/Mpwapwa) and was extended to Mvumi Division in Dodoma Rural District in 1986. The project was allegedly the result of a tour made by Julius Nyerere, who visited the area since Dodoma region was to host the new capital. The philosophy behind HADO was that the severe erosion visible in these areas, and particularly the Kondoa Eroded Area (KEA) which came to form the focus of the field work, was attributable to over-grazing and the density of the population in these areas. The approach to rehabilitating the lands taken by HADO, a Tanzanian promoted measure, was tree-planting, gully protection and the construction of bunds along slopes together with destocking of the eroded areas, which in 1979 went to an extreme with the KEA being made a totally destocked area by law. This was seen as a temporary measure until the lands were rehabilitated.

The approach taken by the project needs to be seen in the context of two trends. In Tanzania, there was Nyerere's policy of *ujamaa* or villagisation, which involved large scale and often dramatic technical and social engineering, the objective of which was to build a modern, self-reliant industrial society along socialist lines. Implicit in this policy was the idea that there were stages of development in which livestock herding on open pastures, for instance, belonged to the past. The second trend was the concentration on forestry in aid, which was reflected in the phase one objectives of the project: "to ensure that the people in Dodoma Region are self-sufficient in wood requirements; to encourage communal wood growing schemes in the region".

Sida supported the project from its inception until 30 June 1996 and was the only donor supporting HADO specifically. Phase 1 of the programme (1973/4-85/6) was narrowly focused on self-sufficiency in wood requirements, encouraging communal wood-growing schemes, communal bee-keeping, encouraging the establishment of shelter belts/windbreaks, shades, avenues and fruit tree growing, conserving soil and water, and reclaiming depleted land. The emphasis was on the first four since these were the conventional duties of the Forest and Bee-keeping Division of the Ministry responsible. The Phase 2 (1986/7-1994/5) was to focus much more on soil conservation techniques and people's participation. The main objectives

were: to introduce self-sustained, integrated land use practices; to involve people in planning and self-help; to develop water and soil conservation in harmony with traditional systems; to integrate relevant disciplines; to train people, both civil servants and farmers; to carry out adaptive trials; to have a campaign to popularise and make people aware of soil conservation; to co-operate with national and international agencies.

Since there were indications from Sida that it would support a revised approach thereafter, the Tanzanian Ministry of Natural Resources (MoNR) prepared a Phase 3 proposal which was revised three times, according to MoNR. According to Sida, none of the proposals for a phase 3 presented to Sida showed any significant reorientation of the programme to the districts, so the decision to phase out went through with a proposal for a well-planned Sida supported phase out based on a decentralised, participative approach. Sida waited almost two years for the presentation of the phase out plan by Government. During this time Sida had *de facto* phased out. When the proposal finally arrived, Sida regarded it as not being supportable since it was very centrally oriented and any ideas about phasing out the project into the districts seemed to be ignored by GoT. The first Sida evaluation of the project was undertaken in March 1995, the findings of which were that HADO should not be replicated elsewhere in the country and should be supported for one extra year up to 30 June 1996 on the basis of a revised approach. In the event, Sida withdrew at this time.

HADO was known for the well-supported research activities based in the KEA which were commenced during Phase 2. SAREC supported two major research projects in the HADO area: MALISATA (Man-Land Interrelations in Semi-Arid Tanzania) which involved the Institute of Resource Assessment of the University of Dar Es Salaam, the School of Geography of Stockholm University, and the Departments of Botany in Dar es Salaam and in Uppsala; the "Feed Resources for Ruminants in the Semi-Arid Area of Central Tanzania" involved the Department of Animal Nutrition and Management of the Swedish University of Agricultural Science at Mpwapawa.

HADO was a low-budget project in Sida's Tanzanian portfolio. Although the 1995 evaluation could not make a meaningful comparison between budgeted and actual Sida or GoT expenditure for the whole project period, it concluded that the actual Sida expenditure for the first thirteen year project phase 1973/4–1985/6 was SEK 11.4 million (0.9 million annually) whereas for the period 1986/7–1993/4 it was 9.2 million or 1.2 million annually. Thus the typical annual expenditure of the project was estimated overall at about SEK 1.5 million with SEK 1 million being contributed by Sida. This was primarily for the financing of procurement, operations and maintenance of equipment and facilities together with hired labour for establishment of soil conservation structures and tree planting while GoT had paid for staff salaries and office and housing costs. No long term TA was provided.

Achievements

By the late 1980s HADO was considered a very successful project with the recovery of vegetation in the KEA and, according to some evaluation missions “an unbelievable transformation of the landscape”. Although Swedish support was to be focused mainly on tree planting and soil conservation measures, but also became vital to implementing and enforcing the destocking law. The recovery of the KEA lands is regarded as being due to the latter and to the enclosure of the lands rather than the former.

However, several research reports cautioned that the considerable increase of biomass in the de-stocked areas was not matched by corresponding soil formation (a much slower process) and that the vegetation was still in the early succession stages and not all of it suitable livestock feed. The 1995 evaluation too questioned the extent of HADO’s transformation of the landscape and also identified various negative impacts on the environment. The total area that could be treated and subsequently protected by destocking was small. For instance, after six years’ work, the project had only managed to bund and close to grazing some 7,300 ha of the 1,256,000, ha that comprised the KEA. The evaluation stated that there were in 1995 still sizeable areas where regrowth of both grasses and trees has been poor. But the lack of any detailed studies meant that it is was not possible to state with any accuracy what per centage of the degraded area had sufficiently recovered to allow its use for controlled grazing. Some of the techniques being practised and encouraged by HADO were, according to the evaluation, damaging to the environment. For instance, the prevention of bush fires under HADO often resulted in the accumulation at the end of the dry season of a large quantity of combustible material which could result in an intense and damaging fire. In some areas to which the livestock population were moved soil erosion increased.

The Programme provided a good environment for Swedish academic research into man-land relationships, although this research was almost entirely funded by SAREC rather than by Sida. This is regarded by both the researchers and by the project as an independent research programme, one of the key objectives of which was to strengthen Tanzanian research capacity in the field of natural resources through linking Tanzanian with Swedish research institutions. The research programme has been very successful in this and the linkages are kept to date. It was “ a golden opportunity for Swedish researchers”, according to one Sida staff member involved in the evaluation. Swedish and Tanzanian Phds depended on the continuation of the programme. Although the research undertaken was deemed to be of high academic standard, it was not considered by the Ministry, by the evaluation or by Sida to be of key relevance to learning within HADO since neither the project itself nor GoT had much influence on the research topics and design of research proposals. On the other hand, a number of the res-

earch projects were and continue to be of a participatory nature, with constant dialogue taking place between the researchers and the project staff in the field. One of the researchers involved in HADO since the mid 1980s stated that although promoting learning on the project was not one of the original research programmes' objectives, it has become an important aspect of their work. Under the current Dutch sponsored KIRDEP project in the Kondoa region, a resource centre has been established where research findings can be accessed. The researchers have also begun to produce Swahili booklets stating their findings in layperson's terms.

In terms of its socio-economic impact, it has never been possible to assess the actual effect of HADO on agricultural production, income and household assets since there was never any baseline data. Two 'camps' of thinking have developed around this issue. Members of the evaluation team who examined the effects in the area believe that the environmental focus of the project compromised many of the basic needs of the people living in the project area. The expulsion of livestock in 1979 deprived people not only of manure but also of milk and meat. HADO had a negative impact on nutrition since there was suddenly no milk for children. Researchers believe that these problems were not the result of the livestock expulsion, rather a consequence of the social stratification of Rangi society (where only a proportion of the population could regularly get milk) and the semi-arid character of the District where milk has never been available during the dry season. The original Phase 1 objectives were intended to bring about some direct socio-economic benefits, such as providing people in the Dodoma Region with sufficient fuel wood and promoting communal bee-keeping. The relevance of both of these objectives to the needs of people in the region is questionable, particularly in the case of the latter for which no project activities are known to have actually commenced. The fuelwood activities were owned and run by central government and, according to the evaluation, there was little attempt to adapt planting recommendations to the needs of rural households for fuelwood and timber. Researchers say that, in fact, there were benefits and that private wood lots benefiting many households are a definite feature of some areas of the KEA today. What is clear is that the Programme gave Kondoa a place on the national map, vehicles and jobs for the duration of the project.

The evaluation also claimed that the Project appeared to have few achievements in terms of the transfer of technical know-how. According to the evaluation, the lack of transfer of technical knowledge to the Tanzanians working in the project area meant that they had little if any ability to monitor the project themselves and make judgements about the reintroduction of livestock in the closed areas. The evaluation regarded one of the major failings of the Project to have been the failure to pass on know-how to farmers. Researchers, on the other hand, claim that the land degradation in Kondoa is not in the first place a matter of lack of knowledge and that many

farmers are very knowledgeable of processes of soil erosion. Evidence of knowledge transfer is cited such as the terracing in one village. The difference between these two views remains unexplained.

There appears to be consensus amongst Tanzanians that HADO had value as a learning experience for rural development in Tanzania. Its strengths at the end, according to the evaluation, included long local experience; staff resourcefulness and the ability to work and produce results under difficult conditions; field staff keen to work with farmers in an inter-active way; and staff recognition of the need to further upgrade technical and managerial skills.

Sustainability issues

The evaluation concluded that “the project strategy throughout its 23 years (had) so far failed to come up with a self sustaining land use practice comprising of agriculture, forestry and livestock in Dodoma with particular emphasis on the Kondoa Eroded Area” (one of the key objectives of the HADO Master Plan for 1986/7–1995/6). The strategy for soil conservation and increased soil productivity was found not only to be totally unsustainable but also doing “very little to increase potential soil productivity with the croplands” since it lacked a holistic ‘land husbandry’ approach. But there were many other factors contributing to the unsustainability of the HADO approach.

Above all, the destocking strategy was understandably unpopular amongst the inhabitants of the project area. In the context of a single party system it was possible to enforce such a policy, but under the new multi-party system of the 90s it became politically impossible to stand by the livestock ban. Also contributing to the lack of ownership by local people of the project was the top-down approach of HADO, its failure to work through peoples’ participation and its place outside the district organisation. In the Spring of 1997 a leading Tanzanian newspaper reported that the

... achievements by the country’s pioneer conservation project ... HADO is likely to go down the drain ... large stocks of cattle have started being grazed in the project areas, charcoal operators are in full swing, while felling of trees for brick making is now the order of the day.¹⁴

Financially, at the time of the Sida phase out the project was totally unsustainable, partly because it was centrally run, took few measures to promote local financial sustainability, and was not of sufficient interest for central government to sustain once Sida withdrew. A few extension activities continue, but are of a very minimal nature. In the words of a researcher famil-

¹⁴ The *Daily News* (1 March 1997) quoted by Willie Östberg in a paper presented at a Nordic Africa Institute conference (1997) and also forthcoming in a published book.

iar with the project area in its present state: “the project came to a standstill after the Sida withdrawal”. The evaluation found that there were few prospects for the financial sustainability of the project, as it was. An example is shown in the area of tree planting in which seed was provided free of charge to the farmers rather than being encouraged as an income generating household activity. There was little or no effort to plough the financial benefits of the project back into the villages. Instead almost all of the proceeds went into central government coffers. As was the case with woodlots, there was therefore little incentive within the project to reap the financial benefits of project activities.

At least one year prior to the arrival of the evaluation team in March 1995, a Dutch-sponsored project, KIRDEP, had been operating in a limited area of the Kondoa region. This project is aimed at achieving a sustainable, people-centred land husbandry approach by working closely with the districts and by providing training. The project has expanded to encompass a large part of the district and represents a long-term commitment which is being renewed on a four-year basis. No formal linkages were created between KIRDEP and HADO, so that in HADO areas the situation is more or less at a standstill. According to a Swedish researcher with long-term experience in the HADO areas:

The newcomers showed no interest in HADO; quite the contrary. They had introduced themselves as representing a more democratic and locally anchored approach than the supposedly top-down HADO project. HADO had for decades enjoyed a privileged position in the District which some people in the administration felt had also been associated with a certain aloofness.¹⁵

Conclusions

In the context of the above, the question emerges as to why HADO was supported by Sida for so long and why it was not formally evaluated until 1994/5 having been commenced in 1973/4. According to a Sida staff member involved with HADO, “the project lived its own life”, meaning that somehow it had achieved a status and level of activity which caused the perspective on its actual and potential achievements and sustainability to be lost. The strength of Swedish and Tanzanian research stakeholder interests is often cited as one of the elements placing HADO beyond questioning for so many years. The conclusions of the 1995 evaluation appear to have given Sida a way to deal with research interests in the context of its determination to withdraw, which it would have been more difficult to do in the past. Interestingly, the evaluation compares visits to the HADO office in Kondoa recorded in the Visitors’ Book of the Kondoa Office between 13/1 1989 and

¹⁵ Östberg (1997).

16/3 1995. Of the three categories (research visits financed by SAREC, Sida Dar es Salaam and Stockholm, and technical assistance visits for backstopping and monitoring) visits by researchers far outnumbered the others. The evaluation concludes that “frequent visits by Swedish researchers and students indicate that HADO has been an important area for academic training and careers” whereas “very few visits have been made by persons who could assist in technical support, backstopping, monitoring and follow-ups”. The latter is perhaps a more realistic explanation of why HADO continued as it did for over two decades. Had the project been monitored more closely from the beginning, perhaps it might have been brought to an earlier and more appropriate end or adjusted to integrate more appropriate and sustainable practices. Holistic land husbandry approaches had already been known and practised for some years elsewhere. The lag in coming to this realisation within HADO is a testimony to the idea that the project lived its own life.

The question also emerges as to why, after so many years, there was very sudden pressure from within Sida for an evaluation to be designed and carried out “fast ... fast ... fast” (in the words of one Sida staff member based in Dar es Salaam at the time) in the early 1990s. There are varying explanations. One is that the first external audits were carried out on Sida project expenditure in 1993 creating great pressure for an evaluation. A second explanation is that Sida management in Stockholm had already taken the decision to phase out beforehand as part of Sida’s strategy of concentration during the early 1990s. In 1993 there was a changeover of Sida staff responsible for HADO at the Embassy. The new staff sent were given the order by the then Director General of Sida to phase out of the forestry sector completely – this encompassed HADO. The evaluation also appears to have been under pressure to produce an outcome which would lead to a relatively swift Sida phase out. Their recommendation of a one year extension to re-orient the project to support a bottom-up approach does not appear to be very realistic in the context of the evaluation’s other main recommendation that a reoriented approach should be supported. The degree of change that would be required for this to take hold and become sustainable would no doubt take more than one year to bring about. In the end, Sida staff admitted that “we had been there for too long and were just tired”.

While it was clear that the HADO approach should not be replicated, the manner of Sida’s withdrawal is regarded by the stakeholders on the ground as having been very unfortunate. This was felt by the Tanzanian project staff and by the people on the ground. The project had represented an environmental experiment which had resulted in much social upheaval, but there had also been much learning. Although the evacuation of livestock had been a Tanzanian idea, it could never have been implemented without Sida support. Many sensed that there was a moral responsibility at least to provide for an extended phase out period (i.e. five years) to reorient the project,

along the lines that the new project manager and others around him in the project area had been thinking. Sida staff in Dar es Salaam made some efforts to obtain a phase out plan but it ran into difficulties with GoT and, in particular, with the Director of MoNR, who was subsequently, for other reasons, removed from Government 'in the public interest'. In this situation, and with pressure of the concentration policy upon it, Sida withdrew relatively abruptly.

In many ways, HADO represents a research experiment in rural development. Its original narrow, forestry-focused approach proved to be unworkable in terms of bringing benefits to the population and sustaining the results. It demonstrated also that learning in rural development is very much a process of trial and error, and the integration of past lessons into future efforts. The sudden trend towards supporting decentralisation by undertaking all rural development through local government may have compromised some of this learning amongst Tanzanians in the HADO case. While the HADO experience shows that local ownership is vital to rural development, making an immediate jump from one mode of development to another, in response to rapid shifts in donor policies, can result in some vital aspects of learning being lost (see the discussion of LAMP in Chapter 5 on learning). In the words of one MoNR official with long experience of the HADO project: "we are subjected to many experiments and reforms which are determined in an international forum".

Type: 5

4.2.2 Education

FOLK DEVELOPMENT COLLEGES (FDCS)

Project history/Sida phase out

Adult education constituted the major part of the Swedish education support to Tanzania in the 1960s and early '70s, and Sweden had been a major supporter of Tanzania's generally successful literacy campaign. Tanzania established a reputation as one of the most successful cases in the world in terms of adult education in the early 1970s (Unsicker 1984). In the Musoma Resolution of 1974 the concept of a close link between education and manual work, and education for life was expressed, similar to other socialist models such as that in China. To keep the link to rural areas, no formal certification would be provided. Hence students would return to their villages rather than move to urban areas (Olsson, 1994).

The Sida support of the Folk Development Colleges Programme (FDC) emerged out of an interest expressed by Julius Nyerere to emulate the idea of the Scandinavian *Folkhögskole* concept (FHS) for adult education in Tanzania. The concept of the Folk Development Colleges was included in

the educational plan for 1975–80, and 83 FDCs were to be established before the end of the decade, one FDC for each of Tanzania's districts.¹⁶ On the request of Tanzania, Sweden supported an FDC Programme from 1975. It was primarily carried out by the reconstruction of existing, but largely non-operational rural training centres. In the late 1970s GoT decided to halt the establishment of further FDCs due to various problems experienced in implementation. 54 FDCs had been established by then. Sida continued its support thereafter, although the FDCs soon had developed into one of Sida's *problem projects* (Unsicker 1984). At an early stage there was a conflict of ambition between the Programme and Nyerere, who pressed for a much faster expansion than what was feasible (Unsicker 1984). In 1991 the Programme was turned into institutional co-operation with the teacher training school at Linköping University. It was called the TANDEM project. The latter focused on training methodologies, using participative techniques. It also included capacity building in the field of management. The TANDEM Programme was developed in reaction to the heavy emphasis on hardware that had constituted much of the assistance in the past, and which would not solve the FDCs' problems.

Sida phased out the assistance in 1996 after 21 years of support. By then, Sida had invested in the order of SEK 120 million in these schools.¹⁷ The reasons given for phase out were an overall decline in Sida's country frame for Tanzania, a need for Sida to concentrate on fewer sectors/projects and that the FDCs had received support for a long time. Most importantly, the host ministry showed little commitment to the FDCs, and tended to use the Swedish support to finance activities at the Ministry, rather than in the schools. While the phase out was announced several years earlier, the decision was criticised by the Tanzanians as premature, claiming that the FDCs would collapse due to the overall economic conditions in Tanzania, especially as it took place amidst of a period when the centrally run schools would be regionalised. The phase out was surrounded by considerable controversy: The Ministry and Linköping University had different opinions on the future course of the FDCs and their relationship was tense; Sida had lost faith in the Ministry's way of running the schools and its lack of commitment to them; the Ministry criticised both Sida and Linköping, the former for heavy handedness in the phase out, the latter for having exceeded its mandate, including lobbying with the President of Tanzania; Linköping is critical of Sida for the phase out in the midst of a major change process in training methodology, which, if carried out in full, would have given the FDCs a better chance to survive on their own as decentralised entities. Many

¹⁶ When Tanzania undertook an administrative reform and increased the number of districts to 111, the target for FDCs was increased accordingly.

¹⁷ This is a tentative estimate.

of the staff of the FDCs voiced the same critique (Rogers et al, 1997). There is a clear resentment amongst the staff of the FDCs as a result of the Sida exit, a feeling of demoralisation and low expectations for the future. Sida staff claim that their disappointment with Sida should have been directed at the Ministry, which neither informed all of the colleges about the agreements between Sida and the Ministry nor about the over 100 million Tsh which was blocked due to the Ministry's inability to respond to audit queries.

Achievements

The FDCs never became modelled on the Swedish FHS as centres for adult education encouraging local democracy, nor centres for adult education integrated into the village life as envisaged by Nyerere. The FDCs became central government run vocational training schools for primary school leavers unable to get into secondary schools, providing vocational training in carpentry, agriculture and home science (tailoring). As such they complement many other forms of vocational training in Tanzania, basically at the bottom end of the market.

An evaluation undertaken in 1996 concluded that having all but done of the 54 colleges spread throughout rural Tanzania functioning at least to some degree, should be considered a major achievement (Rogers et al, 1997). However, this assessment was qualified in several ways. First, the FDCs have been plagued by low capacity utilisation from the start, often as low as 25–30 per cent in the 1980s and 90s. The low capacity utilisation resulted in low efficiency: for example, the student teacher ratio in some of the FDCs was in the order of 1:4, while the ideal should be 1:25 (Olsson 1994). Second, the 1996 evaluation concluded that, while a strength of the FDCs was that they provide education all over rural Tanzania, the training provided is of lower quality than many other vocational training schools. Thus, the FDCs attracted the least qualified teachers, leading to generally low motivation (Rogers et al, 1997). Notwithstanding the above, many have undergone long-term training (courses of one to two years) per annum in the FDCs, and the limited tracer studies undertaken indicate that the training has had some impact on the ability of the trainees to secure a job. The FDCs have met a certain demand for education created by the severe bottleneck between primary schools and secondary schools.

Sustainability issues

The FDC Programme has been plagued with problems almost from its inception. This seems to be due to several factors: the role of the FDCs has been unclear in the educational system of Tanzania, and is not agreed upon between the Swedish implementing agency and the host ministry. Their original justification – that they would serve as a link in adult education and

as a key institution under the *ujamaa* concept – became redundant, partly because of the different orientation in Tanzania in the 1970s than that envisaged by the Arusha declaration. In many ways the democratic, decentralised philosophy of the Scandinavian FHS was anathema to Tanzania's centrally driven socialism. The role of the FDCs is still unresolved: The Ministry in charge sees them as instruments for community development, according to a new strategic plan. The TANDEM Programme tried to bring them into line with the original *folkhögskole* concept of adult education and found a certain response within the FDCs for this, while they *de facto* continue to function as vocational schools.

A second problem is that the FDCs basically have been handled outside the educational main stream in Tanzania, especially since 1990 when they were placed under the Ministry of Community Development, Women's Affairs and Children. This transfer was opposed by Sida, but nevertheless carried out by Presidential decree. For the Ministry, nick-named *the Ladies' Ministry*, the FDC is a major institution in its portfolio, being a newly formed ministry of generally low status in the overall Government structure. *The lady's ministry had to be given something and no one was particularly interested in the FDCs ...* is an explanation given by one Sida representative.

A third problem is the Ministry's weak support for the FDCs. Sida was supposed to cover development costs, and the government the operational costs, but the Ministry has been notoriously poor in honouring its commitment and the FDCs have been operating on very low budgets, reflected in the quality of their maintenance, equipment, training materials and facilities for boarding. It should be noted that the Sida support has been relatively limited on an annual basis, and insufficient to support functional colleges.

The FDCs faced very severe financial problems after Sida's phase out, and at least some of them are rapidly declining in a negative spiral of low budget – low attraction for students – lower budget. The FDCs are in the process of being decentralised to better respond to local demands and to be given greater autonomy for resource mobilisation. School fees were introduced in 1994 to cover boarding costs. The idea of self-generating revenues was an initial concept in the project, but has not been pursued.¹⁸ While some FDCs are responding well to the changed conditions, the long-term sustainability of the FDCs as an institution and as a developmental programme is highly questionable for several reasons:

- 1) there is a degree of demoralisation amongst the staff and owners after the exit of Sida;

¹⁸ The FDCs were supposed to be financed by one third from Government, a third through income generating projects by the FDCs, and a third from village contributions.

- 2) the drastically reduced budgets and unpreparedness for market driven survival of the FDCs;
- 3) changing views of their purpose by the Ministry combined with marginal resources to implement;
- 4) low ownership of the FDCs by Tanzanians as they were considered “Swedish colleges”; and
- 5) FDCs are not part of the formal education system in Tanzania and as such are neglected in broader sector planning.

On the positive side, TANDEM might have installed a certain professional attitude amongst the staff which might allow for survival (and possibly the development) of some of them in the new decentralised environment, possibly also through twinning arrangements with Swedish *Folkhögskolor*.

Conclusions

In conclusion, the FDCs did not constitute a successful programme. Yet the support was maintained for a considerable period of time, albeit on a fairly limited scale. Factors that influenced the extended support in spite of the problems encountered seem to have been the ideological overtones of the Programme and the interest groups that formed around it in Sweden; there was a strong sense of Swedish *ownership* of the Programme, both influencing the pattern of support, and the phase out problems.¹⁹ The sense of *being let down* by Sida felt by the Tanzanian counterparts at the time of the phase out is strong in the FDC case. The lack of Tanzanian ownership was reflected in the role of Linköping University, which, according to the 1996 evaluation, *approached the TANDEM project as missionaries to advocate a purist approach to adult education as seen from a Swedish perspective* (Rogers et al, 1997).

At the time of phase out Sida was confronted with a dilemma: on the one hand, it had provided more than twenty years of support for a concept which in many ways represents an appealing Swedish model, but which really never took root in Tanzania, and was plagued with inefficiency and low capacity utilisation, becoming a mismatch in the existing educational system; on the other hand, support for a last phase might accomplish considerable change in a drastically shifting environment towards decentralised

¹⁹ An interesting aspect of this is a review by an American scholar, Unsicker, who sees the FDCs as a manifestation of a competition over ideology between the Nordic donors in Tanzania in the 1970s and US AID/World Bank. The latter participated in building the rural training centres under the Ministry of Agriculture, which were taken over by the FDCs. In the 1980s there were renewed attempts by the Ministry of Agriculture to get the FDCs back, requiring a presidential decision to maintain them in the Ministry of Education. Unsicker also notes that FHS in Sweden has a strong political overtone – half of the parliamentarians in the 1980s had personal experiences of them (Unsicker 1984).

community based education. Considering the issue of whether Sida should throw more good money after bad with the hope of rescuing the investment, the overriding administrative decision in Sida to concentrate solved the dilemma.

Type: 5

MOSHI VOCATIONAL TRAINING CENTRE (MVTC)

Project history/Sida phase out

The beginnings of Tanzania's National Vocational Training Programme was initiated in 1968 with a project run by ILO, the goal of which was to establish a Trade Testing Facility in Dar es Salaam. This testing facility was complemented with short courses demanded for workers by industry. Soon it was discovered that the short courses were not enough but tended to become longer depending on the schooling background of the students. The National Vocational Training Act of 1974 established a National Vocational Training Council under the Ministry of Labour and Manpower Development with representatives of employers, employees and Government. Socialism in Tanzania encouraged the idea that expatriate skilled labour should be replaced by Tanzanian labour to meet the basic needs of industrial development according to the Basic Industry Strategy of Tanzania. This was the mandate of the Council as well as to ensure the quality and efficiency of the training provided. The Vocational Training Act was passed following the official launching of GoT's Basic Industry Strategy in 1974 which was focused on self-reliance, the development of indigenous heavy industries, and the local production of consumer goods mostly through the use of domestic resources. In 1979 the national Technical Training Advisory and Co-ordinating Council was formed, an advisory body consisting of 17 Ministries and various other institutions. The 20-year development plan (1981–2000) for vocational training in Tanzania was approved by GoT in 1981 and foresaw the construction of 15 regional and 83 district vocational training centres.

In 1961 GoT had inherited Moshi which had been a trade school since 1957. Before closing in 1967, Moshi and another trade school, Ifunda, had jointly trained 2,634 students in fields basic to those which Moshi provides instruction in today. These schools were closed in the post-independence rush for general education. The development of Moshi as a vocational training centre with the assistance of Sida formed part of the second phase of donor involvement in the sector which focused on establishing new training centres in Tanga, Mwanza, Moshi, Dodoma and Mbeya. The previous phase had focused on building up a trade testing capacity in Dar es Salaam with short vocational training courses. Although a number of donors became involved, ownership of the development plans appears to have been firmly

in the hands of the Tanzanian government and the early expansion of the sector, the construction of new centres was the result of their negotiation skills with funding agencies.

Moshi Vocational Training Centre was planned and constructed with the close involvement of Sida between 1976 and 1983/4. Sida continued to support Moshi directly until 1994/5, although thereafter it continued to support Tanzania's vocational training programme. The construction was originally contracted to M/S United Builders based in Dar es Salaam. As a result of poor workmanship and the use of poor quality materials, Sida concluded a contract with HIFAB, a Swedish development management firm, to rectify the problems. There was a shortage of construction materials and much had to be imported. Moshi was intended as a vocational training centre for mechanical engineering trades of a unique nature in Tanzania and in East Africa. It was conceptualised as a dedicated post-primary training centre giving vocational courses and linking this with apprenticeship in industry. The training programmes in Moshi were planned to be either one year of training at the centre, followed by three years of apprenticeship or two years of training at the centre followed by two years of apprenticeship in industry.

Responsibility for MVTC was regionalised with the passage of the new VET Act in 1994, although responsibility has been passed to the regions in theory only and Head Office maintains an essentially iron-fisted grip on the operations. Following the passage of this act, the preparation of a Strategic Action Plan (SAP) was commenced with strong involvement of Sida and Danida. The thrust of the Act is that vocational education and training in Tanzania must become demand-driven and financially sustainable. The Authority (VETA) was to become financially autonomous, a 2 per cent training payroll levy was introduced and trainees were to pay. A fundamental institutional overhaul is foreseen as a result, which requires a gradual and planned process. There is to be much greater emphasis on regional management of vocational training through Regional Boards and Regional Vocational Training and Service Centres – Moshi falls under the Kilimanjaro Regional Board and is regarded as a Regional Vocational Training & Service Centre (RVTSC). Operational sustainability is to be achieved between 1996 and 1999. The SAP sets forward a five-component plan, which the donors can support as they see fit. The components include the development of institutional structures and a management system; development of Regional Boards and eight Core Regional Vocational Training and Service Centres; the Development of the Training System, the Development of the Morogoro Vocational Teachers Training College; and Key General Components (gender, entrepreneurship, preventive maintenance). The most costly of these, by far, is the consolidation of the regional centres.

An evaluation of technical assistance to a number of developing countries (commissioned by the Recruitment Division of Sida) of which Tanzania was

one, was undertaken by Egil Frøyland in 1985. It gave special attention to MVTC as most of the Technical Assistance personnel then working in Tanzania were employed in Moshi. In 1990 an evaluation of MVTC was undertaken by Jon Lauglo. A Tracer Study (Anders Närman) was undertaken between 1986 and 1991 in order to follow a sample of students from school to employment and perhaps to make it possible to discover whether and how the education was contributing to manpower and employment goals.

The 1985 evaluation recommended the phasing out of the Swedish technical assistance because sufficient teaching capacity had been established and the relative cost of the Swedish TA was exorbitant. As part of the concentration efforts of Sida in the early 1990s, it was decided by Sida management that vocational training should be phased out. Staff within Sida questioned the decision, as they had, since the 1985 evaluation, already gone a long way towards reorienting the programme. Phase out was perceived as a "direct order". There was considerable opposition within Sida to the phase out by staff who had been involved with the project since its inception. Staff responsible for devising a phase out plan felt that they had first to negotiate with GoT and then with their colleagues who were resisting the plans. A phase out plan for the technical assistance was worked out in 1990/91 and was to take place over a five-year period. In fact, Sida continued to provide support for a further two years beyond the intended phase out period and has decided to phase out of assistance to VETA and MVTC by 30 June 1998. During the past year Sida has appointed an education adviser as part of the phasing out process to give advice to the regional board on how to function as a demand driven training board at a regional level by working closer with industry. The Director of Moshi RVTSC sees a possibility of GTZ taking Sida's place. However, this seems unlikely, since GTZ is not even allocating money where it has been asked to contribute in Dar es Salaam.

The total project cost to Sida is estimated to have been in excess of SEK 200 million, far exceeding original expectations mainly as a result of the longer than expected stay of the long-term TA but also due to expenditure on additional construction work and equipment. The project consisted of construction (of educational facilities as well as considerable accommodation for teaching staff), procurement and installation of equipment, overseas training of Tanzanian trainers, and considerable long-term as well as short-term technical assistance (see comments on this below).

Achievements

Moshi RVTSC has a high reputation among National Vocational Training Centres in Tanzania and is regarded as being unique in terms of the trades taught there in Sub-Saharan Africa. With Sida's support it pioneered basic vocational training in a number of trades new to Tanzania. Moshi VTC also

had an important pioneering role in the sense that in many respects it served as a model for training provision in other centres under the Vocational Training Authority. Moshi was built and equipped in very severe conditions and despite this established a training programme with the requisite equipment, training fellowships and TA (possibly more than was required – see below). Moshi RVTSC has a capacity to train and accommodate 375 trainees in 13 different trades, but intake has in the past generally been lower than this (between 60 and 70 per cent annually). 19 Tanzanian teachers were sent on overseas courses to Europe. Staff development in Tanzania was confined to informal day to day interaction between Swedish experts and local instructors. One of the unique features of Moshi has been the high stability of Tanzanian staff who were from early on in the project provided with housing and other benefits.

Moshi's uniqueness, offering courses in specialist trades where no previous training existed in Tanzania and for industries to which the BIS was to give rise, is also perhaps its greatest flaw. Moshi was part of an industrial strategy which failed even before the Centre was up and running. The underutilisation of Moshi's capacity year after year is, to a great extent, reflective of the fact that it was difficult to find trainees who met the requirements of some of the specialist trades at Moshi (e.g. for Tool and Die Making, see Lauglo p.83). For this, sponsorship from industry was needed to ensure that there was a relevant job after the training and to ensure that the entrants had the right qualifications (Lauglo, p.88). The level of specialisation required for teaching was also one of the explanations for the amount spent on technical assistance. However, the 1990 evaluation could not see the justification for this level of specialisation since the connection between the specialist training at Moshi and the apprenticeship or job had been very little for the trainees. The skills ultimately used in the apprenticeship or job were usually those obtained in the basic training prior to entering MVTC. While the Närman Tracer Study concludes that "a fairly high proportion of the MVTC ex-trainees had been able to acquire some form of employment, based on the training" the study is weak in terms of considering to what extent the specialist training at Moshi NVTC has been relevant in allowing the trainees to obtain employment.

The Strategic Action Plan for VETA (1996-99) written in 1994 states, in general, that "the supply of training is not reflecting the demand from the employers" and that the apprenticeship system has not been functioning well. Despite suggestions for alterations in the course structure in the Lauglo evaluation, Moshi never altered its course from the skills which were identified as being important for the BIS, which failed. By the initiative of Sida the option of giving specific short courses at the Centre in areas of interest for industry were introduced, but never integrated into the Centre's programme.

The *Pilot Labour Market Survey* undertaken by RVTSC Kilimanjaro based

in Moshi (April 1997) stated that especially the agricultural sector is developing. Manufacturing is expected to stay almost the same. Moshi trades were not designed to meet the needs of the agricultural sector. Here it is worth noting that Sida took part in the establishment of a vocational training centre in Arusha 90 km from Moshi with an agricultural bias. The lack of a relationship between the trades taught at Moshi and local industries is an issue which the SAP is supposed to address by bringing heads of regional industries onto the Regional Vocational Training Boards and thereby making the training Centres more responsive to actual needs of employers.

Recruitment of candidates for Moshi was known to have been socially biased, strongly favouring the children of Tanzania's small educated elite of modern sector wage earners. For those admitted in 1987, for instance, half of the fathers had secondary school or more. Fifteen per cent of the fathers had been to university – a very high per centage in a country where university places are scarce. Thus Moshi does not appear to have been well suited to addressing Sida's objective of alleviating poverty. With regard to Sida's gender equity objectives, the approach taken to promoting gender was inefficient in the sense that Sida encouraged the recruitment of females in equal numbers to the various trades, whereas it would have made more sense to recruit women into those trades in which they had some prospects for being successful.

In the original plans for Moshi, the concept of MVTC offering informal sector support and extension services, and thus a wider role for MVTC, had been an important selling point for Sida next to the more obvious goal of establishing a vocational training centre with trades never before taught in Tanzania and relevant to local industry. The regional role was rejected by the Ministry which did not feel that it was appropriate since it did not have formal responsibility for these other institutions and its management capacity was already badly strained. In the 1990s, the development of regional centres which also have the role of strengthening vocational training regionally is a built in priority. This has become acceptable in a context where the dependence of all Tanzanian vocational training institutions on an employer's levy (see below) binds the various schools.

Many questions have been raised about the cost-effectiveness of Moshi in relation to the specific trades taught and the heavy foreign TA which remained for so long. The 1990 evaluation calculates that by 1991 Sweden had provided 197.9 million to develop a total of 348 trainee places or about SEK 570,000 for each trainee place. It further noted that since only about 70 per cent of trainee place capacity is utilised after six years of operation, the amount per utilised trainee place is in excess of SEK 800,000. In a local context, the evaluation noted the high recurrent cost per trainee year at MVTC could be contrasted to the pay earned by most Tanzanian instructors of these trainees (in the region of TSHS 40–60,000 a year). By 1988 the heavy dominance of the foreign TA in the project had led to disputes about

whom they were reporting to (Sida or GoT) and thus who actually owned the project. This created tensions with the National Vocational Training Division (NVTD) to the extent that the Development Co-operation Office (DCO) at the Swedish Embassy and NVTD communicated by post rather than through personal visits. NVTD felt that the departure of the TA could release funds for other better uses. Lauglo notes that this level of TA is justified in the training of high level strategic manpower which will play a key role in refurbishing badly run down Tanzanian industry but not the basic training of skilled workers which is what Moshi is actually finding should be its task. Another issue is the cost-effectiveness of bringing in prohibitively expensive equipment for the teaching of certain trades (e.g. Boiler Mechanics), for which the procurement of spare parts was from the start an expensive and time-consuming process.

Sustainability issues

The supply-side approach to manpower development described above has been found to be totally unsustainable. Moshi's high level of ambition in taking a specialist approach meant that the shortage of local instructors created a long-term demand for expensive expatriate experts in the workshops, problems in finding and recruiting trainees with the right kind of background for these courses (e.g. for Tool & Die Making) and, in some areas, dependence on costly imported consumables and equipment.

But it has only been in recent times (since 1994) that the inappropriateness of the supply-side approach has been fully recognised in Tanzania and integrated into policies and national as well as regional planning. A *Pilot Labour Market Survey* undertaken by RVTSC Kilimanjaro in 1997 states that "the main objective of the survey has been the development and training of competence for future labour market surveys in order to start the process and initiate procedures and structures to facilitate future development of labour market competence."

In order to address financial sustainability, an obligatory levy of two per cent on the wage bill of employers was introduced. Sixty per cent of the running costs of the vocational centres are currently financed by the levy – the balance of the running costs is to be financed by student fees and income-generating activities. The latter is expected to increase substantially and make up for funding shortfalls. The *Action Plan (1997–1999)* for the Kilimanjaro Regional Vocational Education and Training Board states that the financial sustainability of the Moshi RVTSC after the withdrawal of Sida support depends on increasing the budget generated through production to 20 per cent. But the financial sustainability of vocational training schools, including Moshi, depends mainly on the assumption that the collection of levies will increase from 2 billion Ts. in 1994 to 5.3 billion Ts. in 1999. This is based on projections about economic activity in Tanzania and efficiency in

the collection of levies. Recurrent and development costs will increase through the planning and present construction of new vocational training centres and through the conversion of VTCs to RVTSCs and the withdrawal of the major donors (Sida and, by 2000, Danida). It is estimated that Ts. 8 billion is needed to meet the needs of vocational training in Tanzania as planned. One of the difficulties facing vocational training centres like Moshi is that they have difficulty in planning for sustainability without donor support, since the levy is collected by an outside agency and the centres/regions are not involved, do not know how much is collected and how much they will get back in their region.

The whole planned development of the Tanzanian vocational training sector shows a higher degree of ambition than is affordable within the context of the Tanzanian economy. This has been the legacy of the 20-year development plan launched in 1981 and to which few adjustments, in terms of level of ambition have been made, although following the SAP there is greater attention given to financial sustainability. In the Kilimanjaro Region RVTSC's Activity Planning Report for 1997-99, there is a long list of development activities which constitutes the implementation of the VET Act and the recommendations of the SAP, but there are a great number of activities for which no funding is available in 1998 and 1999. In presenting this list a Kilimanjaro Region RVTSC representative stated in exasperation, "I don't know what the disease is... ..when donors leave everything collapses." This statement may be somewhat of an exaggeration, but reflects a frustration at not being able financially to meet the level of ambition laid out in the plans for vocational training in the 1990s. The precedent set by the heavy Sida investment in Moshi in very specific trades makes adjustment to new conditions difficult.

Sida has participated with Danida in the preparation of the SAP which affects the entire Tanzanian vocational training sector and sets forward a plan for financial sustainability. From the perspective of VETA and Kilimanjaro RVTSC, Sida's phase out plans for June 30, 1998 (supporting the activities of the SAP) come at an inopportune time since Moshi and other centres will only be half way through the implementation phase for this effort to achieve a demand-driven vocational training sector which is sustainable. Although a phase out plan had been drawn up in the early 1990s when the decision had been taken to withdraw from the vocational training sector in Tanzania as a whole, this concerned mainly the phase out of the TA rather than a plan for financial sustainability. Danida is likely to extend its involvement for another five years.

Conclusions

Sida support succeeded in establishing a qualitative vocational training centre with unique technical capabilities in Tanzania and in Sub-Saharan Africa.

The developmental effect of the Sida support is mixed. Trainees have not, on the whole, obtained places in industry using the specialist skills in which they were trained at MVTC, rather drawing on the skills obtained during their basic training prior to entering MVTC. The support of Moshi also does not appear to have done much directly for poverty alleviation, given the social background of the majority of trainees.

Moshi has prospects for achieving sustainability on its own if it is able to reorient itself to demand and be more realistic about the level of ambition which it can afford. That said, it is likely to find other donors prepared to support it. The national levy has been a good innovation, giving NVTCs a chance to survive as donors leave and orienting vocational training to employers' needs. However, the plans set forth in the SAP for reorienting the vocational training sector in Tanzania will have considerable development costs which Tanzania can ill afford. There appears to have been little adjustment of the level of ambition to economic reality since the launching of the 20-year development plan in 1981.

Sida's phase out came as no surprise, since it had been planning to phase out since 1991 and this was made explicit in the *Plan of Operation for National Vocational Training Centre, Moshi 1991/2-1995/6*. However, the phase out plan did not give any attention to financial or other sustainability issues and focused mainly on how the TA would be phased out. It was only by the mid 1990s that a plan for sustainability was worked out in the form of the VET Act and the SAP, with considerable inputs from Danida and Sida. The timing of Sida's departure, having assisted in commencing an overhaul of the vocational training system in Tanzania, is not ideal and may turn previous support into a sunk cost, according to Tanzanians involved with MRVTC. According to expatriate sources with knowledge of the situation, Sida's two-year prolongation was designed to secure a good start for the five-year SAP and would have been sufficient if VETA had not been slow in implementing the first two years. Now the SAP has to be revised as a result of the delays. According to the same sources, Moshi is, in any case, already a sunk cost since the previous Director General of VETA is alleged to have misappropriated funds and was retired "in the interests of the nation" in 1997.

Aside from financial sustainability the other main obstacle to Sida phase out was the resistance of Sida staff who had been attached to the project since its inception and whose professional careers had focused on the project. It goes without saying that it was also not in the interests of the technical assistance to make themselves redundant. The open-ended nature of Sida's commitment for much of the MVTC project is likely to have encouraged the TA to extend its stay. At present there are consultancy companies involved under the Sida support who have been very actively pressing Sida to prolong its support for some time.

Serious questions have been raised about the cost-effectiveness and efficiency of having so many long-term specialist technical assistance staff over

a long period of time. Not only did it create bad feeling on the project during the late 1980s, but it is doubtful whether technically or developmentally this was required in the Tanzanian context.

Type: 3

4.2.3 Health

TANZANIA FOOD & NUTRITION CENTRE (TFNC)

Project history/Sida phase out

Tanzania's concern with nutrition issues had its origins in Nyerere's policy of self-reliance, eventually spelled out in the Arusha Declaration of 1967. The considerable attention given to food and nutrition issues in Tanzania very early on was a political move intended to lessen the country's reliance on external food aid since it was feared that food could be used as a political weapon to sabotage the newly won independence of 1961. The first nutrition plan of 1965-69 was worked out by the nutrition unit of the Ministry of Health and the Tanzania Nutrition Committee. This envisaged the establishment of nutrition services at regional and district levels. The decentralisation policy of 1972 led to a drive to strengthen social services in rural areas. In 1967 the TNC had proposed the establishment of a national food and nutrition institute with the primary function of linking extension staff with leaders and scientists. The concept for TFNC, as with a number of other long term Sida supported projects in Tanzania, had high level origins in direct discussions between Julius Nyerere and Olof Palme. Thus, in 1968 GoT requested Sida to work with Tanzanian nutritionists to formulate a proposal for the new Institute. The initial proposal by Sida focused on a laboratory based research institute and was rejected by GoT which wanted a more field-oriented institute. The second Sida mission which came in 1972 recommended the approved model which became TFNC.

TFNC was established by a Tanzanian Act of Parliament with the mandate of initiating and co-ordinating nutrition intervention, carrying out research and advising GoT and related institutions on all matters concerning food and nutrition. TFNC was established as a parastatal organisation under the Ministry of Agriculture, later was placed under the PM's Office and finally, by Presidential Directive, under the Ministry of Health. Its Board is appointed by the Ministry and TFNC reports on policy matters to the Ministry.

TFNC formed a component of Sida's support to the rural health sector in Tanzania, which commenced in 1973. The bulk of the SEK 87 million spent in developing Tanzania's rural health sector up to 1984 went into the establishment of 123 rural health centres, while the remaining SEK 25 million went to supporting TFNC. Sida supported all but the salaries of TFNC staff between 1974 and 1980. Key staff positions were also held by expatriates in

the early stages – the first and second directors of TFNC were both expatriates. This long-term technical support ended in 1982, although subsequently short-term specialists in the areas of sociology, finance and other areas have been provided. Today the staff of TFNC is entirely Tanzanian, consisting of two hundred people (120 technical specialists). Swedish support to the rural health sector in Tanzania ended in 1984/5, but support to TFNC continued in the form of support to discreet projects, short-term technical assistance and the institutional linkage with the International Child Health Unit (ICH), Department of Paediatrics, Uppsala University, with an estimated budget of SEK 2–3 million annually. Three Sida-sponsored evaluations have been undertaken to date (1979, 1986, 1991). The period 1993–99 is seen as the final phase out period for Sida assistance to TFNC.

Achievements

TFNC is regarded as having very competent technical specialists in various aspects of nutrition. A beneficiary of the overseas training sponsored by Sida for TFNC stated that undoubtedly the strongest aspect of the Sida support has been the technical training given to TFNC staff. The Sida support is also regarded as having allowed TFNC to establish a wide reach in Tanzania in the sense that it has trained extension workers by TFNC specialists. According to a UNICEF source, “there is a person who knows how to address nutrition issues in every region of the country” as a result of TFNC’s work. Its work in the field of advocacy on issues of nutrition, also directly supported by Sida, has raised awareness within GoT and in rural areas of the need for intersectoral co-ordination on nutrition issues. TFNC has encouraged the formation of national consultative groups on various key nutritional issues such as iodine deficiency, vitamin A deficiency, anaemia, breast-feeding and others. It plays an important role in policy formulation, having co-ordinated the formulation of Tanzania’s Food and Nutrition Policy. It has also influenced several other nutrition related policies including the Agricultural Policy, the Food Strategy, the Population Policy, the Health Policy, the Women and Development Policy, the Women and Children Policy, the development of a national code for the marketing of breast-milk substitutes, and policies related to the Priority Social Action Programme. TFNC also plays a vital role in the translation of policy into school curricula and teacher training schools. Since the mid 1980s Sida has been assisting TFNC in establishing a network with agencies working in the field of food and nutrition in Sweden (e.g. Uppsala). Several TFNC staff have also been trained in Gothenburg and at least one in Umeå. TFNC is known and respected throughout Sub-Saharan Africa and is the only World Health Organisation Collaborative Centre in the region. GoT stated clearly in 1995 that there was a need for the prioritisation of TFNC and has included it as member of its Executive Agency Programme. According to UNICEF, a

strong TFNC is very critical in Tanzania. After the creation of TFNC the pursuit of national nutrition objectives became much more explicit.

Despite these substantial achievements, TFNC does not at present appear to have a grasp of its impact on nutrition in Tanzania overall. It has difficulty in producing basic data regarding improvements in the overall nutrition situation as a result of its activities over the past twenty-five years. This appears to reflect three issues: the first is the increasingly unaffordable cost of data collection; the second is the quality of management; the third, and perhaps most significant is the 'projectisation' of TFNC's work in its relationship with the donors. A representative at the UNICEF office in Dar es Salaam stated unequivocally that one of the social costs of structural adjustment has been national nutrition levels. TFNC is engaged in approximately forty projects at present, of which Sida supports nine. In responding to various donor interests by implementing 'pet projects', TFNC may be compromising its ability to advise on appropriate nutrition policy for Tanzania overall. In this sense, TFNC has not been able to escape the fate of government nutrition institutions in most poor countries.

Sustainability issues

In anticipation of Sida's departure, TFNC is seeking other main partners such as DFID and an increase in support from its other main partner, UNICEF. TFNC's budget for 1996/7 was Ts. 1.2 billion with the largest amounts being contributed by Sida at 18 per cent (approx. SEK 2.8 million), UNICEF at 14 per cent and GoT at 36 per cent. The budget for TFNC has remained the same for the past three financial years. A soft loan from the World Bank has been provided for vitamin A and nutritional anaemia programmes. GoT is expected to increase its contribution to TFNC slightly in the future, but not enough to cover the shortfall that will be brought about by the Sida withdrawal.

TFNC claims that it is in an increasingly weak negotiating position vis-à-vis GoT. This is partly created by GoT's lack of interest in financing vital development programmes which have traditionally been sponsored by donors. The shift to balance of payments support is not likely to lead to greater GoT financial responsibility to national institutions which have been able to solicit donor money for so many years.

TFNC appears to have an informal strategy for self-financing in place. This includes: 1) tendering together with other institutions in its network mainly for donor-sponsored assignments; 2) undertaking consultancies (at present this constitutes 10 per cent of TFNC's income); 3) leasing out its laboratories to projects as well as the building currently being constructed on the lots of land owned by TFNC (according to an ICH source, this is some of the most valuable land of the city and the rent would generate enough funds to run TFNC); 4) acting as private sector advisers to the food industry. While

this strategy continues obviously to be directly dependent on the presence of donor funds, the foreseen relationship to donors is changed in the sense that the donor becomes a client and TFNC sees itself as having to become competitive. The poor macro-economic environment makes the relationship with donors pivotal. However, an interview with TFNC management revealed that the emphasis remains with attracting donors directly to support TFNC rather than entering into a client relationship with them. The impact of this outlook on TFNC is summarised by a former TFNC staff member: "this outlook results in their jumping from one project to another where there is money ... the vision is not clear for the future ... different donor interests obscure any clear vision".

A consequence of this and the allure of better salaries is that skilled staff appear to be leaving TFNC for other jobs with UNICEF and other agencies in Tanzania, and in wealthier countries on the continent such as South Africa, Zimbabwe and Botswana. According to a former TFNC staff member now employed by UNICEF, the agency lacks the financial resources for sustainability, not least because it is managerially inept. According to this source, it is not charging for its services adequately, its consultancies are not well managed, delivery is never punctual and there is a lack of decision-making capability. This judgement of poor management might be modified somewhat if TFNC is compared to other Tanzanian government units.

The 1991 evaluation sponsored by Sida gave some attention to the management issue, since the 1986 evaluation had been so critical of the poor management of TFNC. However, the 1991 evaluation looked at this issue in a quite narrow fashion, employing a Dar es Salaam accountancy firm to review the accounts systems, which, the evaluation stated, appeared to be satisfactory. The evaluators simply concluded that TFNC was not financially sustainable as a result of the Tanzanian macro-economic situation and that donor support would be required until this had improved. This is quite a different conclusion than that reached by a former senior staff member: "TFNC has a bright future since it has a good market in Tanzania and in the region, but it has to become a good business first". The conclusions of the 1991 evaluation are perhaps indicative of the fact that the team consisted almost entirely of nutritionists.

Conclusions

As a result of Sida support to TFNC, Tanzania now possesses well-qualified nutritionists whose expertise has reached many rural communities in Tanzania. It also has the capacity to formulate well co-ordinated and informed policies on and relating to nutrition. This capacity is unique in Sub-Saharan Africa and is recognised internationally by the WHO. An ICH source stated that TFNC is "no doubt the strongest of its kind in Africa".

TFNC has prospects for becoming financially viable partly by pursuing a

number of commercial strategies and by developing its regional role. However, its continued lack of overall management skills and its expectation that another donor will 'pick up the tab' once Sida leaves means that it is not developing these opportunities as it should. Of greatest concern for the sustainability of the Centre is the loss of well-trained staff who are frustrated by poor management and salaries and who are able to find opportunities within aid agencies and in the wealthier African countries. While it is recognised that poor management and low salaries are overall problems of government in Tanzania, the long-term special support to TFNC might have been able to address at least one of these problems. Since the 1986 evaluation the problem of TFNC's management has been explicit. Sida has taken some steps to improve TFNC's prospects for sustainability, but has continued throughout its relationship with TFNC to place greater emphasis on developing technical capacity (e.g. as demonstrated by support for the link with ICH). In retrospect, it may have been more appropriate to devote a substantial portion to finance and management training (beyond accountancy). Sida should have taken a more proactive role in promoting this kind of assistance, since the request for it was unlikely to come from TFNC itself.

TFNC's pursuit of donor support through particular projects favoured by the various donors, is potentially weakening TFNC's policy-advisory and coordinating capabilities. Balancing its relationship with the donors in respect of specific projects with its policy formulation role is a key challenge. This is complicated by the fact that GoT is not mentally adjusted to taking a greater stake in TFNC, since TFNC's development budget has always been heavily financed by the donors. This is a problem overall in the social sectors in Tanzania. One suggestion is that Government ministries are made stakeholders in donor-beneficiary phase out discussions and plans in vital social service sectors. In these sectors GoT needs to be acclimatised to assuming financial responsibilities.

TFNC's process of development is reflective of Tanzania's overall process of development since the 1960s. TFNC was initiated in partnership with Sida based on a strong sense of Tanzanian ownership. Over time, this ownership has shifted away to the donors, with TFNC pursuing various donor agendas and, as a result, in danger of compromising a national achievement. This problem is ultimately very much linked to the high level of ambition that was originally envisaged for TFNC and its unaffordability in the economic conditions of Tanzania. From its beginnings the institution's goals were set at a high level in anticipation of rapid economic growth. During the early 1980s, when it became evident that the economy had taken a turn for the worse, the level ambition was not adjusted. Instead, TFNC continued to grow larger over the years. From 45 staff in the early 1980s, it has grown to 200 today with 120 technical staff and 80 support staff. Its management do not appear to question whether this is an affordable situation or not. In the economic downturn, Sida continued to support TFNC, as it did with a num-

ber of other institutions it supported in Tanzania, in such a way that TFNC could avoid thinking about the affordability of its ambitions. Reducing the level of ambition now will be much more difficult than it might have been at an earlier stage of TFNC's development. While it is arguable the TFNC might be able to afford some of its ambition if it vigorously pursued the various strategies for finance-raising described above, its dependence on donors appears to have become so deeply rooted in the culture of the institution that this is not likely to take place.

Type: 3

4.2.4 Industry

THE SMALL INDUSTRY DEVELOPMENT ORGANISATION (SIDO)

Project history/Sida phase out

Small industries were recognised as having a role in the Tanzanian socialist industrialisation process according to the post-Arusha planning, as was expressed in the second Five Year Plan (1969–74). Small industry development was to be directly linked to rural development and employment generation. The small industries were to employ simple, labour intensive technologies utilising local resources and manpower (Skarstein & Wangwe, 1986). In contrast to the larger industries, direct public sector ownership and management of the small enterprises was not considered feasible. As the political attitude to entrepreneurship was ambiguous and the conventional capitalist private entrepreneur was actively discouraged, private entrepreneurship was to be fostered in co-operatives and *ujamaa* villages. Small industries were to be promoted by the Small Industries Development Organisation (SIDO), a parastatal organisation set up in 1973. The government of Tanzania, in line with its policy of making Sweden a major supporter of Tanzania's industrialisation process, requested support for its small industry development efforts through SIDO in the mid 1970s.

A consultancy study in 1975 commissioned by Sida proposed broad-based institutional support of SIDO along the lines of the mandate of the organisation. Due to the difficulties in the prevailing (political) environment the support was to be experimental and undertaken on a small scale. The study recognised that the policy environment was contradictory in the sense of actively promoting private entrepreneurship in a public sector driven industrialisation process.

The Swedish small industry programme under SIDO was to have two components: 1) *The Sister Industry Programme* which would become the most important financially, and also the most controversial, and 2) the *Rural*

Hire Purchase Programme. The latter, comprising a mixture of credit and advisory services to smaller enterprises, was already ongoing, but received support from Sida as of 1976, while the former was a new creation, and started in 1977.

While the support to Tanzania's efforts to promote (African) small industries was home-grown, the shape of the support was driven by external players in which Swedish consultants played a critical role. The Sister Industry Programme used the concept of linking a Swedish *senior sister industry* to a Tanzanian *junior sister* for the purpose of transferring technology and management skills. The concept was to emulate the experience of small industrial development from Småland in Sweden to Tanzania (Carlsson et al, 1988). The Tanzanian industries were established based on feasibility studies which identified suitable industries for Tanzania and a Swedish sister. These studies were undertaken by SIDO in co-operation with Finnveden Idéutveckling AB, FIDE, a consultancy firm which actively had created the concept and which also would act as an implementing agency on behalf of Sida. The entrepreneurs to operate and own these industries were identified through advertising and often recruited amongst civil servants, bankers and teachers. The owner/entrepreneur had to provide a certain own-contribution, but the new company was mainly created through a loan from SIDO. The company was thereafter provided with active sister industry support (paid for by the project), including extensive training in Sweden and a turnkey supply of the equipment in one of SIDO's industrial estates.

The Swedish support of the SIDO small industry programme has had an annual allocation in the order of 20–30 MSEK since its inception and up to 1991. The total allocation for 1977–1991 has been about 400 MSEK in current prices. In addition, the Programme has indirectly been supported by earmarked Swedish import support since the early 1980s. Allocations in import support for SIDO enterprises were in the order of 10–15 MSEK per annum, of which the enterprises were supposed to pay, but did not always pay, counter value in shillings. (Königsson et al, 1991, p.31).

A 1991 Sida-sponsored evaluation became a watershed in the Programme's development. After continuously having supported SIDO for 15 years at a high and consistent level of funding, Sida rapidly pulled out of the Programme. From a level of funding of over 30 MSEK per annum in 1990/91 and 1991/92, the allocation for 1992/93 was 10 MSEK for the last year of operation. Added to the dramatic change was the shifting of responsibility for the Programme from Sida to the newly created SwedeCorp in 1992. Both SIDO officials and former SwedeCorp staff confirm that the Programme had lost most of its credibility after the 1990 evaluation and that the end was a hasty retreat to cut the losses as quickly as possible rather than a planned phase out to rescue whatever achievements had been attained.

The negative views of the evaluation and the subsequent phasing out of SIDO came as a surprise to the officials of SIDO and the Tanzanian Ministry of Industry. The withdrawal of the support dramatically changed the operations of SIDO. According to SIDO staff, the rapid withdrawal of Sida also affected other donors' views of SIDO. It is in this context noteworthy that the review of the Sister Industry Programme came to dominate also the view of the Rural Hire Purchase Scheme (which was given a good review). This Programme was phased out simultaneously.

For Sida management the evaluation had come at an opportune time. The phasing out of the industrial sector in Tanzania had been decided, but various strong pressures to continue the SIDO Programme were at hand, both within Sida from the staff that had been associated with the Programme almost since its inception, and from the consultants who had been the counterpart. In the words of one key decision-maker in Sida (at that time in Swedecorp):

The decision to phase out of SIDO was met with a tremendous reaction among those in the house who had been involved in the programme. It was like trying to kill a baby. The emotional attachment was enormous. Königsson's report came at a time when we looked for arguments in Sida to wind up the SIDO project. He drew the argument harder, twisted the knife deep into the Programme which perhaps was not entirely fair, but perhaps was this what we looked for at this time...

The staff directly involved had already been in the process of "shedding" or removing parts of the Programme that were considered not to be required, but admit that they were not direct enough about what needed to be cut and therefore the phase out lagged. However, they never anticipated the swift break that was to come and resented it professionally when it did.

The Tanzanian Government (Ministry of Industry) was aware of the overall changing direction of the Swedish support, and saw the 1991 evaluation as a tool for that purpose:

The evaluation was unfortunate. It exaggerated the problems and was not based on facts and figures. The people who came had a preconceived notion. The picture painted is not the correct one. SIDO was a true case of encouraging partnership. That is not the normal case with donors. Of course it was not all rosy, how could it be? The idea was very good, but the problem was the choice of products. They were too capital intensive.

One Sida staff member involved shared this view, claiming that the evaluation did not check all of the facts and that it "played around with words".

In recent years, SIDO has re-emerged as a recipient of Sida support as a part of the Swedish support of the Industrial Support Organisations (ISO). This project, initiated in 1997, involves six institutions under the Ministry

of Industries and Trade of which most had been former beneficiaries of Swedish support. The project, envisaged for 2 years, has the objective of assisting these institutions to become self-sustaining in the new economic environment. The scale of the support to SIDO under this programme is of a much lower magnitude than during the previous period. Coincidentally, the Swedish consultancy firm which handles the ISO project is the same firm that undertook the 1991 evaluation of SIDO.

Achievements

By the end of the 1980s, 34 small industries had been established under the Sister Industry Programme in SIDO's industrial estates. At the time of the last evaluation these companies employed about 1,400 persons (Königsson et al, 1991). About 1,200 projects have been supported under the Rural Hire Purchase Scheme in the form of loans which might have created in the order of 6,000 jobs. Training has been provided to some 4,000 people, both in Tanzania and in Sweden. SIDO has generally been seen as an efficient organisation, *a model of efficiency in comparison to many other organisations in Tanzania*, and considered one of the best in its field in Southern Africa.

The SIDO Programme has been evaluated and studied over a dozen times since its inception. These studies have ranged from academic research to regular Sida evaluations. While evaluations carried out during the years raised various issues, the underlying tone was that it was a successful programme in a difficult environment worth improving through various means. Of importance is that most of these reviews were undertaken by consultants which in one way or another had a stake in the project (e.g. being associated with the implementing consultants). An evaluation in 1990 broke the trend and delivered a devastating critique of the Programme, especially the Sister Industry Programme (Königsson et al, 1991). The evaluation did not question the physical achievements, rather it focused on the cost effectiveness of the Programme in relation to the overall economic environment in Tanzania, and to other programmes to stimulate small industry development. It concluded that the Programme was inefficient, and ranking below most other small industry programmes in Africa and in the world. For example, the cost per job created was exceedingly high, at the level of ten times of that in less ambitious programmes; the value added to the industries was low; the industries within the Sister Industry Programme were all highly subsidised, and without the subsidies, the failure rate would have been high and most likely higher than for parallel programmes; the repayment rate of loans by industries in SIDO was lower than in most other programmes. The evaluation concluded that the Programme had created a perverted form of entrepreneurship, or persons who *successfully learnt to convert the subsidies, inputs and support provided into something that makes reasonable sense in their own environment*.

According to the 1990 evaluation, the reason for this poor performance was conceptual: The Sister Industry Programme was based on a paternalistic relationship between the industries and SIDO/FIDE/Sida, where the latter were striving for the survival of the enterprises at almost any price. Thus, when the Tanzanian economy was being reformed during the end of the 1980s, the enterprises were shielded from the reform by increased levels of subsidies (interest free loans, import support on preferential terms, etc.) to the extent that these industries gradually became increasingly privileged and subsidised. The 1990 evaluation found that *the Economic Reform Programme, which was designed to weed out inefficiency in Tanzania's industry, could not be allowed to impact on the Sister Industries*. On the other hand, the Rural Hire Purchase Programme would rank among the best in a World Bank sample of 70 programmes in Africa in terms of job creation. In the view of the evaluation it had *less pretentious ambitions and had been more successful, and, as such, pointed to the way of the future*.

The conclusions of the 1990 evaluation were poorly received by the Tanzanians, who took a different view of the achievements. The SIDO project was considered a flagship in the Swedish support for Tanzanian industrialisation, and also the most successful project. The focus of their assessment was the ethnic dimension of the Programme, not considered by the 1990 evaluation. A representative for the Ministry of Industry and Trade concluded that:

SIDO was the most important of Sida's industrial programmes and the one with the greatest impact. The industries gave the African a boost of self-confidence. It was possible to run companies successfully by the indigenous people. Some of them even became big businessmen. Those were important things after independence, it created role models. SIDO created some of the few African entrepreneurs we have. Sida provided seed money that led to some important businesses. The Sida support was very critical to us.

Sustainability issues

The phasing out of the Swedish support to SIDO meant a dramatically reduced budget for the organisation. The Sister Industry Programme was cancelled as were other SIDO activities. The organisation has lost many of its more qualified staff and its role is much reduced. The staff has been cut from over 800 to 250. SIDO's ability to provide support to the business community also has been severely affected as the operational budget suffered. For instance, as it has not been possible to maintain the vehicle fleet, the budget for travel costs diminished to almost nothing. In spite of its much reduced role, SIDO is still operating the industrial estates, undertaking training and advisory services such as *business start-up* training, and operates a

micro credit programme. The management of SIDO does not see the end of the Swedish support as an entirely negative process, as it has forced the organisation to become more self-reliant and take charge of its own development:

Today we are a stronger organisation. Weaker in financial terms but we are stronger in what to do. We have been forced to be more careful in repayment of loans. There is nothing bad to be assisted, but, on the other hand, there is an advantage in not having so much donor funding as we have to be more critical of what we are doing.

SIDO, as one of the most important support organisations under the Ministry of Industry and Trade, is also likely to survive in the long run. SIDO receives support from other donors, but at a much lower level than during the years of Sida support. The Sida support over the years allowed SIDO to expand in the 1980s and also to become more professional through major training activities and human resources development. Today, SIDO has been trimmed down to a size more appropriate for a small industry development agency. Like so many other parastatal organisations, SIDO has major problems in maintaining institutional professionalism due to the budget constraints of the government, low salary scales, etc.

At the (sister) enterprise level, the phase out has had considerable effects. After the withdrawal of Sida, the support to the Tanzanian enterprises established under the Sister Industry Programme came to a halt both from SIDO and the Swedish sister enterprises, albeit some limited contacts continued at the industrial company level. Five years after the end of the support, about half of the sister industries established have ceased to operate, and some of those remaining operate at a lower capacity utilisation than in the 1980s. Several of the companies never repaid the loans that were provided at the start up. Yet, there are a few considerable success stories, and at least one of the entrepreneurs has become one of Tanzania's emerging large scale African business men, with business interests far beyond the original enterprise.

The sister industries were set up in a different business environment than the one prevailing in Tanzania since the late 1980s. They were established for protected import substitution, many of them to supply larger state owned industries in a monopolistic situation. After Tanzania agreed to a structural adjustment programme in the late 1980s, the import substituting industries have come under increasing pressure from imports, both of consumer goods and components. The liberalisation has so far triggered a flow of capital to imports rather than manufacturing. The industries established under the SIDO programme were often capital intensive, with a strong import content. As such, they have no strong comparative advantage in the existing economy and face the unbeatable competition of low priced imported products. Added to this is an element of unfair competition as expressed by one industrialist:

How can I compete? The Indian traders are bringing in containers for which they pay very little in customs as they under-declare the value or bribe their way. I, on the other hand, cannot do that as I am manufacturing and people know my operations. If nothing changes I will have to close operation soon.

In the context of this study, a review of the status of the industries in the most important (and successful) industrial estate, Arusha, was undertaken. Of the ten sister industries established under the SIDO project, six are still in operation. More importantly, many of the owners/entrepreneurs that were “created” by the SIDO project have expanded into business outside the estate and diversified into new businesses such as trade, carpentry, agro-processing, building materials and services, hotels, etc., some of which also are involved in exports. Contrary to the 1990 evaluation, the SIDO project seems to have had a certain success in developing (African) entrepreneurs which have adapted to the dramatically changed economic environment.

Conclusions

The 1991 evaluation brought in an element in the assessment rarely used in Sida project reviews: cost-effectiveness. The evaluation put a price on the outputs achieved and compared them to other similar programmes. While cost-effectiveness is usually included in terms of reference for evaluations, the assessments, if done, tend to be vague and highly qualitative. The cost-effectiveness dimension explains why two basically contradictory views existed concerning the project: a successful project, if the costs were not taken into account; a questionable one if output-cost relations were considered. It should be noted that the project documents had no benchmarks for output-cost ratios; thus, in a strict sense, such considerations had nothing to do with fulfilling project objectives. A complicating factor in the assessment is the ethnic dimension. Comparative analysis in small enterprise development and employment creation tends to be non-specific on ethnicity. Discounting the cost-effectiveness, the Project must be considered successful in reaching its stated objectives, both in terms of fostering small industry development, entrepreneurship and institution building in SIDO.

Sida phased out of the SIDO project after 16 years. The phase out was unplanned with little concern for sustaining past achievements. The 1990 evaluation was taken *ad notam*, no second opinion was requested. The phase out was probably more driven by Sida’s overall decision to phase out of the industrial support in Tanzania, than the project performance *per se*. In a different situation, a second opinion on the 1990 evaluation would have been required, given the importance attached to the project by Sida, and the different views that existed.

The SIDO Programme supported by Sida could not be sustained after the withdrawal of the Swedish support. SIDO survived, albeit in a slimmer, but not necessarily less efficient form. The sustainability of the industries created under the Sister Industry Programme is not high, especially taking into account the costs involved in creating them. This is no surprise considering the changed economic environment, and as the sustainability is higher than the 1990 evaluation assumed. A significant impact of the Programme seems to be the fostering of genuine African entrepreneurship. The value of such impact is very difficult to assess.

Type: 1 (2)

TANZANIA BUREAU OF STANDARDS (TBS)

Project history/Sida phase out

The Tanzania Bureau of Standards (TBS) was established in 1975 under a Parliamentary Act and began operation in 1976. Its objective, according to the Act, was to be the focal point of standardisation in Tanzania and to provide quality control in Tanzania's industrial development. Priority sectors for TBS are textiles, leather, agriculture and food, chemicals and engineering. Its parent organisation is the Ministry of Industry and Trade. As TBS was established during the era of import substitution the basic justification for it was to assure good quality products for the local markets, while quality assurance for export performance was of lesser importance. That said, the origin of the idea for a bureau of standards came from the vision of an East African Standards Bureau which was to regulate the flow of goods between Kenya, Uganda and Tanzania. The collapse of the East African Community during the 1970s made this an unviable objective.

GoT approached Sweden in 1977 for support of the newly established TBS. The Bureau became part of a sub-sector programme within Sida's industrial support programme called *industrial institutions*. From 1979, the support has been in the form of institutional co-operation with SIS Service AB, which was established by SIS in 1978 partly to respond to the demands of the Tanzanian project. From the start, the support to build up TBS was seen over a 10 year period. In fact, the institutional co-operation lasted for about 15 years, until 1992.

The Swedish support to TBS was comprehensive, and has largely facilitated the creation of the organisation as it now stands. The Sida co-operation took place in three phases. 1979–84 focused on building the institution itself including the establishment of the TBS office, housing for staff and laboratory facilities. Laboratory and testing facilities were built and equipped in the fields of chemicals, construction, electricity and mechanical engineering, food and agricultural products, and textiles and leather. A laboratory for calibration

was established. The second phase between 1984-9 focused on the development of operational systems through quality schemes and training. In total, some 45 short and long term Swedish experts have worked in TBS and almost all of the TBS professional staff have received training abroad. The third phase, 1989-91, focused on Sida's phase out and developing a packaging standards capacity. During the last phase, a major investment was the construction of a Packaging Technology Centre. With the liberalisation of the Tanzanian economy, it was found that a major bottleneck for Tanzanian industries to compete on export markets was poor packaging and packaging material. External consultants recommended setting up a packaging technology centre at TBS, and such a centre was included in the 1989-93 agreement. While a large building for the centre was constructed, the centre was never completed since the Swedish support came to an end before it was equipped. After 1992, Sida provided sporadic support for specific improvements within TBS and for improving its prospects for sustainability (see below).

The intention gradually to phase out the institutional support to TBS and the other Industrial Support Organisations was expressed already in the mid 1980s (1985 Annual Review). The 1987 annual consultations with Tanzania stated that the "long term experts would be phased out, and the institutions thereafter be supported via short term inputs, training and possibly import support". (1987 Annual Review). In 1988, the Annual Review stated that the support of TISCO and MEIDA was to be phased out in 1989 as the institutions were considered commercially viable, while TBS would be given two more years. The phasing out of the support to the Industrial Organisations coincided with Sida's decision overall to phase out of the industrial sector in Tanzania in 1991. In 1992, Sida provided a one year allocation to TBS of SEK 3.7 million. The proposal by the Sida Office in Tanzania was to provide bridge financing until better information on TBS' future sustainability became available, an investigation of the allegation of corruption and mis-management of funds had been undertaken, and a clearer division of roles within Sida/SwedeCorp concerning the handling of TBS had been established. However, Sida decided to make the one year allocation a final phase out.

The scaled down support meant that the Packaging Technology Centre was interrupted at a stage when the building (financed by the Government) had been erected. Laboratory equipment had been ordered, but not delivered. It is possible that Sida's decision not to continue to support this had to do with the mismanagement of funds by TBS during the early 1990s, but this has not been confirmed by the Sida staff consulted and was never explicit. The total allocation to TBS between 1979-93 has been SEK 80 million according to SIS Service.

In 1995 a two year project of 2 MSEK in support of TBS marketing its services was approved by Sida. The support was used almost entirely to cover TBS marketing costs with no technical assistance involved. TBS is also

one of the six industrial organisations under the Swedish Industrial Support Organisations (ISO) project, and an additional budget of 3 MSEK is sought by TBS for 1997–98 to be used for the replacement of selected equipment, and for continuous marketing efforts. This is envisaged as the final contribution to TBS from Sida.

Achievements

TBS was evaluated by a team from the Nordic countries during 1988 as one of the best among fifty-five projects studied. Various stakeholders, including Sida and SIS, regarded TBS as having been a resounding success in terms of its technical achievements and in terms of the fulfilment of developmental objectives. The *Final Report on Sida Technical Assistance, 1979–93* by SIS Service AB summed up TBS's achievements in the following way:

TBS has grown to be a repository of knowledge and experience in the field of standardisation and quality assurance in Tanzania and in the region. It has, as a result, gained importance in the overall efforts to improve quality in industry in Tanzania. TBS has a strong core of key standardisers and quality assurance officers who are capable of offering effective service to industry.

The professional staff has been well trained abroad in Swedish, British and German standardisation bureaus. TBS is a member of the International Organisation for Standardisation (ISO), and has been the host for international ISO technical committee meetings on coffee, textiles and masonry. TBS has been elected the Regional Liaison Officer of ISO for the African Region on three consecutive occasions and the TBS director has been a chairman of the ISO Development Committee (SIS Service AB, 1993). TBS has established standards for about 600 products; and about one thousand workers have been trained in quality control. The *Tanzania Buyers Guide 1996*, a publication of TBS, lists seventy-three Tanzanian industries, primarily in the areas of food, beverages and home comestibles, which had been licensed by TBS by that year (by now about one hundred have been licensed).

TBS is regarded as being a well managed institution with a fairly well maintained infrastructure, in so far as is possible with the funds available. TBS management have a strong grasp of the extent to which the organisation is achieving its intended goals. Information on cumulative standards approved in different sub-sectors, the number of licenses issued, samples tested and calibrations in TBS laboratories, trained industrial personnel and revenue earnings from exports as a result of TBS technical assistance to exporters were readily available.

A desk officer in Sida stated: "We liked to take visitors to TBS. It is a nice organisation, with good facilities and well run. We thought TBS was something of a show case."

In the early 1990s, TBS was accused of various forms of mismanagement,

including corruption. These claims were not substantiated, but the Director General resigned in 1992. (Sida Insats PM 1992)

Sustainability issues

Certification and the sales of licenses were very low during the 1980s and TBS was dependent on GoT and Sida funding to a very high degree. During the early 1990s, the certification and sales of services increased, and, in particular, after the Swedecorp supported marketing campaign was launched in 1995. According to TBS management, "before this campaign very few people in Tanzania knew what TBS was".

TBS is currently operating on a budget of about TSh 340 million (1997), of which about 80 per cent is financed through own revenues. The balance is GoT subsidy with a small share consisting of donor grants. The revenues are comprised of fees for certification, sales of licenses and testing fees, and, to a smaller extent, rent of offices. TBS has successfully increased its service revenues from TSh 50 million during the first years of the 1990s to TSh 185 million in 1996 and TSh 275 million in 1997. The dramatic improvement in revenues as a result of the marketing campaign is shown below:

Table 9. Tanzania Bureau of Standards revenues, 1989–1997

Year	Revenues from services (million Tsh.)
1989/90	31
1990/91	42
1991/92	58
1992/93	–
1993/94	–
1994/95	90
1995/96	186
1996/97	275

Source: TBS.

While TBS is nearly breaking even, the budget is almost entirely for operating expenses such as salaries and allowances, with a minimum of depreciation of equipment. TBS is thus still far from a budget position, in which, through its own resources and current level of government contributions, it can maintain and upgrade its technical capacity.

TBS is dependent on continuous updating and replacement of its laboratory equipment, not only to maintain the facilities, but to upgrade them to meet current standards. Technology development is fast, and the required

laboratory equipment increasingly sophisticated. TBS has been entirely dependent on external funding for this, and the current budget is not adjusted for such maintenance and upgrading, nor is GoT likely to provide such support in the future. TBS is also dependent on sufficient operational costs, for example, for field visits or for the maintenance of air conditioners which are necessary to maintain laboratory temperatures. The lack of funds for these periodically hampers TBS services.

TBS has been trying to cut down its staff numbers from 110 to 70 technical staff, but this is difficult since retrenchment of staff is subject to public sector regulations and is regarded as being very expensive. TBS still does not have a culture utilising staff capacity fully.

During the time of the Sida support the feeling that “TBS was too big for Tanzania” emerged amongst some Sida staff. Discussions about TBS’ possible regional role, serving other surrounding countries were held. However, this role has not been developed.

Conclusions

Overall TBS can be regarded as a project which has been successful technically as well as in fulfilling the intended development objectives. In terms of sustainability, the institution has shown a capacity for adapting to market conditions and taking advantage of these. This was largely possible through Swedish support. Its future sustainability depends both on the macro-economic environment and on TBS’ ability to respond to this (which it has already shown) as well as the nature of parastatal reform and the extent to which GoT is willing to give its parastatals a chance to survive.

Although not planned from the beginning, the extended phase out period since 1989 (including Swedecorp support) has allowed the institution to adapt to the idea of managing without Sida support and has also promoted its sustainability through the commercialisation campaign.

The difficulties which TBS has in affording the replacement or repair of now dated equipment raises the question of the affordability of the high ambitions set and promoted by Swedish aid for this institution. The commitment to install a large amount of expensive equipment was made by Sida before the downturn in Tanzania’s economic fortunes during the early 1980s. Ambitions do not appear to have been adjusted to affordability given the changing macro-economic context.

Sida’s official phase out from TBS in 1992 was understood by TBS management to have been made on internal political/administrative reasons and not on the basis of an assessment of TBS’ sustainability. The packaging centre stands today as an unfinished monument at the TBS premises. For the Tanzanians at TBS at present it is a reminder of an erratic decision made by Sida which was difficult to understand in the context of TBS’ situation.

TANZANIA PORTLAND CEMENT CORPORATION (TPCC)

Project history/Sida phase out

Tanzania Portland Cement Corporation (TPCC), located in Wazo Hill 20 km north of Dar es Salaam, is Tanzania's oldest cement factory and also its largest with a current capacity of about 0.5 million tons.²⁰ It was built in the early 1960s under Swiss ownership. In the late 1960s it was nationalised and became a subsidiary under the parastatal Saruji Corporation. From the late 1970s and '80s the factory was plagued with the common problems of Tanzania's industries manifested in low capacity utilisation and losses. The reasons were various infrastructure bottlenecks, management inefficiencies and an increasing shortage of foreign exchange which prevented procurement of imported materials and spare parts by the industries. From a production level of about 250,000–300,000 tons in the 1970s, the capacity declined to 125,000 tons in 1983, or less than 25 per cent of the installed capacity.

The Swedish support for Portland Cement was initiated in 1977 under a technical assistance programme to the parastatal holding company, Saruji, and involving Cementa of Sweden. In 1984 an agreement was established between Sida and the Government of Tanzania under which Sida would finance a major rehabilitation of the factory including management, training and technical support. The project was in the form of a cooperation between Cementa (ScanCem) and Portland cement in "a sister industry arrangement." This direct contract between two production entities was the first to be supported by Sida. The Sida support was planned for 5 years (1984–1989) with an initial 3 year allocation of SEK 15 million. Portland Cement was also to be supported under the Swedish Import Support Programme to Tanzania with earmarked funds to the factory and a credit through Tanzania Investment Bank (Portland Cement would pay counterpart funds for such support and the bank loan was on normal commercial grounds). The objective of the support was to make the factory commercially viable and to reach a production level of 400,000 tons by the end of the project period of which at least 10 per cent would be exported.²¹ For the first time an incentive clause was agreed upon in which for every ton amount surpassed, extra money would be paid to the consultant. Although this did not amount to a large sum of money, trying to respond to this incentive became a matter of pride.

The Swedish support for the rehabilitation of TPCC was part of the larger rehabilitation programme discussed in 1983 between Sida and GoT with the purpose of utilising the installed capacity in some of Tanzania's industries and securing the supply of local products "of high priority" in Tanzania.

²⁰ Tanzania's two other cement factories are Tanga (500,000 tons) and Mbeya (250,000 tons). Both these factories are supported by Danida.

²¹ Sida: *Insatspromemoria* 1984.

The rehabilitation support also included printing and packaging (TKAI/Kibo paper), and agricultural implements (Zana za Kilimo). Portland Cement was the largest component of the industrial rehabilitation projects. An independent study by EIU in 1983 of the cement industry in Tanzania (financed by Danida) had suggested a rehabilitation programme of Portland Cement. Another reason for the support might have been that the shortage of cement was a constraint for other Sida financed projects in Tanzania, such as a school building programme. However, according to Sida staff involved, the main reason was that by 1984 Sida knew that the BIS was the wrong track to pursue and that the rehabilitation idea was an effort to try to install productive capacity in a few industries that had the prospect of becoming healthy. The philosophy of using what was already there and could be developed rather than starting from scratch underpinned the support to Portland Cement.

The support to TPCC was extended in 1989 for another two years on the same grounds as the first phase and with the objective of securing the achievements during the previous five years. No further support by Sida was provided after 1991. The phase out of TPCC was in line with Sida's overall decision at that time to phase out industrial support to Tanzania.

Achievements

At the time of the end of Sida's involvement in 1991, the capacity utilisation in TPCC had increased from a low level of 125,000 tons in 1983 to about 400,000 tons, or about 80 per cent of installed capacity. The Company was starting to make a profit after a number of years of being a loss making operation. A large number of staff had been trained under the Project, although the management team continued to be largely foreign.

TPCC is based on fairly old technology and continued at the time of phase out to be in need of rehabilitation. Tanzania is also a high cost producer of cement for a variety of reasons such as less than optimal capacity utilisation, and relatively high prices for fuel and electricity. A comparison in 1993 between Tanzanian cement factories and factories in Kenya and Zimbabwe indicated that the production cost per ton was almost double that of Kenya, and 30 per cent above that of Zimbabwe. However, high transport costs and tariffs made TPCC competitive on the domestic market. TPCC was also performing better than the sister companies in Tanzania with higher capacity utilisation and lower production costs.²²

In spite of good project performance, the issue of whether Tanzania Portland Cement was a good Swedish development project worth the money that was spent, requires a complementary analysis. The Swedish support to the factory was initiated at the tail-end of the basic industry strate-

²² Information provided by the Ministry of Industry and Trade.

gy era and at a time when the failures of that strategy were clearly manifested. Two years later, Tanzania would initiate a major reform of the economy, in which privatisation of parastatal industries was a key principle. It could be argued that eventually private market forces would have accomplished what Swedish aid provided. After all, the factory started as a private sector investment by an international company, and ended up the same way, albeit with different ownership. The institution building element, i.e. transfer of know-how to Tanzanians, has been considerable during the project, but a similar process of training would have taken place in a private sector environment. It could be argued that Tanzania was provided with cement during the period, but cement could have been imported at an equal, and possibly lower cost to the economy. In the process of supporting the Project, Swedish aid added to the distortion of the economy by earmarking funds to the Project and thus interfering with the market allocation of scarce resources. However, from a Government investment point of view, considering the foreign aid and the return to the investment at the privatisation, the project was a loser. From this perspective, the rehabilitation of Portland Cement is a paradox: a success in a narrow project perspective, but largely ineffective development aid.

Sustainability issues

At the time of Sida's phase out, Swedefund agreed to buy 13 per cent of the shares in TPCC, and ScanCem another 13 per cent, while the Saruji Corporation maintained the balance of 74 per cent. TPCC became the first government-owned industrial enterprise in Tanzania to be partly privatised. In the agreement of 1991, ScanCem would continue to provide management to the company.

During the first years of the 1990s, production was at a level of 0.3–0.4 million tons per annum, and the Company made profits each year, although depressed demand for cement in the country and various problems with power supply negatively affected the operation of the Company. In 1996 discussions for the further privatisation of TPCC was initiated between SwedeFund, ScanCem and the Government. A preliminary agreement was reached in 1997 that a further 36 per cent of the Company would be sold to SwedeFund and ScanCem while the Saruji Corporation would maintain a balance of 40 per cent. The Government was not prepared to sell 100 per cent of TPCC as the industry was considered "strategic". However, ScanCem, with 36 per cent of the shares, would continue to manage the company. The agreement also included a major continuous investment programme of USD 17 million over five years, mainly to be financed through commercial loans. A final agreement has not yet been reached and, according to representatives for ScanCem, there are some uncertainties due to the changing environment in Tanzania which might require a re-negotiation of

the price. Of importance in this context, according to ScanCem representatives, are the exorbitant requests for tax payments in recent years due to pressures by the donor community on the Tanzanian government to raise revenues. ScanCem showed an audited profit in 1996 of TSh 74 million, but the tax authorities claimed the profit was TSh 1.75 billion on what appear to be highly questionable grounds. ScanCem is nevertheless interested in the deal as a part of an expansion in Africa in which TPCC is currently its only operation.

Conclusions

TPCC is an example of a project that was successful in reaching the stated project objectives, i.e. making the Company commercially viable, increasing the capacity utilisation to the target of about 80 per cent and provide “locally produced essential products”. The Project was phased out a couple of years after the first planned exit, and the Company appears today – 6 years after the end of the support – to be both technically and financially sustainable under its current ownership and management arrangements. The government, (Ministry of Industry and Trade), considers the Project a success story since TPCC is the best operating cement factory in Tanzania and was also a pioneer in the privatisation process. Scancem seems determined to increase the efficiency of the factory through trimming the staff from the current level of about 1,000 to 800, and through further investments for rehabilitation to meet increasing competition on the local market and from imports. Hence, the prospects for long-term sustainability of the Company seem good.

It could be concluded that the Swedish support to TPCC has been a success, that the time frame and the phase out were largely as intended, and that the factory is both technically and financially sustainable and likely to be so in the future. Contributing to the successful process was the project arrangement with ScanCem and the simultaneous process of privatisation (although this was not envisaged at the time of the design of the project). Together, these measures gave the international company a stake in the Project and a comparative advantage to other potential buyers at the time of privatisation. In comparison to the industrial rehabilitation projects, Portland Cement is the only one that succeeded, as both TKAI and Zana Za Kilimo are closed down.

Type: 1

4.2.5 Infrastructure

HESAWA WATER & SANITATION PROGRAMME

Project history/Sida phase out

Provision of water and sanitation for all was one of the key objectives of the Government of Tanzania in the 1960s and 1970s. In 1971, the government set the policy that the whole rural population should have access to piped water by 1991. Rural water and sanitation was one of the first activities Swedish aid supported in Tanzania. The sector has been one of the major sectors in Sida's support to Tanzania over time. From the beginning of Swedish aid to Tanzania until the 1990s, water and sanitation accounted for about 15 per cent of the overall support, making it the third largest sector after industry and education (Adam et al, 1994). Until the early 1980s Sweden was the largest donor in the sector and accounted for as much as 80 per cent of all the external support (Therkildsen, 1988). The share has thereafter declined considerably, as other donors, notably the Scandinavians and Dutch have moved into the sector.

Rural water supply also became one of the first problem areas of Swedish support in Tanzania. The diesel pump schemes which had been established during the 1960s and '70s were collapsing due to lack of maintenance and a technology that was unsuitable for rural Tanzania. A major review of the sector in the mid 1980s concluded that the technology was inappropriate, inadequate consideration had been given to maintenance, the institution building had failed, and the ambitious Tanzanian objective of providing water for all by the early 1990s, would fall very short of the target (Radetski, 1986). In mid 1975 the planning of a new Swedish rural water project had begun which took into account the lessons from the past by focusing more on the software aspects of the water supply. This planning resulted in the HESAWA (HEalth, SANitation and WATER) project.

In a review of the water sector in the mid 1980s, the HESAWA project was described as "the most ambitious among donor funded projects, based on participation and integration of health, sanitation and water activities" (Therkildsen, 1988). It encompasses basically all the Swedish assistance in water and sanitation since 1985, accounting for about 10 per cent of all Swedish sector-specific assistance (1985/86–94/95). The Project covers three regions in the Lake area: Kagera, Mwanza and Mara, with a total rural population of about 5 million. The Swedish disbursements to HESAWA since 1985 amount to about 350 MSEK and the current level of disbursements per annum are at the level of 40 MSEK. The Project is currently in its third phase (1994–98) and is expected to continue until 2002 when it will be phased out. At that time, some SEK 600 million will have been invested. The Project would be one of Sida's largest ever in Tanzania. The focal point of the Project is provision of low cost technologies such as shal-

low wells, the use of traditional water sources, and the integration of health, sanitation and water with active participation of the villagers using various forms of participative techniques. HESAWA was one of the first attempts of this nature with the overriding objective of changing the previous culture of a top-down supply by the government to one where the people themselves would maintain and pay for their amenities. This approach is now common for almost all donor funded water and sanitation projects in Tanzania.

HESAWA was planned with a considerable input from external consultants, the conceptualisation largely driven by the donor. The Project has also been implemented through an extensive use of local and expatriate consultants. For example, the Project started out with 17 long-term expatriate advisers and in 1996 there were still some 100 expatriate and local consultants, and non-governmental persons working in HESAWA. This has contributed to the controversy surrounding the Project, from claims of a Swedish created “empire” bypassing most structures in Tanzania and “a playground for the donor and its consultants”, to one of the most innovative and ambitious projects to create social change which has set a trend in Tanzania.

The phase out of HESAWA has been discussed for some time by Sida. It has been decided that a fourth and final phase of the Project over 4 years, 1998–2002, will be a phase out period. The focus of this phase is sustainability.

Achievements

A 1992 evaluation concluded that the Project had achieved a great deal under very difficult macro-economic circumstances and contributed to new directions in the Tanzanian water and sanitation sector as a whole (Smet et al, 1993). HESAWA was evaluated a second time in 1996. The evaluation found that the Project had performed well in terms of physical outputs (in water supply, but less so in sanitation). Another major achievement had been addressing the by-pass aspect through greater integration of the Project with the existing administration and decentralisation to the districts (Smet et al, 1997). However, both evaluations criticised the Project for paying too little attention to sustainability. They concluded that the current system of maintenance for improved water supply was quite poor and that the old culture of expecting the government to provide the needed services had not been broken. They found that the willingness and the ability of villagers to pay for and maintain their improved systems were yet to be tested and that there was a reluctance in many villages to assume responsibility for the installed facilities. The 1996 evaluation found that about 30 per cent of the water systems in phased out villages had broken down, been stolen or dried out, and that the capacity for proper operation and maintenance was still poorly organised. The capacity was “disappointingly low”.

HESAWA has provided water to about 30 per cent of the rural population in the three regions. In total, some 1.5 million persons have been reached, a number that will expand up to the end of the Project. The sanitation coverage is much lower, at about 1–2 per cent mainly due to a low demand.

HESAWA is a very ambitious project, attempting to implement a new style project on a broad scale. As such, the cost effectiveness has not been assessed. The two past evaluations have only made comments in passing as to this matter. The 1992 evaluation found that it was not possible to assess the cost effectiveness of HESAWA partly due to poor financial recording (not allowing cost analysis), partly due to the complexity of what the Programme was all about and wanted to achieve. The evaluation noted that it was administratively quite expensive, and that of the total funds, only about 20 per cent actually accrued to the villages in concrete assets. A major cost element of the Programme was expatriate consultants and long-term advisers. The evaluation made no effort to undertake international comparisons in terms of unit costs, or to compare HESAWA to other water supply schemes in Tanzania. The 1996 evaluation had even less to say on cost effectiveness, except that “there is ample room to improve the efficiency and effectiveness”.

The heavy dependency on external consultants, which contributed substantially to the costs, has been criticised by the evaluations, and is also a criticism voiced by the Tanzanian host ministry, as expressed by a senior staff member:

Of the project cost, 60–70 per cent goes back to the donor, while very little trickles down to the people the project is aimed at. There were always too many foreign consultants. They sent advisers who not always knew their field, and in fact were less qualified than people available in Tanzania. We were in the hands of the implementation consultant, had no choice in this matter. We couldn't understand why there should be so many foreigners in this project.

Sustainability issues

Sustainability and phase out has been on the mind of Sida for quite some time. The focal point of the 1996 evaluation, according to the terms of reference, was to look into the issue of phase out to make “a satisfactory transition from a heavily subsidised programme to a sustainable consumer-driven programme based on self-reliance”.

The sustainability of HESAWA means basically three things:

- 1) the ability of the Tanzanian government (or local governments) to carry on a programme such as HESAWA after the Swedish aid is ended, i.e. to replicate the provision of services to other regions of Tanzania;

- 3) the ability of the district authorities involved in the project, to provide continuous support in their domains to those villages which have not yet been supplied with water systems and to monitor the progress and maintenance in those villages supplied; and
- 3) the ability and willingness of the villages to maintain existing water and sanitation systems.

In respect of the first point, the sustainability is likely to be very low if relying on Tanzanian resources. The Swedish assistance covers a considerable share of the HESAWA project cost, in the order of 80–90 per cent, while the government and the local communities cover the balance. Within the prevailing economic conditions of Tanzania, the ability of Tanzania to replicate the Programme post-aid is very limited. On the other hand, the sector with its direct relevance for the rural poor is likely to receive continuous support from donors. The HESAWA concept in the form of participative methods for water supply based on the principle that villagers themselves maintain the system, is well entrenched in the donor community. In this, Swedish aid played a lead role.

In respect of the second point: HESAWA began to a large extent with its own administrative structure, only partly integrated with the existing government structure. According to the 1992 evaluation, for many of those working in the Programme it was almost impossible to imagine HESAWA continuing without external help:

HESAWA was perceived as semi-autonomous programme which had been overlaid onto the existing structure... and a Sida programme implemented through government, rather than a government programme supported by Sida.

In 1996 a major change had occurred in the Programme in which the District level had largely been merged into the existing government structure which had taken over the planning and implementation formerly undertaken by consultants. The 1996 evaluation also found that the district staff had absorbed the HESAWA concept and applied this to a large extent in the villages.

Yet, the 1996 evaluation concluded that the sustainability of the Programme at the District level was likely to be low after a phase out of the Sida assistance due to financial constraints. It claimed that most of the services would thus most likely break down, although certain aspects could be taken over by the private sector (provision of materials, etc.). The evaluation saw the opportunities for sustainable human resources development as slim in a post-project period due to the financial constraints in the Districts. (Smet et al, 1997). The current trend in Tanzania is also to load many responsibilities onto the local governments, both by the central government

and in donor projects, often through the 'matching funds' concept. In a projectised environment, donors and projects have little knowledge of competing demands for local resources, and not much know-how of local capacity for resource mobilisation, especially in the long run. While water is an essential demand of the rural population, the demand for health care and education is likely to be much higher, and hence will take priority.

On the third point, the evaluations were rather pessimistic as indicated above, although the project management is more optimistic. The means for maintenance are water user groups and HESAWA committees, potentially integrated into the village government structures. The long-term sustainability of such structures hinges on a broader development than the HESAWA project as such, and could be described as an effort to re-establish a functional decentralised system of local administration with the village as a base. Such a system was in place in Tanzania prior to the government reform of 1972. There are conflicting views of the opportunities for re-establishing a functional system.

The idea that the government will provide services free of charge in line with the 1960s and '70s policies is slowly losing credibility amongst Tanzanians in view of their experience. New political statements that the private sector will be the driving force in development adds force to this view. According to a policy yet to be officially announced, rural water supply should be commercialised and subject to market forces.

On the other hand, there are a number of sometimes overlapping and competing donor assisted projects in rural water supply and sanitation which are contradictory to these policy statements. This is particularly so in the Lake Victoria Region due to the inflow of refugees from Rwanda and Zaire. These populations are served by a large number of donor assisted projects, also affecting the resident populations. Such a development might undermine any attempt to transfer the responsibility for water supply to the recipients as another project might take place, rehabilitating broken down supply systems free of charge. A similar contradictory trend is, or was, the HESAWA focus on implementation targets, rather than the underlying concept of self-sustained operations.

Conclusions

HESAWA seems largely to have become successful in fulfilling at least some of its key objectives, i.e. to establish a new style of service delivery and to provide water and sanitation through simple technologies to a large number of rural households. However, the objective of creating true ownership at the village level is yet to be assured. The ultimate effect on health conditions amongst the target population is not assessed, nor is the cost effectiveness of the approach. Sida is making a concerted effort to develop a phase out period for the project during 1998–2002. The Plan of Operation for the fourth

phase has established a vision for the end-situation, basically aiming at sustainability both in terms of acceptance of the HESAWA concept, and the means of service delivery by the central and local governments, and of the water systems established by the village governments. While the vision is commendable, the realism of attaining such a vision is a different matter. A number of factors are obstacles, as outlined above, both at the institutional level and in the villages. As a service delivery mechanism the Project seems to lack the financial means, with an ambition level far beyond the current means of the central or local governments. In terms of the maintenance of existing schemes by people themselves, the views are contradictory and the outcome too early to tell. There is a great risk that HESAWA shall go down in history as yet another donor driven by-pass operation, conceptualised abroad, and implemented with staff and means far beyond what Tanzania could mobilise. The risk is that once the Project is over, little will be left of a service delivery mechanism in the HESAWA districts or with which to replicate the Project in other districts. The Project seems primarily driven by a desire to show implementation results, thereby subordinating mechanisms to facilitate sustainability. Examples of this are the continuous strong dependency on consultants (reflecting the fact that the ambition level in the Project is far above what the existing administrative structure can undertake), and by-pass of the market in supplies. It took HESAWA a very long time to begin to stimulate a local market for the supply of pumps and spare parts, and to abandon centralised supply through the Project.

Type: 3 (2)

PANGANI FALLS POWER STATION

Project history/Sida phase out

Economic infrastructure has become the second largest sector in financial terms in the Swedish support to Tanzania over the last decade (1986–1995). It accounts for 11 per cent of all support for that period, or about 22 per cent, if the non-sector specific support is excluded.²³ Electric power, especially hydro-electrical power, is by far the most important type of economic infrastructure supported by Sweden, accounting for 18 per cent of the sector specific support during 1986–95, the balance being largely in telecommunications. To some extent the support for power supply can be considered linked to the industrialisation policies of the 1970s and 1980s, as the industries planned and/or established are the main consumers of electricity in Tanzania, and the expansion of the supply has been linked to a pro-

²³ Water and Sanitation is excluded in this category here and treated separately, but included in the Sida statistics.

jected increase in demand from the institutional users. Electricity accounts for only about 1 per cent of the total energy consumption in Tanzania, and the household consumption of electricity is less than 40 per cent of that. About 90 per cent of the household consumers are urban, while rural electrification in Tanzania is marginal (Dahlström et al 1997).

In contrast to other sectors, Swedish support for infrastructure, especially power, has to a large extent been in the form of discrete projects delivered on a turn key basis with shorter project periods, rather than more broad based and long-term sector programmes. Thus, Swedish aid has financed a series of hydroelectric power plant construction and rehabilitation projects since the 1960s, generally in co-operation with other donors/lenders, especially the World Bank, EU, Norway, Finland, Canada and Germany. This support includes Kidatu and Mtera hydroelectric plants which were built or rehabilitated during the 1970s and '80s (330 MSEK), and Pangani and Dar es Salaam gas turbines built in the early 1990s (410 MSEK). Recently support for Kihansi and the rehabilitation of Kidatu have been initiated with an estimated Swedish support of 300 MSEK during the late 1990s. Sweden has financed about 20 per cent of Tanzania's power plants. (Dahlström et al, 1997).

Tanzania expressed interest in Nordic support for rehabilitation of the Pangani Falls Power plants in the early 1980s. The Pangani river already had four stations; two small stations and two larger stations. A prefeasibility study was undertaken in 1985 followed by a feasibility study in 1989–90. Both studies argued that Pangani (constructed in the 1930s) would be the best option for Tanzania to meet its expected future demands for electrical power. Originally, the Project had been suggested in a Canadian plan for national energy supply in 1985.

The Nordic countries commissioned an appraisal which was undertaken by Swedepower. The Project, initiated in 1991, was a renovation and rebuilding of the old Pangani dam and the establishment of two new turbines of 66 MW in total. The Project was financed by NORAD (42 per cent), FINNIDA (33 per cent) and Sida (25 per cent) with NORAD acting as the lead agency. The total cost was about USD 100 million and the supply by the three donor countries was more or less proportional to their financial shares. The Swedish contribution was SEK 210 million. The Pangani Project was as a turn-key operation with most of the supplies provided from abroad, but also with a considerable training element of local staff. The plant was established ahead of schedule, and commissioned after three years in 1994.

The Project is phased out, and the Tanzanians have taken ownership of the Pangani plant. There is limited follow up work by NORAD which is expected to end early in 1998, while the Swedish aid is phased out. No specific phase out period was envisaged since the Project period was limited by the completion of the renovation and rebuilding. As a part of the agreement the suppliers are to provide 2–3 years of support service to the plant.

Achievements

Sida support to the Tanzanian energy sector was evaluated in 1997 when a sector review was undertaken (Dahlström et al, 1997). The evaluation concluded that the Pangani project had fulfilled the expected outputs as expressed in the Logical Framework Analysis for the Project. The technology transfer and training had been *very extensive and very successful*... The review also found that the Project was executed in a very professional way and that the station was commissioned 3–4 months ahead of the scheduled time and well within the budget. The *environmental impacts of the project have, on the whole, been quite benign, and the team could not see any overwhelming problems in the future*. The evaluation team concluded that Pangani, to a great extent, is a successful project. The Project was also seen by the Sida administrators as problem free and well implemented.

While the 1997 evaluation concluded that the Swedish support to the Tanzanian power sector had been relevant to meet many of the stated goals In Tanzania's National Energy Policy, it had not contributed to the overall objectives of Swedish aid. For example the support had *no decisive effect on the growth of resources in Tanzania, or on reducing poverty and promoting social equity*. This was partly attributed to the fact that Sida had *jumped from project to project* and had made no analysis of the distribution effects of the projects. The evaluation claimed that the support sometimes has been used to meet disbursement targets for the annually determined total Swedish assistance to Tanzania. The evaluation also pointed to the fact that the Pangani project and other plants had been justified on the basis of growth in power demand which had been exaggerated, and which more effectively could have been met by increasing the efficiency of the system rather than increasing the supply. The evaluation found that the institution building element of the energy sector support had been limited to construction and operation of the plants which had been successful, but that TANESCO, the government-owned electricity company owning the power stations and the distribution system, had major weaknesses in other areas such as management and financial control.

The Pangani project was included in a recently published critical study of Scandinavian aid to power projects (Usher, 1997). The study claims that there is an existing, and potentially escalating conflict concerning the use of water in the river between peasants using traditional irrigation methods, large-scale modern irrigation schemes established since the late 1980s by World Bank and Japanese financing with further expansion planned, and the power plants in the river. The consultants involved in the feasibility study of Pangani identified the conflict and the likelihood that the supply to Pangani would be insufficient for full capacity utilisation. They considered traditional irrigation as the least inefficient, and concluded that there was a clear national economic gain in shifting from traditional agriculture to power production. The risk of reduced food security in the local area was identified,

but considered less important than the increased supply of power for industry and consumers of electricity. The study concluded: *In practise, the Nordic aid project paved the way for a power struggle between the Tanzanian power company (TANESCO) and the poorest peasants in the river valley of Pangani.*

The study further claims that a local sociologist involved in the feasibility study was prevented from assessing the effects up-stream and limited to the area of the dam. The sociologist claimed that the consultant's assessment underestimated the negative impact on irrigation, and over-estimated the supply of water in the river. An issue brought up by the review is the closed network of consultants that had been involved in the assessments: Thus, the consultants used (Norwegian Norplan and the Finnish IVO) were used in all stages of the preparation, feasibility study, the economic impact assessment, as well as the implementation (Usher, 1997).

Others claim that a more balanced view needs to be taken and that there were both winners and losers amongst the irrigating farmers. The claim is that before the Project, farmers upstream who are relatively well off used most of the available water in an uncontrolled way, leaving nothing for the poorer farmers downstream. The Project initiated a rehabilitation of the water irrigation scheme, including fee collection. As a result of the Project, farmers downstream now had water for irrigation.

While in a narrow sense a problem-free project, Pangani is, or should be, a controversial one from a developmental perspective. There are three basic issues:

- 1) the project's distribution effects and its relevance for the overall objectives of Swedish aid. In a country such as Tanzania, with its very low degree of rural electrification, the distribution impact of a new power plant is by necessity urban biased, "benefiting" an economic sector which has a record of low efficiency, and possibly has acted as a drain on the economy rather than the opposite. In addition, there is a potential conflict of water up-stream of the Project, with peasants using traditional irrigation methods as the likely losers. As noted above, the 1997 sector evaluation claimed that the Project is not likely to have any decisive effect on the growth of resources in Tanzania, and on reducing poverty and promoting social equity. Thus it is difficult to see how it has contributed to the overall objectives of Swedish aid. (Dahlström et al, 1997).
- 2) the narrow focus of the Project – providing a turn-key plant – in an institutional environment with very serious problems of management, financial sustainability and possibly rent-seeking is in itself an issue. The record of the past has been one of mismanagement, triggering neglect of power plants built, rapidly leading to a need for rehabilitation in which donors provide the finance. It is a system of capital-destruction also known in other sectors of the Tanzanian economy. There is an in-built perverse incentive structure in such aid: from a narrow Tanzanian perspective it is more cost-

effective to neglect the maintenance of assets created as a) recurrent costs for maintenance usually have to be provided from the Government's very limited resources; while b) donors are generally willing to provide funds for rehabilitation and therefore this is a free resource for the government. Sida's focus on the provision of a turn-key project in the Pangani case is contradictory to overall learning in aid, and in aid to Tanzania in particular: there is a need to take the institutional environment into account; ultimately, a Project is no better than the institution operating it.

- 3) The potential privatisation of the power sector raises an interesting question from a donor perspective. That is, who is the main beneficiary of the aid, if, which is likely, the price paid by a private investor, is much below the capital investment in the assets sold? From a pure economic perspective, the investor will have to discount the value of the assets due to the operational problems in the sector and the political and economic risks of investing in Tanzania. From a business point of view, the demand for privatised industries and other economic operations in Tanzania, as elsewhere in most of Africa, is limited, resulting in prices paid at the bottom end of the assessment of the value or below. A result of the ongoing privatisation of Tanzanian industries and infrastructure operations might be that Swedish aid eventually will find that it has subsidised various non-Tanzanian private investors, generally multinationals.

Sustainability issues

The sustainability of Pangani is related to three basic factors: 1) a sufficient supply of water in the Pangani river, taking into account the conflicting demands on water by irrigation and power, and the irregular pattern of rainfall; 2) the technical capability of its owner to operate the plant; and 3) the owner's ability to maintain the plant financially. The first issue has been the subject of considerable technical assessment, it has been debated by the Usher study, and will, due to its technical nature, not be commented upon here. The technical capability to operate Pangani is judged to be good by both the donors and Tanzania, and is not questioned by external reviewers; the training under the Project was excellent, according to both Tanzanian and donor representatives, and the skills amongst Tanzanian technicians was considered good.

Financial sustainability is much more the question. The problem is not related to the economic viability of Pangani as such, rather to the owner's ability, the parastatal organisation TANESCO, to charge for the electricity supplied, particularly from its main customer, the Government. The government organisations buying power from TANESCO have been notoriously poor payers, and TANESCO has limited leverage in collecting overdue payments. Added to this is the claim that TANESCO is a corrupt organisa-

tion, which not only potentially reduces its financial strengths, but more importantly, might reduce its motivation to collect payments. The past record of TANESCO is very poor on maintenance due to its inability to generate revenues. As a result, power plants are being run down due to the lack of spare parts, and TANESCO is an organisation which is running at loss, requiring state subsidies. A consequence of this is also major losses in the power distribution system due to inefficient use. As noted above, the 1997 evaluation claimed that the assumed increase in demand for electricity more effectively could have been met by increasing the efficiency in the system rather than increasing the supply (Dahlström et al, 1997).

These conditions are well known to the donor community, yet few efforts have been made in strengthening the host institution or establishing conditions for the government concerning the operation (and financing) of maintenance. A Norwegian donor representative described the reasons as follows:

We know of the bad conditions in the system, but there is a lot of political pressure from home on these projects. Out here, we want to be tough, but the political considerations from home eventually take the upper hand. The industries supplying the equipment are also a pressure group ...

TANESCO is to be privatised, as the government has been under pressure especially from the World Bank to privatise the energy sector, both in distribution and power generation. No decision has yet been made, but the pressure from the World Bank, the main funder of power projects, is considerable. In general, the sector is very controversial as the government is alleged to have been involved in corruptive practices in relation to a private sector power supply plant financed by Malaysian private investors. The agreement reached with the investors by the previous government is devastating for Tanzania, in the view of a World Bank official:

The Malaysian project will destroy TANESCO as a viable organisation and threaten the future of the sector. They took the Tanzanians for a ride, it is one of the worst deals we have seen in the energy sector for many years

The World Bank is considering cancelling its future support to the sector as a result of this controversy.

Conclusions

From a project perspective, it can be concluded that Pangani was successful in achieving its stated objectives and was phased out as planned after 6 years, in fact somewhat ahead of schedule. The technical sustainability of the Project is likely to be good, while its long-term financial sustainability is related to the owner's overall financial performance. Tanzania's depen-

dence on the donor community and the strong drive mainly by the World Bank to pursue the privatisation of major infrastructure companies such as TANESCO, is likely to change the conditions in the sector dramatically. While the purpose of the privatisation is to increase efficiency and to reduce the current mismanagement by the government, the short to medium-term outcomes and the implications of Pangani can only be a matter of speculation.

Type: 1

TANZANIA-ZAMBIA RAILWAY AUTHORITY (TAZARA)

Project history/Sida phase out

The TAZARA project was established under a Tanzania-Zambia Government Agreement in 1968. By this time the two Governments had already accepted an offer made by the Peoples Republic of China in 1967 to construct a railway line connecting the two countries on a turn-key basis. The project was financed by an interest free loan corresponding to approx. 500 million USD. The World Bank had earlier reviewed the possibility of financing TAZARA but declined since the Governments would not agree to the restructuring of the management of TAZARA prior to the commencement of the project. With Chinese support TAZARA came into full public service in 1976 when the railway was handed over to the Authority.

The concept of "Corridors" in Southern Africa was introduced around 1980 when the Southern Africa Development Conference (SADC) and the Southern Africa Transport and Communications Commission (SATCC) were established. This was in response to the need for concerted actions by governments and donors to assist the 'front states' in their endeavour to become less dependent on South African links to the sea. The original mission saw TAZARA as a means for making Zambia's trade with the outside world possible.

The Nordic countries played an instrumental role in the development of the concept through the support to SATCC and to many projects identified and promoted by its Transport Unit.

Sida and a number of other donors supported two main links in the Northern Corridor from Dar es Salaam to Lusaka, that is the development of the port in Dar es Salaam and the rehabilitation of the railway between Dar es Salaam and New Kapiri Mposhi in Zambia. In 1984 the Authority issued a Ten-Year Development Plan (TYDP) on the basis of the recommendation from the donors that "the Authority prepare a project dossier according to the requirements of the international financing institutions". This was modified in 1988 in light of the development in the region. The TYDP was basically a rehabilitation programme.

The total amount contributed by Sida over the period 1986–95 is estimated at 253 MSEK and there were three different agreements. Sida contributed a total of 139 MSEK to the rehabilitation of quarries and rail burn repair, 110 MSEK for the supply of 375 goods wagons in 1988 of which 86 MSEK was spent and the balance was transferred to the rehabilitation of quarries, 27.6 MSEK to the Project Co-ordination Unit (PCU) and funds for a Commercialisation Study commenced in September 1992. Boliden of Sweden was responsible for the rehabilitation whereas SWECO was involved in managing the PCU. Sida's commitment to TAZARA expired in June 1995 at the end of the implementation of the TYDP. At the TAZARA Donors Conference held in Lusaka in 1995, Sida stated that it would be willing to discuss terms for funding short term consultancies in the form of management for tasks related to the commercialisation process during two years and up to a maximum of 2 MSEK. The effective implementation of the Commercialisation Programme only started in July 1995. Only a minor share of the granted support was used. This whole investment in TAZARA was made parallel with a substantial investment in the port of Dar es Salaam.

Achievements

The equipment and TA were delivered and the planned rehabilitation undertaken, although there were many problems of delivery due to the inefficiency of TAZARA. There were long delays despite the fact that Sida had entered into an arrangement whereby both Boliden and TAZARA would get bonuses if they completed the work on time and the development followed the plan. The delays due to inefficiency and the fact that the extent of the rehabilitation required was not correctly anticipated, meant that the costs to Sida were much higher than originally planned.

The TAZARA management, for reasons unknown, showed apparent distrust towards the PCU for much of the period of the support. The Unit was never allowed, as had been originally envisaged, to take an active part in the actual co-ordination of projects within the TYDP as regards aspects of (local) resource allocation, financial and other. Rather, the role of the Unit turned out to be as a supplier of information and logistical support and as a liaison organ vis-à-vis donors. TAZARA also notoriously failed to meet agreed requirements regarding local resources. However, as the plans for the commercialisation process became clear in 1993, TAZARA became eager to retain the PCU to support the reorganisation. The PCU continued to the end of the Sida support, but the results of the reorganisation, when evaluated one year into its implementation were poor.

A 1994 evaluation commissioned by the EU and undertaken by TecEcon focused on the Tanzanian Transport Sector. This stated that there were some good impacts of the support on TAZARA in terms of improved safety,

increased reliability and longer life for wagons and locomotives. However, on the whole the project's achievements seemed throughout to be compromised by problems of management, lack of responsibility and "by-goals" (maximum acquisition of new equipment, higher level of technology in the operation, retaining the status quo in terms of personnel/economic setup/remuneration). A 1989 high level letter from Carl Tham, the then Director General of Sida to the Minister for Power, Transport and Communications of Zambia, made clear the nullifying effect on rehabilitation of the management's disinterest in making TAZARA work. Furthermore it noted the fact that after only 10 years of operation TAZARA was completely run down. He stated: "a railway should, even under very difficult circumstances, not need any major rehabilitation effort during the first twenty years or so of operation – if elementary rules and guidelines for operation are adhered to and enforced". The following section of the letter sums up the situation: "If this rate of damage is maintained, it appears as if TAZARA will not be much better off after the ongoing rehabilitation effort than it was before, in terms of haulage capacity. The equity and the debts, however, will of course have increased considerably."

The 1989 letter from Carl Tham raised the prospect of two options for Sida: 1) to discontinue support to all physical investment and concentrate Swedish support on training, human resources development and management; 2) to continue financing investment in physical assets, conditioned on demonstration from the Owners of recognition of the noted problems, especially in managerial development. It appears that 2 was followed as a result of some improvements in the management which were insufficient to bring about any real changes.

The 1996 review of the commercialisation process showed that few of the recommendations had been implemented mainly because the Owners (GoT and GoZ) had not let TAZARA go ahead with urgent decisions and it had not been possible for TAZARA to negotiate a favourable agreement with important stakeholders such as the port of Dar es Salaam and the Zambia Railways. It stated:

TAZARA at the end of 1996 is a crisis organisation:

- *Financial crisis due to low profitability;*
- *Market crisis due to lack of strategic alliances with its main customers;*
- *Operational crisis due to lack of adequate rolling stock and non-functional systems.*

There were other alleged blocking factors to any major structural changes: the fact that GoT and GoZ were highly sensitive to the 'back seat drivers', the Chinese; the fact that Zambia Railways had little to gain from co-operation so long as they had the option of directing goods by the much longer route down south.

Sustainability issues

The 1994 evaluation stated that the Net Present Value was –42.0 million USD and the Economic Internal Rate of Return –7.3 per cent. Furthermore, it stated that TAZARA was unlikely to be financially sustainable in the foreseeable future. Even with the writing off of a sizeable Chinese loan (USD 566 million), TAZARA could not generate sufficient surplus to keep up with new replacement capital investment in track and operating equipment, to pay the level of expertise (much of it expatriate) required to operate, and to maintain and manage what is a large pool of relatively sophisticated equipment.

TAZARA's declining traffic volume was blamed on the increased competition from South African transport corridors following the political changes there. However, the 1996 review of the Commercialisation Process did not see a decreasing market as a threat if TAZARA could perform in accordance with customer requirements. The major constraints were seen as "internal efficiency and the working relationships with Zambia Railways and the port of Dar es Salaam".

The reforms of the 1990s opened up new opportunities for the commercialisation of TAZARA and it was in this context that Sida turned to funding a Commercialisation Plan (1992/93) with the intention of making TAZARA self-sustaining. Sida provided technical assistance for the preparation and initial implementation of the plan to 1995. However, the commercialisation plan appeared to be too little too late. Despite the fact that its implementation only commenced in July 1995, Sida and other donors (all apart from Austria) withdrew at the end of the TYDP. According to SWECO who were involved in the PCU, "the only possible explanation is that the donors were tired since the project had been going on for many years".

USAID prepared a "TAZARA briefing paper" to the donor community dated May 23 1996 summing up the result of a USAID sponsored evaluation undertaken by Value Management & Engineering. The key findings were that: TAZARA's locomotive availability rate was 50 per cent and falling (despite the delivery of 17 GE locomotives by USAID); that TAZARA was experiencing a financial crisis (railway losses totalling 1.73 billion TShs in FY94–FY96 and expectations that it would have losses exceeding 1.77 billion TSh in FY 97); that TAZARA's commercialisation plan was 3 years behind schedule and insufficient to overcome current operation and financial crises. The USAID evaluators also concluded that there was a need for TAZARA, since its collapse would mean that heavy cargo would be transported by road thus causing significant damage to the paved roadways under the Integrated Roads Project which were being funded to the tune of USD 1.4 billion. The available freight from Zambia, Malawi and Zaire, according to the evaluators, was sufficient to support a railway of between 850,000 and 950,000 tons per year. In the paper, USAID proposed itself as a leader

to move TAZARA towards immediate privatisation. It called on the assistance and support of the donor community in Tanzania for this. GoT has taken the decision to privatise TAZARA under the parastatal reform package of the Government, although it has not yet taken place. Sida supports GoT's parastatal reform unit. Any privatisation will, of course have to overcome the same factors which previously blocked structural reform. Any privatisation would require co-operation between both of the owners, the governments of Tanzania and Zambia. Previous attempts (going back to 91/92) by Sida and the other donors to bring about discussions on a viable agreement between the two Governments were always snubbed. These discussions involved options such as the privatisation of TAZARA and its amalgamation with Zambia Railways, or the splitting of TAZARA at the border and the joining of the Zambian part with Zambia Railways. The reply was always that TAZARA was one and indivisible. Some attribute this intransigence to the Chinese factor.

New management was installed in the fall of 1997. The new Director seems very optimistic on the outlook for TAZARA, stating that on the basis of increased efficiency (improved turnaround times of wagons and better utilisation) and competitive prices, TAZARA could break even in the next financial year and would be able to declare dividends in 1998. In its Performance Report for the 1st Quarter ended September, 1997, the Authority reports its revenue position to have improved by 67.2 per cent from the previous quarter. It recorded an operating surplus of Tshs 154 million in the quarter under review as compared to an operating deficit of Tshs 3,057.7 million in the previous quarter. These figures seem miraculous, given the situation described by both the Sida and USAID evaluations only a few months before, the fact that TAZARA continues to be fully Government owned and that the new management has been in place for only a few months. Significant retrenchments have not yet been made – the Director estimated the need for a reduction from 5300 staff to 3000.

Conclusions

The approach taken to developing TAZARA led neither to the fulfilment of the technical nor developmental objectives of the project, despite the fact that the donors delivered all that they said they would under the TYDP. TAZARA was, at the time of the phase out of most of the donors, a deeply indebted organisation running at substantial loss. The USAID briefing paper summed up the situation at the end of the TYDP well: "TAZARA now has an operating record of twenty years. Its first year of operation (1976/77) was its best. The amount of cargo handled in 1995/96 will be only one third of that level. The trends in locomotive availability, reliability, traffic, revenues, cost control, and operating efficiency are all down and it is doubtful that any of the programs in place or planned will be sufficient to turn the situation around."

The TAZARA experience showed, amongst other things, that without the right management structures and staff, such a venture would never succeed. In this sense it is comparable to other infrastructure investments such as those in the power sector made by Sida and other donors. While the importance of addressing institutional issues becomes very quickly evident, they are not addressed until the point where the donor-recipient relationship has become very strained as a result of management inefficiencies. In the case of TAZARA, as in the case of Sida's infrastructure investments in the power sector, the question of why institutional issues appear to come last needs to be asked. One answer to this, which is a feature common to donor agencies, is the urge to disburse. Large infrastructure projects such as TAZARA, which had a ten-year disbursement plan, present an opportunity to disburse large volumes of funds over a relatively short period of time. While this barrier to sustainability is related to what one could call perverted incentive structures in the donor community, the TAZARA experience also showed how the urge to disburse plays itself out in the recipient environment, creating perverted incentive structures in this forum as well. In the case of TAZARA, the incentive to maintain appeared to be low from its inception since donors seemed constantly prepared to put more money in to rehabilitate and to provide new equipment. Typically, TAZARA would experience a brief upturn in locomotive availability rates and in its financial position once new wagons were delivered through procurement by donor funds, but shortly thereafter a swift decline would commence. The logic of maintenance became illogical in a situation where there was a belief that eventually that which failed or got lost would be replaced free of charge.

Sida phased out, as planned, at the end of the TYDP. However, the timing of the phase out was inappropriate. In hindsight, there were two scenarios for a more appropriate phase out. Sida might have phased out much earlier, having recognised the gross inefficiencies and mismanagement within TAZARA, and avoided throwing good money after bad. A second scenario is that it might have seen the reorganisation through, as it had already committed considerable funds to planning the reorganisation. In the end, the impression that is left is that Sida was tired and was determined, with other donors, to take the opportunity presented by the end of the TYDP to release itself from the huge loss-making commitment to TAZARA.

The concept behind TAZARA remains relevant to both Tanzania and Zambia today, and, according to the USAID evaluation, is, in fact, needed. The political changes on the Continent have not rendered it irrelevant. However, this relevance and the objectives of the TAZARA programme under the TYDP were never set against costs. i.e. a reasonable standard for cost-effectiveness was never established. The TAZARA experience highlights the importance of setting such a standard, since, if it is exceeded, questions are also more rapidly raised about why they are exceeded and hopefully are more rapidly addressed.

4.2.6 Public administration

TANZANIA AUDIT CORPORATION (TAC)

Project history/Sida phase out

The Tanzania Audit Corporation (TAC) was established in 1968 following the nationalisation of key industries and the creation of a number of parastatals after the Arusha declaration. The TAC Act permitted TAC to practice auditing and to give consultancy services related to auditing. Sida commenced support of the Tanzania Audit Corporation (TAC) in 1978. This eventually formed part of a sector programme of support to public administration (1985). Up to 1989 Sida supported TAC with 40–50 person years of technical assistance, local staff training in Tanzania and abroad and basic office equipment. Following the recommendations of a Sida sponsored evaluation in 1985 the support was mainly for institutional co-operation between TAC and KPMG/Bolins. The basic objective of the co-operation was to develop Tanzanian skills and experience in parastatal organisations in Tanzania to tackle managerial and financial problems. Specifically, the objective was to strengthen the capability of TAC to perform audits of its clients with an emphasis on upgrading the skills of local staff and generally reinforcing TAC as an institution. The annual support provided by Sida to TAC is estimated at about SEK 4 million annually for the entire period. Sida phased out in 1993 after a consultancy report prepared in 1991 which suggested that TAC could be sustainable on its own. However, the peer review undertaken by KPMG/Bolins in 1996 indicated otherwise. One further year of support was requested by TAC but this was not granted by Sida – TAC requested this on the basis that two initiatives which Sida had supported (a Management Information System and the introduction of an audit manual to TAC staff) had not been completed.

Achievements

Through the support to TAC, Tanzania developed a substantial and vital national capacity in the field of auditing, especially given that qualified accountants have been in very short supply in Tanzania. TAC operates with a total of 250 staff of which 35–40 are qualified auditors. A KPMG/Bolins source extensively involved in the institutional co-operation with TAC between 1985 and 1991 stated that the quality of auditing established at TAC was better than that he had experienced in Zimbabwe. However, TAC is not regarded by KPMG/Bolins or by other world class auditing firms to be up to international standards. A Coopers & Lybrand source based in Tanzania stated that TAC staff were still trapped in a ‘parastatal culture’ meaning that efficiency levels were not up to the standards of an international auditing firm. However, in a World Bank sponsored study on TAC carried out by Coopers & Lybrand, Coopers claimed that “one area in which TAC has been

extremely effective over the years is in the training of staff ... there is no corresponding programme to support accountancy training in the private sector." If TAC was privatised, another training institution for Tanzanian auditors would have to be created. So far TAC has trained 150 to 200 auditors.

In terms of contributing to greater public sector accountability, TAC has not been able to make a core contribution, although it must be said that this was not one of the stated objectives of the Sida support. The Auditor General's office, which is tasked with the responsibility of auditing public accounts, is considered extremely weak to the extent that the possibilities of mismanagement of funds are considerable. One reason cited is the pay scale of Government. The Auditor General has hitherto not employed TAC or any other firm to audit public accounts.

Sustainability issues

TAC has an annual turnover of 1.5 billion Tsh and is profitable. It has never made a loss since its establishment partly as a result of the fact that since 1992 it was the sole auditor of public corporations. Today it is the largest auditing corporation in Tanzania.

As all of the major multinational auditing firms and some local firms have entered the Tanzanian market, TAC is losing some but not all contracts as privatisation proceeds. TAC management see the Government's prolonged decision-making on its privatisation damaging. They view themselves as a competitive and sustainable organisation if privatised. The management are remaining in the hope of becoming future partners in a privatised TAC. They also feel that in order to compete with other auditing firms in Tanzania, they require a linkup with a multinational. The peer review by KPMG financed by Sida in 1996 concluded that TAC "will have to significantly improve its audit procedures if it is to have a chance of becoming a KPMG member firm." On the other hand, the peer group also concluded that "the consulting set-up is basically a sound practice of good professional standing." KPMG continues to maintain links with TAC through a correspondence agreement which means that TAC provides the junior accountants, but KPMG manage the assignment. The focus of co-operation is on major assignments.

Conclusions

The support to developing a national auditing capacity through TAC has been vital, in particular in developing indigenous Tanzanian auditing skills. The privatisation of TAC is likely to result in a gap in the training of auditors in Tanzania in an environment where there is still a shortage of qualified indigenous accountants, and multinationals continue to bring in staff from overseas.

Although TAC has had a good financial record the sustainability of the institution remains in question since TAC itself admits that it will have to go through substantial changes which will affect its comparative advantages in an already competitive market once it has been privatised. (i.e. it will have to substantially increase its pay scales, substantially downsize and minimise investment in training). On the other hand, whether TAC survives or not, privatisation and TAC's capacity-building has created a significant auditing capacity in Tanzania.

The manner of Sida's phase out is regarded by TAC, KPMG/Bolins and even Sida staff themselves as having been untimely by a slim margin of one year. Sida had supported the installation of a MIS and the completion of an auditing manual which needed to be introduced to TAC staff. Neither of these activities, which KPMG/Bolins regards as having been important to TAC's technical quality and efficiency (both considerations in a future linkup between TAC and KPMG/Bolins) was properly completed. One Sida staff member directly involved with TAC at this time stated:

There was hysteria about phasing out. I don't know why this decision came to phase out. Strategically it was the wrong decision.

The Sida phase out seems incomprehensible in the context of Tanzania, but perhaps more understandable in the context of the pressure which Sida was under to reduce its commitments to Tanzania in 1993.

Type: 1

TANZANIA CENTRAL BUREAU OF STATISTICS (TAKWIMU)

Project history/Sida phase out

The Swedish support for enhancing the quality of public administration in Tanzania dates back to the 1960s. Excluding support to the banking sector and the Industrial Support Organisations, it has accounted for 3–4 per cent of the total Swedish assistance over the years. The support has often been in the form of co-operative agreements between a Swedish organisation and the Tanzanian counterpart (twinning). Examples of such support have been to central government organisations such as the Bureau of Statistics (in collaboration with Statistics, Sweden), the Tanzania Audit Corporation (linked to Bohlins/KPMG), and the Institute of Tax Administration, but also to the University of Dar es Salaam (Economics Department). Over the last decade the support has shifted towards the Ministry of Finance and the Planning Commission in order to strengthen the budgeting process. In many ways, the Swedish support for public institutions in Tanzania is a hallmark of Swedish aid. While many donors have provided and are providing institutional sup-

port, Sweden has played a unique role over an extended period in supporting the building of Tanzanian organisations; many of the institutional co-operation arrangements date back thirty years. In this study, four institution building projects are reviewed: the Tanzania Food and Nutrition Centre; the Tanzania Bureau of Standards; the Tanzania Bureau of Statistics and the Tanzania Audit Corporation. The first two are classified under the health sector and the industrial sector respectively, while the latter two fall under public administration.

TAKWIMU, (the acronym for the Tanzania Central Bureau of Statistics in Swahili), was established directly after independence in 1961. It remained a small unit until 1967 when the population census that year marked the beginning of expanded statistical production. Sweden provided support to statistics production already in the 1960s, but on a limited scale. During the 1970s the quality of statistical production in Tanzania declined and, as a result, the Government re-organised statistics production in 1981. At this time, a request for support to statistics was made to Sida. The (renewed) Swedish support to TAKWIMU was initiated in 1983. It was part of a broader programme for the support of public administration. The original project document assumed four to ten years of support in order for Tanzania to reach self-reliance in the production of statistics. The objective was institution building in a broad sense. For example, to install a capacity to produce, analyse and disseminate statistical data in Tanzanian society (as quoted from Sida the plan of operations in Odén et al, 1986).

The project has been implemented in the form of institutional co-operation with Statistics Sweden, the international branch of *Statistiska Central Byrån* which has been involved with Tanzania statistics since the 1960s. The project involved the provision of hardware such as vehicles, computers, printing equipment and software in the sense of training in Tanzania and overseas, publications, and short and long-term advisers. Statistics Sweden had two to three long-term advisers attached to TAKWIMU during the 1980s, plus various short term inputs. The Project has been extended several times, most recently in 1997, and is on-going. The current phase is for 1997–1999.

The total Sida expenditure for TAKWIMU has been in the order of SEK 3–6 million per annum. In total during the period 1983–96 Sweden has provided SEK 90 million to TAKWIMU. Sweden has been the main external supporter of TAKWIMU, and is currently financing about 40 per cent of its budget. The government is paying 10 per cent and the balance is paid by other donors, mainly the World Bank and UNICEF. Support has also been provided over the years by other organisations such as UNDP, UNFPA in an *ad hoc* manner, generally for specific productions of statistics and surveys. No other donor has played the same general institution building role for TAKWIMU as Sida has.

The issue of the Swedish phase out from TAKWIMU has been discussed

during most of the 1990s. A new phase of the project was decided on for 1997–1999. Officially this is considered a phase out period, but the opportunity to continue Swedish support after 1999 through institutional support with Statistics Sweden is left open. During the phase out period the Project is expected to focus on securing sustainability with TAKWIMU in a new role.

Achievements

TAKWIMU was evaluated in 1986, three years after the Project began. The evaluation was positive, indicating that the project objectives were being achieved, and that the capacity had improved considerably over the few years of support with a considerably improved TAKWIMU image (Odén et al 1986). The evaluation attributed this both to a re-organisation of TAKWIMU in 1981 and the co-operation with Statistics Sweden. The improved image had an important effect by creating an increased demand for statistics. The evaluation recommended a continuous support by Sweden via Statistics Sweden, without specifying a time frame, except noting that institution building is a long-term process.

TAKWIMU was once again evaluated in 1994. The international team found that,

... the co-operation was of considerable relevance both to Sida's objectives and Tanzania's current needs and priorities...(and that) the co-operation had succeeded in the development, from a very low initial base, of a working national statistics office.

The evaluation also found that the co-operation had led to *a very considerable increase in the Bureau's formal specialist competence* and that the Swedish support had *dramatically enhanced the level of knowledge and skill of specialist staff in TAKWIMU*. The evaluation claimed that the output of TAKWIMU had increased considerably (volume of data collected and processed, number of statistical publications produced, etc.) and that TAKWIMU was instrumental to an increase in the demand for statistics in Tanzania. The quality of the statistics could be enhanced, but many of the quality problems were outside the control of TAKWIMU (the capacity of ministries, etc.). TAKWIMU had established an institutional capacity technically to develop further the institution and respond to new demands, as well as improve the quality in problem areas. Clearly, the Swedish aid had been instrumental in the process. The evaluation considered the then planned period for support (1982–1999) as *reasonable and appropriate for institution building*.

Sustainability issues

The 1994 evaluation was asked to review the issue of sustainability. The terms of reference asked,

... whether further support beyond 1997 is needed to ensure sustainability of the results achieved... and to provide a realistic judgement on the effects of terminating the support within three to five years.

The evaluation team concluded that, should the government provide an additional budget to cover most of the Swedish support, *TAKWIMU could be self-sustaining tomorrow*. Hence, the technical and institutional capacity was already in place. However, the evaluation had been informed that there was no prospect that the government would provide such a budget. In the view of the evaluation, the economic conditions in Tanzania were such that in the foreseeable future TAKWIMU could not expect the shortfall in budget from the government, but that in fact, Government contributions could be further reduced.

The 1994 evaluation made a series of recommendations for phase out in a 5-year perspective. These included: Sida should set a fixed date for phasing out (1999) and aid should be progressively reduced during the 5-year period; TAKWIMU should be assisted in preparing a strategy for a phase out, for example reviewing cost-cutting (reducing staff, reducing the vehicle fleet), and new sources of funds such as income-generating activities should be pursued; TAKWIMU should strive for greater autonomy within the government; TAKWIMU should be more market driven, for example, improving its image through PR, giving incentives for income generating activities such as consultancies, the sale of publications, running workshops, etc.; TAKWIMU should change its management culture from an administrative one to a more entrepreneurial one, etc. Aside from making phase out a reality, the Sida support for such a change process should provide technical support and training in changing the management culture and prepare the staff for the new challenges.

Since the evaluation, TAKWIMU has been faced with increasing financial problems. In spite of continuous Swedish support (through Statistics Sweden), TAKWIMU is currently working at 10–20 per cent of its capacity due to lack funds for operational costs such as the collection of raw data from the field, reflecting the budgetary constraints of Government and the recent introduction of cash budgeting. The organisation is facing a radically different situation than at the time when the Swedish support was initiated. Through the liberalisation of the economy, TAKWIMU can expect competition from private providers of statistics and surveys especially for an important segment of its market: donors and international organisations. TAKWIMU is trying to adapt to the new situation by downsizing from

almost 300 staff to about 100. It will be given a semi-autonomous status (currently part of the Planning Commission) as one of the thirty agencies nominated to the Executive Agency Project. In its streamlined form, TAKWIMU expects that the government will pay for its core services, covering perhaps three quarters of its budget. The balance is expected from services to donors and private clients. Yet, little of the market driven style of operation is yet in place.

Conclusions

In conclusion, the TAKWIMU project must be considered successful in terms of fulfilling its objective of developing a good quality statistics office. The support was originally expected to reach its maximum in the early 1990s, and has been the subject of phase out discussions for about five years, but an end date is not yet certain. If the phase out occurs in 1999, TAKWIMU has been supported for 16 years since the start of the re-organisation in 1981, and for over thirty years, if the first Swedish support from the 1960s is included. The latter period is a longer than expected one, and the reason is not insufficient technical institution building, but the financial dependency of TAKWIMU on Swedish aid. The Swedish support has been prolonged not to jeopardise the achievements. Yet, TAKWIMU's sustainability in its current form is already threatened. The key issue concerning the support to TAKWIMU is thus financial sustainability. In hindsight, a smaller, more specialised statistics bureau, along the lines of the plans for the future, rather than the one established might have been more appropriate given Tanzania's resources. TAKWIMU is one of the many cases of institutions/projects which were designed in the era of grandiose thinking, but which must survive in a reality of meagre government resources. At the time of project conceptualisation there was little consideration of the appropriateness of the Project support given its resource needs, nor any discussion of the financing of the institution post-aid. This issue has not been the subject of serious consideration until recently, in spite of at least ten years of budget crisis in the government. While financial sustainability certainly is the priority today, the current configuration of Statistics Sweden's support seems to be "business as usual" rather than a strong focus on marketing skills, cost-efficiency and organisational down sizing. In 1995-6 Sida attempted to focus the support to management development, but the Project remains largely trapped in the dilemma (technical focus) which the twinning arrangement came to pose. Sida will have to weigh carefully Statistics Sweden's strong interest in continuing the Project against the need for rapid attention to non-technical issues.

Type: 3

4.3 Summary of findings

Table 10 summarises the findings of the project assessments according to the criteria described in 3.1.

4.3.1 Project ‘type’ characteristics

Type 1: TBS, TPCC, Pangani, TAC and SIDO

These five cases represent quite different types of projects: two long-standing institutional support projects (TBS and TAC), one “blue print” project implemented over a short period (Pangani) and two industrial projects (TPCC and SIDO). While reasonable success (good or moderate) during the duration of the project is the case for nine out of the twelve projects, four of these have not been phased out in spite of support ranging from 15–25 years. The issue is why these five projects have been phased out and have proved to be sustainable. Of interest in this context is that the projects with the shortest support period fall into this category (TPCC and Pangani) and none of the projects fall into the category of very extensive support (twenty years or more). Hence long-term support is not necessarily a key to success or sustainability. A key characteristic for these five projects is that they inherently should have a good capacity to generate their own resources. This as a result of the nature of the institutions involved which are commercial, or semi-commercial operations. The projects are industries or industry-related institutions.

TPCC is a project that had commercial success as its key objective. The project succeeded after a fairly rapid development due to a combination of good design – the institutional twinning with a multinational industry which had, or developed a stake in, TPPC, and luck – and the parallel reform process of privatising the parastatal industries not envisaged at the design of the project.

While the Tanzania Audit Corporation is categorised as a public administration project by Sida, it is, in fact, a commercial operation which has functioned in a monopolistic environment until recently. Hence, financial sustainability was more or less in-built in the project and TAC has shown a profit in every year. However, the long-term sustainability is more in question. In a reformed economy TAC has considerable technical weaknesses as compared to international auditing firms entering the market. While the comparative advantage might be local knowledge and low cost, TAC might collapse in a highly competitive environment.

Pangani should be an inherently profitable operation and will, due to the nature of a power plant, be technically and financially sustainable in a medium term perspective. However, as a unit in the larger economic organisation of TANESCO it is dependent on TANESCO’s performance and its ability to

generate resources for maintenance in a longer term perspective. TANESCO has performed poorly in this respect, as outlined in the case material. Pangani is ranked as a type 1 in our assessment, assuming that the privatisation of TANESCO goes ahead as planned, in a manner giving power stations such as Pangani the resources for good maintenance. The Tanzanian technical capacity to operate a power plant is not in question. However, it should be noted that without these structural reforms of the power sector, Pangani would have been ranked as a potential type 2.

Amongst projects in this category, TBS is the project which has a lower inherent self-generating revenue capability. A major achievement in the support of TBS, besides developing a good technical capacity, was that the Swedish support made a special effort to support TBS's market-orientation, selling services rather than depending on Government budget support.

SIDO is a boarder case between types 1 and 2, and it is a matter of judgement whether the organisation and the industries established should be considered sustainable.

The average time for Sida support of these projects is 11.6 years.

Type 2

None of the projects is ranked in this category, although some of the type 1 projects are border cases (SIDO, Pangani). Some of the type 3 projects could eventually fall into this category if they are unable to adjust to their new financial circumstances after the departure of Sida assistance. Prior to the field work it had been expected that the number of type 2's in the project sample would increase (the projects were given a ranking based on research done prior to the field work) – MVTC was the only project ranked as a type 2 at that time. This was partly because it was found that the only project 'preranked' as type 2 had not been phased out entirely, but also because more projects with some prospects for sustainability emerged (type 1's).

Type 3: MVTC, TFNC, Hesawa, TAKWIMU

These projects have in common that they depend on public sector financing and have a low inherent capability to generate their own resources. Without donor support, they are largely dependent on GoT funding. These have been characteristically very ambitious projects from a technical and institutional perspective but seem to have reached a basic technical/institutional capacity fairly early in the co-operation with Sida. These projects are known to have received particularly heavy technical assistance over a long period of time, the necessity of which has been questioned by the Tanzanian counterparts from a technical point of view. The average time for Sida support of these projects is 19.5 years but will be higher with the incorporation of the time remaining to phase out. Sida continues to finance these projects so as not to risk collapse. In each case there have been few efforts at commercial-

isation and opportunities to do so have not been pursued by the organisation. Although MVTC is involved in an effort to try to be more responsive to industry it relies heavily on a mandatory levy paid by industry to central Government. These projects represent 'islands of technical excellence', or, as in the case of Hesawa, a by-pass operation, which has little or no orientation towards sustainability in the local context.

Type 4

None of the projects in the sample fell under this category, although there were three which Sida continued to support despite non-performance in connection with the stated Sida objectives (see type 5's). Overall, Sida has found it difficult to phase out quickly in projects which are not producing results. Chapter 5 addresses the question of why phase out does not follow non-performance in the type 4 category.

Type 5: HADO, FDCs, TAZARA

HADO and the FDCs represent extensive (in terms of area covered), conceptually difficult projects which achieved little, if any, sense of ownership by the local communities during the project period. Without Sida funding, both are heavily reliant on the public sector. In both cases there were strong Swedish and Tanzanian research interest groups involved, which relied on the continuation of the projects for the completion of their research. The poor monitoring of these projects – presumably owing to the extensiveness and remoteness of the project sites – meant that Sida had difficulty in achieving a clear view of actual project performance. The average time for Sida support of these projects is 22 years.

In the case of TAZARA, the poor project performance was known to Sida for most of the duration of the support. However, the 'flock mentality' encouraged by the Ten Year Development Plan pressured Sida to remain until the end of the Plan period. The lack of achievement in the TAZARA case, true, in general, of failed infrastructure projects, is the failure to address organisational and management issues first, to procure and install the hardware prior to taking care of the essential software, and, in doing so, to succumb to the interests of the suppliers of hardware and the accompanying technical assistance.

4.3.2 Cost-effectiveness and timely phase out

It is important to stress that the projects are not ranked according to cost-effectiveness in the assessment of their type, although this should be an important feature determining the extent to which a project is successful. The reason for this is that in the project sample no benchmarks were set down by Sida in respect of costs in relation to achievements. In fact, it was very difficult to determine the costs of a project. Very few of the evaluations

have made any serious attempt at assessing cost-effectiveness. For projects which are classified as unsuccessful, it follows that they were also not cost-effective and the issue becomes how cost ineffective they were. However, for projects which are classified as being successful this assessment is usually more complex since it involves asking whether the same favourable outcomes could have been achieved for less.

In a number of the cases the issue of cost-effectiveness is linked to the timeliness of Sida phase out since the project sample has shown that the timing of Sida phase out can render the Sida contribution more or less cost effective or cost ineffective. In ten of the twelve cases phase out is regarded to have been untimely. In the case of those projects ranked as a 5 (HADO, FDCs, TAZARA) Sida continued to provide support despite the fact that they were not fulfilling the stated Sida objectives. It is conspicuous that no type 4's emerged out of the project sample. In each of the type 5 cases Sida also supported a project reorientation at the tail end of its support period, but not providing enough to give the reorientation a chance to work, thus rendering the amount provided for the reorientation cost-ineffective. In each of these type 5's, the Sida phase out fell between two stools, rendering the Sida contribution totally cost-ineffective. Overall, for the projects assessed as reasonably successful in our case material, the phase out is, in most cases, deemed untimely. The basis for this assessment is either that the phase out took place later than needed if the technical/institutional competence or the development effect is considered, or that the phase out happened at a time when the assistance to the project was shifted in the last minute from enhancing a technical capability to a financial capability. In other cases, such as in the case of TAC and TBS, the phase out occurred at a time when Sida had commenced improvements to these institutions important from the perspective of their quality, but never completed them, rendering the funds already invested in making these specific improvements cost-ineffective. However, the question remains as to the cost-effectiveness of the entire amount to these institutions.

For the projects which were successful but in which the Sida phase out is not regarded as being timely or has not yet taken place, (MVTC, TFNC, SIDO, TBS, Hesawa, TAC, TAKWIMU), the issue of cost-effectiveness is linked to questions about the actual time required to attain technical competence, the reasons for Sida staying on beyond this time (if so) and the timing of Sida phase out in a context where the economic environment is undergoing radical changes. This is discussed more extensively in Chapter 5, although it is not possible, given the lack of benchmarks, to make a full assessment of cost-effectiveness in these cases. The importance of assessing cost-effectiveness in the future is taken up in Chapter 6.

The only two cases judged as timely phase out were Pangani and TPCC. Pangani is somewhat of a misnomer since it was a 'blue print' project in

which the phase out was automatic.²⁴ It is regarded as cost-efficient, since the plant was completed in advance of the intended phase out date. Its cost-effectiveness is still in question in the context of its institutional setting within TANESCO, which at present, is a loss-making organisation. TPCC was phased out at the time of the Government's decision to privatise it, but a bridging operation was provided through the purchase of shares by Swedefund. The cost-effectiveness of TPCC remains in question since it is not clear whether the substantial amount provided to TPCC is commensurate with its contribution to achieving the stated development objectives.

²⁴ TAZARA was intended as a 'blue print' but evolved over time since it became clear that organisational issues within TAZARA needed to be addressed in the last years of the development co-operation.

Table 10: Summary of case material findings

PROJECT	DEGREE OF SUCCESS	PROJECT COST AND COST-EFFECTIVENESS	PHASE OUT RECORD	SUSTAINABILITY	TYPE
HADO	Low since the Sida objectives of meeting fuelwood needs, communal beekeeping and transferring soil and water conservation techniques to the local population were not achieved. Although the unintended objective of supporting the livestock ban was successful in revegetating depleted areas, this was an unsustainable strategy and the livestock are now being readmitted.	Sida project cost: SEK 20 million Cost ineffective	Phased out in 1996 after 23 years of support; the phase out was not timely considering the failure to meet the Sida objectives (much too late). There was also support to reorient the project for one year which achieved little or nothing. The phase out fell between two stools.	Very low since the livestock ban was politically unsustainable and the new land resources are being exploited by various interest groups with no concern for land management.	5
FDCs	Low since the capacity utilisation is low; the FDCs never found a clear role in the education system; low commitment to the concept of FDCs from the host ministry; the quality of vocational training provided is considered to be at the bottom-end of that available in Tanzania.	Sida project cost: SEK 120 million (estimated) Cost-ineffective	Phased out in 1996, after 21 years; the phase out was not timely (delayed), considering the poor performance over the years (sunk cost syndrome), potentially premature given the re-orientation taking place in the last phase.	Low since the FDC concept is confused, there are unclear future roles, low financial capacity to maintain the FDCs by Government, demoralised staff, and limited ability to generate own resources	5
MVTC	Moderate since a functional vocational training institution was established of relatively high technical quality in the Tanzanian vocational training system; unique in Sub-Saharan Africa. However, planned to meet the manpower needs of the BIS which failed as the Centre opened. There was no effort to reorient it to reflect this fact (until recently).	Sida project cost: above SEK 200 million. Potentially low cost-effectiveness (as per 1990 evaluation)	Still ongoing but phase out planned for 1998 after 20 years of support; phase out not timely as technical competence established much earlier but efforts to promote responsiveness to industrial demand and sustainability have just commenced.	Moderate to low since it now received funds from a central Government collected levy from industries - this is insufficient to support the current level of ambition. However sustainability depends on the extent to which MVTC can reorient itself to suit actual needs, since it provides training in quite specialist skills.	3
TFNC	Good since TFNC is judged as one of the best nutrition centres in Africa; human resource development considerable; TFNC contributed directly to reducing nutritional deficiencies nationally, to awareness of nutrition and policy formulation.	Sida project cost: SEK 60-70 million to date. No assessment of cost-effectiveness	Still on-going after 25 years of support. Phase out planned for 1999. Phase out not timely considering that TFNC has had a basic technical capacity for many years. It has been maintained due to financial weakness. TFNC is unlikely to have reoriented itself towards pursuing a more financially sustainable strategy by 1999.	Moderate to low since there are various potential measures which TFNC could pursue in order to ensure financing, but these are not being pursued. Technical sustainability could be brought into question as TFNC nutritionists seek better jobs elsewhere.	3

SIDO	Moderate – Good since SIDO is an institution performing well; some thirty industries established under the sister industries programme and most of them viable during the project, a large number supported under hire-purchase scheme.	Sida project cost: SEK 400 million. Cost effectiveness very low as assessed by the 1991 evaluation considering the cost per job; value added, etc. and in relative terms to other programmes.	Phased out in 1992, after 16 years (but included in a new limited programme in 1997 ongoing to 1998). The phase out was judged not timely (too late) as the technical capability had been established much earlier in the industries, and the project was maintained primarily to protect sister industries from the macro reform process.	Moderate: SIDO radically downsized; the Sida supported programmes abandoned; about half of the sister industries surviving, but many struggling; considerable entrepreneurship developed, nevertheless.	1 (2)
TBS	Good: One of the best standards institutions in Africa; good facilities and technical competence.	Sida project cost: SEK80 million. Cost-effectiveness not assessed.	Phased out in 1992 after 13 years of support, but a discreet two-year support agreement for a commercialisation campaign followed in 1995. Phase out in 1992 not timely in the midst of an expansion period (too early), and some time after technical competence established (too late).	Moderate to Good Technically fully sustainable, TBS managed to reach 80 per cent self financing of recurrent cost after the successful marketing campaign; a major problem is upgrading and maintenance of equipment.	1
TPCC	Good since the project achieved its objectives of enhancing production capacity, providing cement to the local market, and making the factory commercially viable.	Sida project cost unclear Cost-effectiveness not assessed.	Phased out in 1991, after 7 years. The phase out was timely in the sense that the privatisation process provided Sida with an opportunity to phase out, i.e. a sustainable solution became available.	Good since TPCC is part of a multi-national group with commitment to the factory; the factory is operating profitably.	1
HESAWA	Good since the HESAWA concept is well established and replicated; major coverage of water schemes, fairly good rate of maintenance by the villages.	Sida project cost to date: 350 million; estimated by 2002 to be about SEK 600 million. Cost-effectiveness unknown, but tentatively low according to evaluations.	Still on-going with expected phase out in 2002 after 17 years; given the ambition level, an earlier phase out would not be timely and it is unlikely that the planned phase out is timely either. Sida wishes to pull out irrespective of coverage because it has been there for a long time.	Moderate to low due to financial problems in replicating schemes by local government. In terms of installed schemes: moderate given the complex process of changing behavioural pattern.	3 (2)
Pangani	Good since the project was completed according to plan and ahead of schedule.	Sida contribution: SEK 210 million. Commissioned below estimated cost but cost-effectiveness depends on broader institutional issues.	Phased out in 1996, after 5 years. Phase out in a timely manner , according to a blue print.	Moderate to Good: Technically sustainable, but the issue is maintenance in the longer term perspective considering the poor performance of TANESCO; however, privatisation of the industry is likely.	1

<p>TAZARA</p>	<p>Low since the objectives of rehabilitating the railway were frustrated due to poor management; clear capital destruction even during the 10 year rehabilitation programme; the objective of providing a viable transport route between Zambia and Tanzania was not attained during the project.</p>	<p>Sida contribution to the multi-donor project: SEK 280 million. Cost-effectiveness low given the performance record.</p>	<p>Phased out in 1995 after 10 years. Not timely considering the very poor performance during the project obvious to Sida at an early stage.</p>	<p>Low TAZARA continues to exist, subsidised by the owner governments.</p>	<p>5</p>
<p>TAC</p>	<p>Moderate to Good: A major contribution to development of the auditing capacity in Tanzania, which is considered good in an African perspective. Whether TAC has contributed to the strengthening of Tanzanian skills and experience in parastatal organisations in Tanzania to tackling managerial and financial problems (the original objective) is doubtful.</p>	<p>Sida project cost: SEK 60 million (approximate). No assessment of cost-effectiveness.</p>	<p>Phased out in 1993 after 15 years of support. The phase out was not timely as either too late (considering the technical competence established earlier) or too early considering the challenges of the liberalised market. Sida phased out just one year too early for the completion of important technical upgrading which could have contributed to TAC's financial sustainability i.e. making it more appealing for alliances with world class accountancy firms.</p>	<p>Good to moderate since there are plans to privatise TAC and the management has interest in remaining in order to taken on partnership roles. TAC is profitable at present. Sustainability remains in question since TAC itself admits that it will have to go through substantial changes which will affect its comparative advantages in an already competitive market once it has been privatised. Question of whether it can achieve a formal alliance with a world class accountancy firm.</p>	<p>1</p>
<p>TAKWIMU</p>	<p>Good since TAKWIMU is considered a functional statistics bureau (technically) with good facilities.</p>	<p>Sida project cost: SEK 90 million to date. No judgement of cost-effectiveness.</p>	<p>Still ongoing. Potential phase out in 1999 after 16 years of support, but potential continuation left open. Phase out not timely on technical merits (i.e. technical capability established long ago); from a sustainability perspective a phase out in the near future could be damaging.</p>	<p>Potentially moderate to low since TAKWIMU was conceived as a public sector dependent organisation, has made few efforts to pursue other sources of revenue but has possibilities. Market orientation and potential competition a challenge.</p>	<p>3</p>

Chapter 5. Issues emerging from the case material

5.1 Technical/Institutional and financial effects of Sida support

There is a clear pattern which emerges from the case material in terms of technical/institutional and financial effects (for all but the type 5 projects). First, the establishment of a functional institution with basic indigenous technical qualifications tends to take place some years before the phase out of the support. Especially technical achievements – training indigenous staff in the basics of specific technical skills (other than management and finance) – tend to be attained relatively early. Second, once this point has been reached, Sida continues to support the project or organisation mainly because it is financially unsustainable. The nature of the support provided during this time is very much ‘business-as-usual’ type support for upgrading technical skills rather than a strong emphasis on management and finance issues. Third, as the project or organisation, which is public sector owned, is forced to survive in new economic circumstances in which the public sector is downsizing and opportunities for financing are increasingly to be found in the market economy, Sida either phases out immediately, as in the case of SIDO, or supports a relatively short period for reorientation to the new circumstances. Amongst some of the type 1 projects such as TAC and TPCC, which must be commercially oriented by the nature of their activities, the brevity of this reorientation period does not appear to be pivotal to sustainability. However, in the case of those projects which do not have some form of in-built commercial quality, this pattern is potentially destructive of the project achievements.

The pattern described above is indicative of a macro-micro level delinkage in donor support. While the ‘signing on’ of the donor community in Tanzania to the SAP in the mid 1980s was to usher in radical economic reforms, at the micro-level, Sida continued to support projects without attending to the consequences of the changed environment for the assistance given. As the reforms began to affect the parastatals which it supported during the 1990s, requiring quite radical adjustments of the institutions supported, Sida phased out of a number of sectors.

Figure 6 illustrates the difference between the projects in terms of their intended dependency on public sector financing and the actual direction which their financial sustainability is taking. It shows that the majority of projects considered are moving in a non self-financing direction towards a need for public sector funding. There are many underlying reasons for this and these are reviewed below under 5.2. TBS is something of a misnomer in the group as it appears to be moving in the opposite direction, of being more

self-financing. This is mainly as a result of the attention in the Sida co-operation to the commercialisation of TBS. There are others with the potential to move in this direction, such as TAKWIMU, TFNC and SIDO, but this depends on whether they have the skill and capacity to pursue strategies which will make them less public sector dependent.

Figure 7 shows that in general there is an inverse relationship between financial sustainability and the duration of the Sida support. The right and lower end of the chart (longest support periods) illustrates the 'sunk cost syndrome' in which Sida throws 'good money after bad' in an effort to save projects which are not achieving their objectives (FDCs, HADO). Those projects falling on the far left, upper end of the chart (TPCC, Pangani) are well-endowed commercial operations. The downward pattern after TAC shows projects which have been supported by increasingly long periods of time commensurate with the degree to which they are public sector dependent.

5.2 *Factors complicating phase out*

5.2.1 Financial sustainability

From the above analysis, and that in the previous chapter, it is clear that the key factor complicating the phasing out of project aid is the lack of financial sustainability of the institutions supported. One could say that this has purely to do with the poor macro-economic environment of Tanzania, but this would not be a sufficient explanation since there are clearly some institutions which are managing to survive. At the project level, there are a number of other reasons, closely related to the issue of financial unsustainability, highlighted by the case material and described below.

5.2.2 Factors related to financial sustainability

The level of ambition

Many of the projects studied are products of the 1970s and the atmosphere of optimism at that time. Little attention, if any, was paid to the recurrent cost implications of the projects financed by Sida. Government was supposed to cover the running costs and take over the operations once the capacity had been built and the technical know-how transferred. GoT's ability and willingness to do so was hardly ever questioned. The focus of the development assistance was technical: to transfer know-how from Sweden to Tanzania with some modifications, but with little reflection that Sweden was one of the richest and most advanced countries in the world at that time, and Tanzania one of the least developed and poorest nations. That Tanzania should not be able to afford universal primary education, piped

Figure 6. Intended and real financial sustainability of the case material

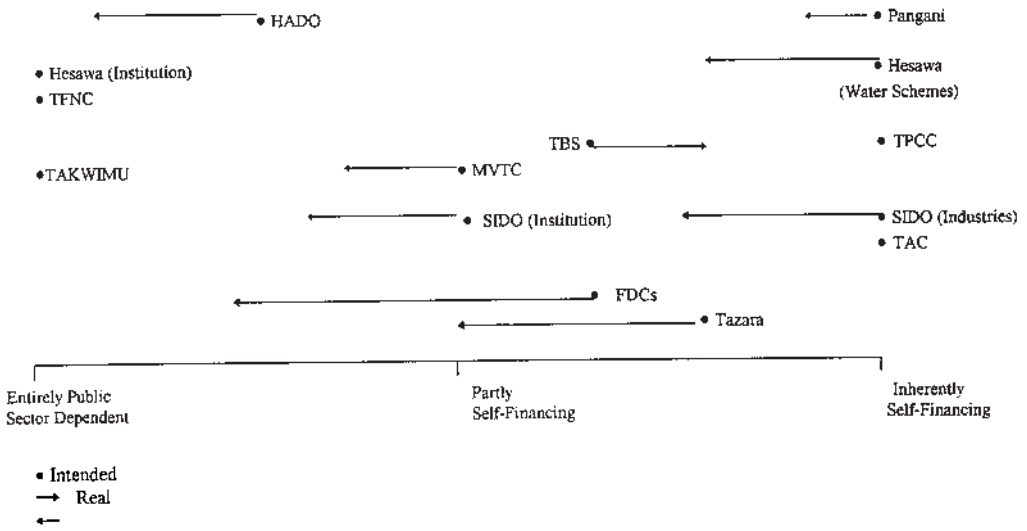
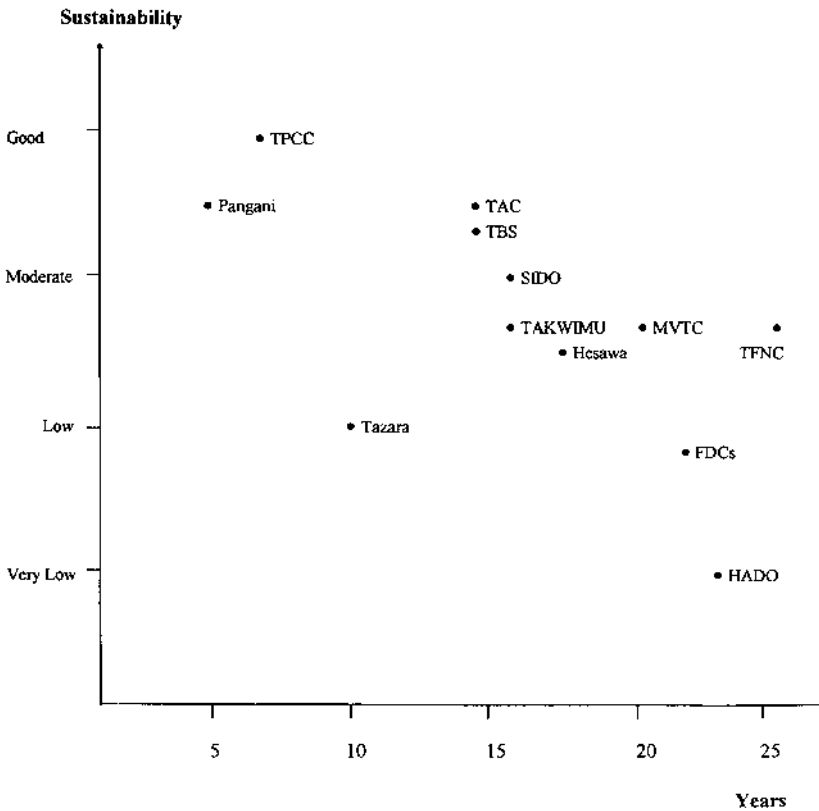


Figure 7. The relationship between sustainability and the duration of the Sida support in the case material



water for all, a full fledged Bureau of Standards, Folk Development Colleges in all districts, and so on, was not questioned.

While this mentality could be excused for being a product of its time, it became a serious failing in the context of the collapsing economy of the 1980s and 90s. The unaffordability of the previous levels of ambition did not, on the whole, filter through to the project level in spite of the Government's inability to cover even the most basic needs. Instead, the aid took over increasing operational costs, financing basically everything except salaries, and sometimes even those. A psychology of protecting the Swedish projects set in amongst Sida staff, Sida management, consultants and other stakeholders who all wished to rescue what they had once started.

Swedish aid is not alone in this. Scaling down ambitions, drastic cost-cuttings, down-sizing and other means to adjust the projects to the reality of Tanzania post-aid were rarely or ever considered. Rather, the ambitions tended to expand as the projects progressed. A reason for this is that aid-financed projects operated under totally different conditions than the economy as a whole. While Sida had difficulties in fulfilling its budgeted country frames for Tanzania and could afford adding expensive consultants, new vehicles, new equipment and study tours abroad to help the projects improve, the Government had to do the reverse.

Projects became *islands of development*, increasingly isolated from their environment, increasingly difficult to phase out, as the discrepancy between what the donor could afford and what the government could afford expanded. It could be argued that Sida lost track of what it was supposed to do: the survival of the Swedish institutions and Swedish projects became more important than what happened to Tanzania. The distortions inherent in aid were reinforced by the efforts to rescue these islands of development. The reason for this is not difficult to comprehend: Sida, and staff within Sida, were not judged by how the Tanzanian economy developed, but by what happened at the project level.

The dynamics of the isolated project island mentality is reinforced by the way projects were implemented. As Sida delegated the implementation to consultants representing Swedish institutions, the isolation increased. Organisations such as the Teacher High School of Linköping University, Statistics Sweden and ICH in Uppsala, are judged from a technical standpoint and not by their assessment of what Tanzania can afford. Their mandates were to make the counterpart organisations function as well as possible.

The island mentality in project aid is one of the reasons for the micro-macro delinkage described above: seemingly projects in Tanzania tended to progress, while the Tanzanian economy regressed. Not only could projects largely be isolated from the environment, but they could perform satisfactorily in spite of macro economic disturbances. They also contributed to the negative overall performance by the various distortions introduced.

The difficulty faced by Tanzanian projects or organisations, supported for many years by Swedish aid is that they have continued for so many years with expectations beyond what was affordable in their own environment. The gap between expectation and reality is so great that in some cases it will be impossible to overcome and ultimately destroy the organisation itself.

The lack of finance, organisation and management skills

The focus of Sida's support at the project level in Tanzania has been to transfer specific technical skills in statistics, nutrition, standards testing and so on. Financial and management skills have been neglected relative to other technical skills. While there has been some assistance to achieving better accounts systems, for instance, there has been little if any attention given to overall management. While the linkage with technically specialist institutions in Sweden has resulted, in most cases, in a good technical standing, these linkages have precluded addressing finance and management.

This neglect is understandable in the context of the 1970s, in which it was assumed that the organisations supported eventually would be financed and largely managed by GoT. In the context of the overarching question of financial sustainability, which emerged as the economy collapsed in the 1980s, there are other answers. These have to do with the quality and quantity of information available to Sida on the performance and needs of the projects (see the section on monitoring, below), and with Sida's capacity to interpret the extent of the financial and management know-how requirements.

The neglect of finance and management skills today threatens the technical achievements of some of the projects, particularly in the type 3 category, in the sense that skilled staff trained abroad and in Tanzania through the Sida support are seeking more rewarding positions with other aid agencies and other employers. Apart from salary, one of the key factors influencing the decision of well qualified staff to leave a Sida-supported organisation is the lack of vision of a management obsessed with chasing donors. The 'projectisation' of much of the donor support to agencies such as TFNC and TAKWIMU, for example, means that these agencies tend to pursue donor agendas in the form of specific projects rather than their own. This kind of behaviour rarely inspires skilled staff who are in demand elsewhere to stay.

If these issues are addressed, they are frequently addressed towards the end of the support period. As noted above, for projects begun during the 1970s, it is possible to understand why they were not addressed from the beginning, but they were not seriously integrated into the projects as time went on. Sida began to support commercialisation (or market orientation) efforts as the privatisation of the Tanzanian economy commenced during the mid 1990s. In the case of TAZARA, which represents an extreme, the failure to address organisational and management issues until the end phase

of the TYDP in the early 90s potentially resulted in cost-ineffectiveness of most of the support provided to the implementation of the Plan. In the case of TBS this 'tail end' commercial support appears to have been successful in bringing the desired results, but this within an organisation which is inherently oriented towards industry. For most of the type 3 institutions, sporadic or 'tail end' efforts to instill management know-how in a market environment may not have been enough.

GoT expectations and donor replaceability

The long and all-encompassing nature of the Sida support to projects in Tanzania – in a number of cases, institutions were 80 to 90 per cent financed by Sida for most of the period of the Sida support – has created expectations within GoT. Of course, Sida is not alone in the donor community in encouraging this mentality. Parastatals and local government, now responsible for implementing social sector rurally-based projects (i.e. in education and health) find their bargaining position vis-à-vis central government very weak. GoT expects that donor funds will be found to support development budgets. Balance of payments support does not alleviate this problem.

There is also the expectation amongst institutions which have been supported by Sida for many years, that they can replace Sida with another donor. This kind of thinking can frustrate any efforts to achieve financial sustainability since concerted efforts to pursue a realistic strategy are rarely made. The 'donor replaceability syndrome' is an aspect of the sustainability dilemma extremely difficult to overcome in a donor-competitive environment.

Perverved incentive structures

The discussion of GoT expectations and donor replaceability leads into the subject of perverted incentive structures. It has been said that aid creates the development it deserves meaning the implicit incentive structure in aid perverts development, perpetuates aid and creates 'dependency'. Hence, the Tanzanian institutions which have been Sida supported will seek more aid from other sources as Sida withdraws, rather than putting into practice a financially sustainable strategy. There are many expressions of this kind of perversion of incentives, but perhaps the clearest is in the area of infrastructure. Donors spend the highest per centage of their project budgets on constructing and rehabilitating infrastructure, the latter because there is a disincentive for maintenance on the recipient side. The rapid destruction of infrastructure in Africa is no coincidence: why spend your own money to maintain an asset, when someone else will give you a brand new asset for free when the old one has broken down? A NORAD staff member with experience in the power sector interviewed during the field work noted that

modern power stations can last fifty to sixty years, if limited but constant efforts are made to maintain them. In Tanzania major rehabilitation is required on a ten to fifteen year basis, mainly since the politicians cannot see the point of putting limited amounts into maintenance over time when, free of charge, they can have a totally rehabilitated or new plant within a few years.

The question is, why do the donors, including Sida, go along with this situation which is far from new? One of the answers relates to perverted incentive structures within donor organisations. Staff within donor agencies are always under pressure to meet unofficial disbursement targets. This is true to a greater or lesser extent depending on the agency concerned. Over the years Sida staff based in Dar es Salaam have certainly felt pressure from headquarters to disburse, even if they are aware that this is not in the interests of good aid.

This complicating factor in phasing out is more than what it is usually portrayed as: a perversion on the recipient side. In fact, it is the result of an interplay of perverted incentive structures on the donor and the recipient side.

Windfall profits and rent-seeking

Corruption in the public sector is an issue frequently discussed amongst donors in Tanzania today. While the corruption is never entirely explicit and the amount never actually known since much of the information is based on rumour, it is clear that public sector dependent projects are most subject to the mismanagement of funds for personal purposes mainly since the salaries of public servants are so poor. The effect on financial sustainability of projects can be dramatic in the sense that there is no incentive for public sector run projects – particularly those which are run from the centre where there is no pressure from a local constituency, as is the case for local government – to pursue a less donor-reliant strategy. It is in the public sector in Tanzania where real ‘aid dependency’ lies, since the majority of Tanzanian citizens never see the donor funds or their intended benefits. This aspect of aid is perhaps the most prominent consequence in terms of perverted incentive structures.

The lack of attention to cost-effectiveness

Table 10 in Chapter 4 illustrates clearly the difficulty of determining the cost-effectiveness (i.e. the ratio between cost and the extent to which the objectives of the aid are achieved against a benchmark ratio) of Sida support to projects in Tanzania. Aside from those projects in which the objectives of the Sida aid were not achieved (type 5 projects) and clearly the money put in was not cost-effective, there is little that can be said about cost-effective-

ness except in rather vague terms (e.g. there is the feeling that the amount of technical assistance provided to some projects was unnecessary to fulfilling the project objectives). The reason for this is that no benchmarks for cost-effectiveness were set at any point during the project period.

So why is cost-effectiveness so important to good aid? After all, it is possible to argue that good aid has little to do with how much is delivered and more to do with the way in which it is delivered. It is also possible to argue that it is nearly impossible to put a price tag on some development objectives such as, for instance, behavioural change.

But the lack of knowledge about cost-effectiveness has significant consequences for financial sustainability. Neither the donor nor the recipient have any sense of what is reasonable (and affordable) to spend in order to achieve certain objectives. In many of the projects included in the case material, projects cost well beyond what was foreseen and neither Sida nor the recipient have accurate information on the actual total costs. This lack of attention to cost-effectiveness is also one explanation for the failure to phase out in a timely manner in projects which are failing (type 5's). There is no brake on 'bad' spending.

Moreover, donors have a difficult time explaining why Tanzania's development at the macro level continues to be so unimpressive while there are successes at the project level where a great deal of money has been spent. Measuring cost-effectiveness is likely to provide one means of unravelling this question since it is likely that although considerable funds and effort have been injected at the project level, the developmental effects are comparatively negligible. A project like TPCC is likely to provide one such case. Though deemed a successful project in a narrow sense, one could question whether it has been worth pouring in a large volume of funds to a project with few contributions to the overall betterment of the majority in Tanzania.

Micro-macro delinkage

Most of the projects in the sample demonstrate a delinkage by donors of radical changes which they supported at the macro-economic level from the continuity at the project level since the 1970s. This issue has already been touched upon at various points, but deserves mentioning here as a factor contributing to the problem of financial sustainability at the project level and thus to the phase out dilemma. While Sida had joined with the forces of structural adjustment by the mid 1980s, it continued to support a number of the projects in the sample in a 'business-as-usual' fashion for at least another ten years. This presents problems of sustainability to these projects which never adjusted to the new realities at the macro level and which now face a phasing out of their major support over many years.

5.2.3 Other factors relating to sustainability

The fallacy of synergy in aid

The support in the education sector has been linked to other sectors over the years in an attempt to create synergy. Thus, the focus on vocational training (MVTC, FDCs) must be seen in the context of industrialisation as the lead sector in Swedish aid. The vocational schools had as an objective to provide skilled manpower to the new industries established and related infrastructure such as power plants, many Swedish supported. This linkage is the consequence of the policy environment of the planned economy of the 1970s, carried over into the 1980s and even into the early 1990s by the aid system. The fact that MVTC, for instance, was tied to the needs of the BIS which failed before MVTC had taken in its first generation of trainees and that little or no adjustment took place until the mid 1990s, made MVTC highly dependent on a contracting market for its trainees. While developing projects in tandem with one another appeared to create synergy, in fact, it created an inflexibility which now threatens the sustainability of the institutions created as Sida phases out.

Stakeholders' vested interests

It is a truth which seems to be universally acknowledged in the aid 'industry' that developing country stakeholders (particularly those in the public sector), Western consultants and researchers, and other Western commercial interests have considerable influence over the perpetuation of aid, irrespective of whether it is 'good' or 'bad' aid. Thus, these interest groups form a major impediment to phase out decision-making.

The study did not find in any of the projects studied that the Tanzanian host organisations or associated ministries have any real decisive influence over the phase out process. Decisions are made at the donor headquarters, and generally not swayed by much criticism or pleading from the recipient side. Notwithstanding this, a type of bargaining takes place, in the sense that the Tanzanian partners threaten that the projects and/or supported institutions will collapse without the donor funds, or claim that continued support for just a few more years will allow sustainability to be attained. Such threats and claims may be real, or they may be exaggerated in the game over external resources. Such threats are normally taken seriously by the donor and its staff due to the donor's sense of ownership that generally develops. Donors do not want to see their projects fail to the extent that the desire to save a failing project can become an almost irrational psychological force.

The felt need by some Sida staff members to protect a 'project' from being phased out is an issue which surfaced several times during the case material research. This has been true to the extent that the rest of the organ-

isation avoids interfering with the project, and decisions over changed aid flows to the project are skirted. A strong sense of ownership develops between the project officer and the project, and can take extremes: as one Sida manager expressed it, "it is worse than taking your child away". It is understandable that such relationships develop, since officers have been assigned to projects for long periods of time and have dedicated their careers at Sida to nurturing such projects. In order to address this issue during the concentration efforts of the 1990s, which resulted in the decision to phase out projects that were close to the hearts of several internally within Sida, it is not surprising that Sida officers who were detached from these projects and knew little or nothing about them, were asked to undertake the investigations into what to phase out, and the negotiations in Tanzania between the various parties. The latter found themselves negotiating first with GoT and then with their colleagues within Sida.

It is frequently claimed that implementation consultants and Swedish institutions, particularly research institutions, play a quite significant role in influencing phase out decisions in such a way that their work can be perpetuated. The case material does not substantiate this conclusion, rather that once Sida has taken the decision to phase out, these stakeholders are rather powerless. However, it does show that researchers and, particularly, implementation consultants usually encourage the continuation (and expansion) of projects where there is no firm decision to phase out. The case of HADO demonstrates this well. It is claimed that one of the key obstacles to phasing out this project was the Swedish research interest in it. While the researchers depended on the project to keep livestock out of the research areas, their research was funded separately by SAREC and therefore was not directly financially dependent on the continuation of HADO. It is also clear that once the administrative decision had been taken by Sida to phase out of the forestry sector in Tanzania, the researchers had little say in what ensued.

The role of Swedish consultancy firms in designing and implementing projects is considerable and increasing over time. As Sida is down-sizing, the direct involvement by Sida staff is turned over to consultancy firms with a long-term implementation capability. There are a number of them in Tanzania which have had considerable involvement over many years. In the project sample these include HIFAB International and ORGUT. The trend towards larger and more participative, decentralised programmes particularly in the field of natural resource management, presents a window for such consulting firms, which are sometimes linked to local firms, to play a central role. The Hesawa water and sanitation programme, conceived over a ten year period between 1975–85 is an example of a project in which consultants had a very high stake in the design and implementation phases. The LAMP project, a land management project which commenced in the mid 90s shows the continued strong involvement of the same consultancy which has been responsible for implementing previous natural resources projects

in Tanzania (see Chapter 6 on the learning in aid to Tanzania for a longer discussion of LAMP).

There are both advantages and disadvantages to this approach. Sida is able to augment its capacity to manage its portfolio of projects. Such companies often have experience of project design and delivery in the local environment. However, the danger that this approach weakens or prevents local ownership is real since the consultants are seen by the Tanzanians in the project to be responsible for it. They are often not far off the mark in thinking this since projects can have a strong design input from the same consultants. *Achieving local ownership of projects, particularly in rural development, is a major challenge to the sustainability of achievements, a factor commonly prolonging projects, and ultimately one which complicates phase out decision-making.* One of the key issues in making the Hesawa project work has been to convince the local populace of the need for clean water and sanitation, and to encourage maintenance of the systems installed. Both evaluations of the project concluded that the current system of maintenance for improved water supply was quite poor and that the old culture of expecting the government to provide needed services had not been changed. In phased out villages some of the water systems had broken down, been stolen or dried out, and the capacity for operation and maintenance was still poorly organised. This is likely to be linked to the fact that the project was regarded as a 'playground' for donors and the contracted consultants.

In this context, Sida's orchestration of the role that the consultants play in project design and implementation is vital to the outcome. The consultants will naturally seek to maximise their role, and it is up to Sida, the organisation with the ultimate decision-making power, to determine at what point the level of involvement becomes uncondusive to achieving the objectives. In contrast to this, a common expression of Sida staff of why it is so difficult to phase out certain projects is that they 'live their own lives' meaning that somehow they have achieved a status and level of activity which has caused the perspective on their actual and potential achievements and sustainability to be lost. Projects become somehow 'delinked' from performance parameters. This certainly appears to have been the case in HADO, which continued for over two decades without an evaluation. This level of activity relates to researchers, consultants, indigenous project staff and other stakeholders.

Flock mentality in the donor community

Donors have the tendency to behave as a collective in terms of the selection of sectors, conceptual thinking and also of phase out choices, although at the project level there is a lack of co-ordination in terms of the number of projects resulting in an overburdening of local capacity, and in terms of identifying the relationship between projects so as to maximise resource use. In

Tanzania, the phase out of the rural water sector and basic industries are examples of similar approaches. Promoting public sector reform and decentralisation in search of 'good governance' have become virtually unquestionable development approaches in the 1990s. While such trends are supposed to represent learning in development, it is also true that any distortion effects of aid are reinforced by the collective action. At the project level, the sometimes blind pursuit of development fashions by donors has contributed to the feeling that a donor will support a project for as long as the development fashion which it represents is popular in the donor community. In the words of one Tanzanian project manager: "we are subjected to many experiments and reforms which are determined in an international forum". This characteristic of donor behaviour produces a whole mindset undermining local ownership. Development fashions in the donor community can create an urgency to get out of a project which represents an old approach, and to move into a new type of project at another location which represents the new approach. The case material contained a number of examples of this pattern, the casualties of which are many years of local learning and sometimes the sustainability of any positive achievements attained during the project period.

5.3 Phase out decision-making

5.3.1 Supply-driven decisions and the concentration policy

The discussion above shows that many Swedish supported projects in Tanzania have been supported for very long periods of time principally because of the question of their sustainability, mainly financial. It is perhaps therefore not surprising to find that phase out decision-making has usually taken place as a unilateral decision by Sida management based on other factors rather than project success and sustainability. Table 11, overleaf, summarises the grounds for and manner of phasing out (or not phasing out) for the case material.

While in those cases with some inherent self-financing capability, the manner of phase out did not prove to be detrimental, for others which are more public sector dependent, the phase out decision-making and the manner of phase out is more vital. This style of phase out in projects which are clearly failing all along (e.g. TAZARA) leads to even greater cost-ineffectiveness. Beyond the consequences for sustainability and cost-effectiveness, the manner of exit creates a feeling of demoralisation and low expectations for the future on the recipient side, damaging any achievements made and some of the good will created between Sweden and Tanzania over many years. According to the recipients, the reasons usually given for phase out by Sida have been internal and the grounds for pulling out are commonly

Table 11. Key reasons for phasing out or not phasing out in the case material

Project	Reasons
HADO	Sida wished to phase out of the forestry sector and pursue a new, decentralised land management approach elsewhere in Tanzania. Proposed a brief reorientation period, but insufficient to make the project participative. Sida was tired and had been there for a long time. Non-project related decision making.
FDC	The reasons given for phase out were an overall decline in Sida's country frame for Tanzania, a need for Sida to concentrate on fewer sectors/projects and that the FDCs had received support for a long time. The host ministry showed little commitment to the FDCs. Essentially, non-project related decision making.
MVTC	Decision in Sida to phase out of vocational education for reasons of concentration to fewer sectors. Supported reorientation of the whole sector to become more demand driven and financially self-sustaining in the mid 1990s. Phase out taking place as the reorientation is starting to be implemented.
TFNC	Sida has largely phased out of the health sector and has been supporting this institution for a long time. The project continues not to be financially viable due to government budget constraints, and it is doubtful that a viable position will be achieved with the current type of support which runs out in 1999, when Sida plans to phase out. Non-project related decision-making.
SIDO	Devastating evaluation and a decision in Sida to phase out of industrial projects partly driven by failures in Tanzania, partly by changed Sida policies; considerable resistance within Sida to phase out.
TPCC	The phase out was in line with Sida's overall decision at that time to phase out of industrial support in Tanzania. This coincided with the fact that TPCC became the first government owned industrial enterprise in Tanzania to be partly privatised. Swedfund stepped in as part of a bridging operation.
TBS	Sida's official phase out in 1992 was understood by TBS management to have been made on internal political grounds. Timing of the phase out left a packaging centre which had been commenced unfinished. In 1995 a 2-year project of 2MSEK for a TBS marketing campaign was approved by Swedcorp/Sida.
TAZARA	Sida phased out, as planned, at the end of the Ten Year Development Plan. The timing of the phase out seemed related neither to success or sustainability, since Sida neither phased out earlier when the gross mismanagement of TAZARA was known, nor later in order to see through the reorganisation which it had supported in the mid 1990s.
Pangani	A discrete project of blue print nature; phase out as planned. Short term sustainability assured but long-term sustainability depends on changes in the institutional setting of TANESCO.
HESAWA	A large scale and complex rural development programme set over a long period. The planned phase out timing not determined by achieved sustainability, but administratively set .
TAKWIMU	Project not financially viable due to government budget constraints triggering Sida to stay longer than technically needed. The door has been left open for continuous support.
TAC	Phase out took place in the context of the overall decline in Sida's country frame for Tanzania. Sida's phase out is regarded as untimely by a slim margin of one year both by TAC and by KPMG/Bolins. Sida had supported the introduction of new quality systems and, as a result of the phase out timing, it was not possible to complete this work.

incomprehensible in relation to the projects themselves. The 'partnership' is compromised by the donor's final unilateral decision-making.

The directive from Sida management to exit a project was set on the basis of the policy of *concentration*: the philosophy that working in fewer sectors would reduce the administrative burden on both Sida and the recipient. The concentration policy of the early 1990s was to produce greater aid effectiveness. Some staff involved in supporting the concentration effort in Stockholm during the early 90s reported quite random decision-making as to which sectors were to remain and which were to be abandoned. Concentration appears to have been somewhat of a fire-fighting exercise to deal with reduced administrative capacity within Sida than to do with the issues of project success or sustainability. According to Sida staff involved in investigating which sectors should be phased out, there appeared to be the sense that one or another sector had to be cut somehow. One of the common grounds cited for decision-making on what to phase out of was the length of time which Sida had been involved in a project. Thus Sida staff who were involved in negotiating and implementing phase out often reflect that the context for leaving was that, 'we had been there for too long ... we were tired'.

While this sounds a rather arbitrary way to decide on phase out, it is a comment which may make some sense in the context of Sida's style of operating in developing countries. Sida has a past record world-wide of willingness to be an initiator and to be involved in untried experiments in development in a prominent way, some of which attain a strong following from others in the donor community as the years go on. The origin of the Swedish-Tanzanian experience is indicative of this. As Tanzania became 'crowded out' by donor support, the feeling that Sida needed to reduce its position and 'concentrate' set in. But Sida's changed position in Tanzania was also very much influenced by its joining the World Bank club of donors and thus buying into the development trends emerging from this club. In this sense, the 1990s has been a period of reversal of Sida's previous innovative approach.

5.3.2 Other factors in the project cycle affecting the context of decision-making: monitoring and evaluation

In the project sample, decisions to phase out have not infrequently been supported by evaluations advising a fairly rapid phase out. *It is always difficult for evaluators, with their own vested interests and who see Sida as their long-term client, to be entirely objective in their recommendations.* Evaluators, who usually know the mood within their client organisation about the project to be evaluated, find it very difficult to ignore the signals coming from their client. The sequence of events, the sometimes not entirely balanced arguments provided in the evaluations, and sometimes even the lack of a

connection between the analysis and the recommendation to phase out rapidly (e.g. HADO, SIDO) indicate that there was knowledge of the desire to concentrate and of the sectors which would not be favoured in this process.

The low status attached to regular monitoring of projects in the case material has made the job of the evaluators even more difficult. The possibility of an objective and accurate evaluation is very much compromised by this. In projects which are failing, the lack of regular, well-resourced monitoring results in more good money being thrown after bad. In cases where a reorientation is suggested, little is known about what is realistically required to make such a reorientation work. In the case of HADO, very little monitoring took place by Sida (as evidenced by the recording in the Kondo Project Office Visitors' Book). The project had been running for 23 years by the time the 1995 evaluation flagged some key problems with it, although the evaluators also admitted to not having sufficient data to make detailed assessments of the project impact on the environment or on the social circumstance of the inhabitants. With little information, a rapid reorientation period of one year was proposed along the lines of Sida's administrative needs.

The selection of evaluators is also a factor influencing the quality of the information regarding organisational and financial sustainability. Evaluation teams consist frequently only of specific technical subject-matter specialists rather than individuals with expertise in management and organisation. For instance, at time when financial sustainability issues should have been at the forefront of the minds of the evaluators of TFNC in 1991, the Sida evaluation team for was made up primarily of nutritionists. A Dar es Salaam based accountancy firm had been employed to assess the accounts systems and the issues of management and finance were therefore assessed in quite a narrow and brief fashion.

Chapter 6. An agenda for more effective aid

6.1 Summing up

Tanzania, has been portrayed as a basket case of development and aid. This holds some truth after the late 1970s in economic terms, but not in social capital formation in the form of human resource development, creation of institutions and the establishment of a foundation for nationhood and democracy etc. Aid, particularly bilateral aid, has not focused on optimising economic growth, but had a variety of objectives: In pursuing these objectives aid has been rather successful, judging from Tanzania's performance. It could be argued that aid has got the development it deserves; the hypothesis of ineffective aid to Tanzania must be modified.

Aid dependency is a complex issue. A major reason for aid dependency, as measured by the role of aid in the economy (ODA to GDP ratio and other measures) is mainly a very rapid expansion of aid in the 1970s, and then again in the late 1980s. This had little to do with the reality of the Tanzanian economy. Aid dependency in Tanzania was not created primarily due to a poorly performing economy, but due to a supply driven donor system, with aid expanding more rapidly than almost any type of economy at Tanzania's level could have absorbed. This *disbursement bias* is acting both at a micro and a macro level. An element of aid dependency is that donors have pursued objectives that have in-built problems of financial sustainability in the short to medium term perspectives, such as building institutional capacities and social capital.

A micro – macro paradox exists in aid to Tanzania. This means that many projects perform well, but the overall impact seems to be poor, or even negative. The paradox can be explained by several factors: 1) aid projects do not have economic growth as their prime objective and at times even have a negative impact on growth due to contradiction with other objectives; 2) the cost side is rarely assessed in (bilateral) projects and cost-effectiveness is likely to be low as donors put in considerable amounts, often for extended periods; 3) aid is almost entirely public sector focused. As this sector has performed poorly in Tanzania throughout the aid presence, the considerable volume of disbursed aid has had relatively meagre results in terms of overall (economic) impact.

There is a strong public sector bias in (project) aid, even at the same time as macro economic policies towards promoting private sector development and participation are vigorously pursued. Aid dependency is primarily or entirely a public sector phenomenon.

The aid relationship with Tanzania has shifted from one of mutual respect, co-operation and ownership of the development agenda by the

Tanzanians to one of a certain degree of disrespect, donor conditionality and ownership of the development agenda mainly by the donor community. The reasons for this are complex: The shift in the aid-relationship has a lot to do with in-built distortions of aid. The rhetoric now is *partnership*, but it is questionable whether this concept as it stands, will address the underlying issues (see section 6.2, below).

The problems of very prolonged periods of project aid and problems of phase out are primarily a question of sustainability of the projects and institutions supported or created, rather than vested interest groups that lure donor agencies to stay longer than necessary. Tanzanian parties especially, have little influence over phase out decision making. Such decisions are in the hands of the donor agency, and while other interest groups might advocate the continuation of projects, even quite vocal groups have little leverage in the end. Implementing institutions and consultants have strong influence over the design and implementation of process-oriented projects, since Sida is increasingly delegating these responsibilities owing to capacity constraints. Although, Sida has the ultimate decision making power on phase out (and, in the case material, has taken decisions to phase out largely in isolation of any other interest groups), implementing consultants and institutions have an influence on the duration of a project and its sustainability. Since it is not in their interests to make themselves redundant, projects are generally prolonged well past the time when they have achieved a basic technical competence, and sustainability is compromised.

The case material has shown that there are two management tendencies within Sida, both with a problematic relationship to effective aid. One is strong ownership of projects by staff responsible for managing specific projects for long periods of time, leading to a sometimes quite emotional defence of these projects. The other, is donor focused decision making concerning phase out and other matters where the reality of the projects is of lesser concern. This kind of decision-making tends to be focused on criteria such as the donor's administrative capacity, the need for concentration and the length of time that a project has been ongoing (i.e. a project should be phased out because it has been going on for a long time). Although the recipient's limited administrative capacity is often highlighted by the donor as a reason for phasing out and concentrating, this is usually expressed as a secondary consideration relative to internal donor issues. Effective aid requires different management of project portfolios in which decision making is based on knowledge. While Sida has over the years deliberately worked quite hard to accumulate development knowledge, the aid framework in which the organisation operates does not allow this knowledge to come into play in moments of vital decision making. This is due to two factors: the strong supply driven nature of aid where disbursement is the key unofficial objective and the tendency of donor governments to underrate the resources required for effective aid management.

The problems of sustainability in Tanzanian projects are primarily a question of financial sustainability rather than technical competence. Public sector dependent projects are generally initiated without taking into account the capacity of the public sector to carry on post-aid. While, in theory, the financing of only investment costs by the donor should assure no surprise in recurrent cost financing, there are a series of in-built distortions: 1) there is a relationship between investments and recurrent costs since building an institution creates various costs of maintenance, staffing, etc. These are rarely, if ever, assessed in Swedish funded projects. With the Government's increasing difficulties in meeting recurrent cost financing requirements, the donor tends to take over, and original models for post-aid financing tend to be forgotten and not pursued.

Swedish aid financed projects tend to be very focused on technical matters. When financial sustainability becomes an issue, the projects have great difficulties in adjusting to these changed circumstances, and tend to continue with improving technical competence. This creates aid dependency and lack of sustainability. This situation is one of the problems with supporting institutional co-operation since there is no incentive for the institutional partner to wean the counterpart off aid, rather an incentive to continue. Sida's capacity to counteract such tendencies is weak due to the administrative rather than management role played by staff.

The dramatic shift in the Tanzanian macro economic policies during the 1980s and 90s had, and probably continues to have, a limited effect on Sida supported projects. Rather than adapting projects started in a different era to changed circumstances, the donor tended to shield the projects from the external changes and to protect the original concept of the project. The consequence of this is often that good money is thrown after bad, and required adaptation of the local institution to the changed environment is prevented. Behind this is often strong ownership by donor staff who want to 'save' their project. The health of Tanzania is overshadowed by the health of the project.

There are tendencies in aid projects to create islands of excellence in seas of poor resources as a result of a variety of factors: the ambition levels are often set without consideration of the local environment, more reflecting the donor's home environment. This is reinforced by the use of technical specialists with little knowledge of financial matters. Over time, donors tend to take strong ownership of their funded projects as staff associate their careers with them, consultants their business with them, researchers and academics their vocations, etc. Projects become *mini colonies* of the donors, isolated from the environment, with their own resource flows from the centre, often by-passing the local systems.

On the whole, the linkage between project success, sustainability and phase out decision making has been weak. Decision making has been essentially based on the imperative of concentration, an effort on the part of the

donor to address the capacity constraints mainly of the donor. There is a tendency to phase out too late, i.e. long after the development objectives are achieved, or too early, when there is an on-going process, initiated by Sida, to re-orient a project towards greater market responsiveness. Decisions are often made on quite arbitrary judgement of what constitutes 'too long' support. In projects which are unsuccessful, this kind of phase out results in a high degree of cost-ineffectiveness since the projects were generally prolonged well beyond the time when it was clear that they were not performing.

For successful projects, 'good' phase out is about making sustainability a prominent goal at every phase of a project. Planning a blue print for phase out from the beginning, particularly in projects which are long-term, is no solution since flexibility and adjustment are required in changing economic conditions. Waiting until the last years of a project to consider sustainability issues, a situation that was found so frequently in the case material, is too late.

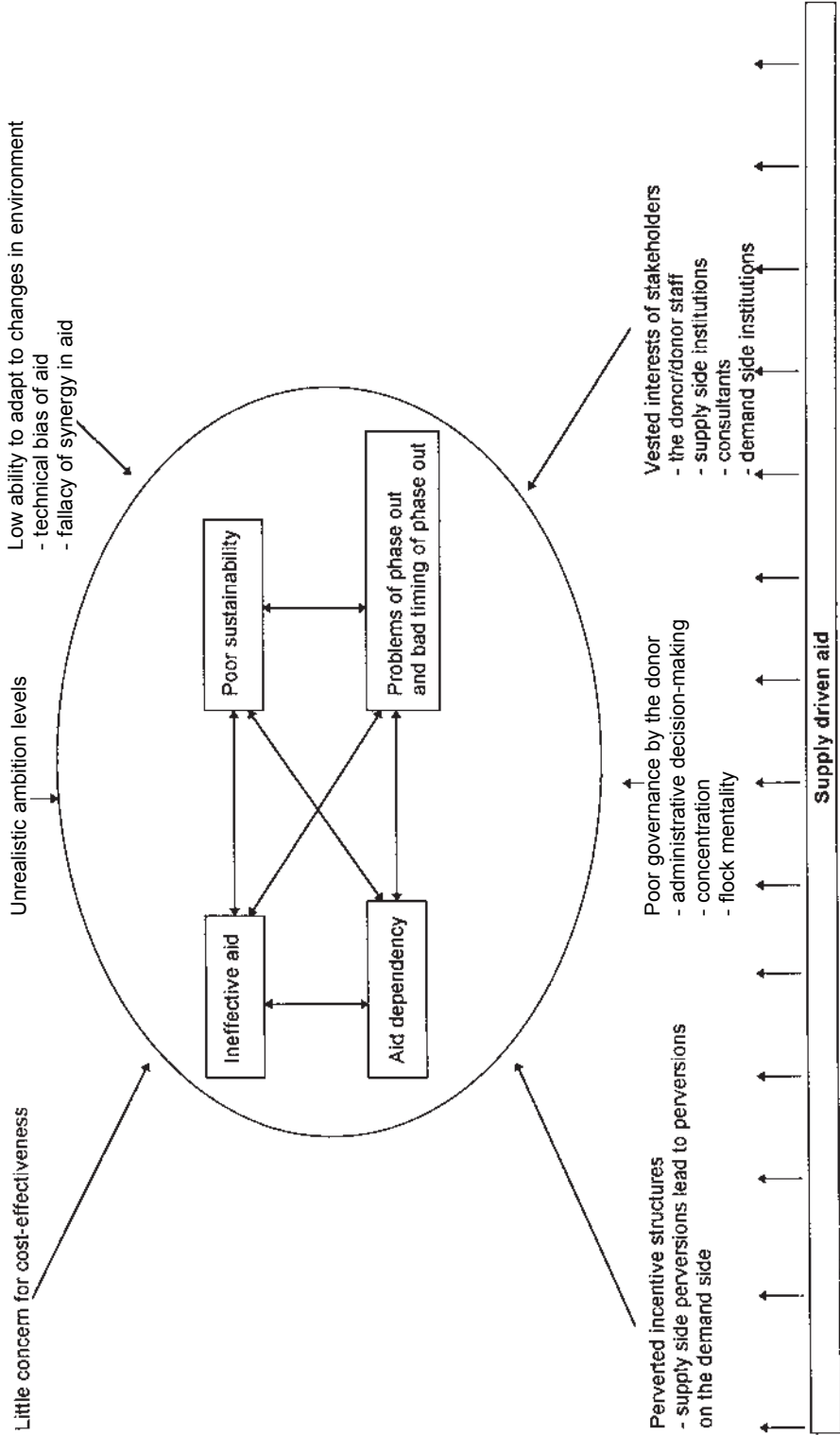
Phase out seems less of a problem in projects which have an inherent capacity to generate revenues, such as commercial or semi-commercial operations. From this the conclusion *should not* be drawn that such projects are more effective aid. Rather, the efficiency in implementation and less problematic phase out, should be judged against the achievement of overall Swedish development objectives. Projects such as power plants, cement factories, etc., which have proven the most successful in a phase out perspective to judge from our sample, make little, if any, contribution to achieving the broader development objectives of Swedish aid, while projects that appear to have major problems in phase out due to their strong dependence on public sector financing potentially have a considerable contribution.

Figure 8 summarises in a simplistic form the factors behind the vicious circle of low aid effectiveness, aid dependency, poor sustainability and problems of phasing out, as reflected in this study.

6.2 *Learning in aid to Tanzania during the 1990s*

The frustration with the overall non-effectiveness of aid to Tanzania, particularly on the part of Swedish aid, which placed very high hopes and a great deal of commitment into the Tanzanian development process since the 1960s, has led to some considerable thinking of how to make aid work, and, in particular, how to address the goal of achieving sustainability. What follows is a brief overview of some of the main efforts to this end and, in each case, an assessment of the value of these efforts.

Figure 8. Factors behind the vicious circle of aid



6.2.1 Partnership

Since the mid 1990s and with the fall of apartheid in South Africa, Sweden has been pursuing a policy which lays out the aspirations for its relationship with the countries of the African continent. 'Partnership' is a concept which is to promote mutual respect, responsibility and benefits. According to the Swedish Ministry for Foreign Affairs:

... the word partnership should denote a Swedish endeavour, in co-operation with African partners, to establish a more equal and respectful relationship. In this partnership, both African and Swedish resources should be so utilised that the African parties become the subjects of their own reform measures rather than the objects of external decisions.²⁵

According to the agreed notes from a workshop on a report of independent advisers on development co-operation issues between Tanzania and its aid donors of 14/15 January 1997, partnership implies "a radical change of rules and roles between the partners in development". These include:

- 1) Tanzanian ownership of formulating visions, policies, programmes and projects as well as of planning, design, implementation, monitoring and evaluation.
- 2) Tanzania taking full responsibility of and accountability for the programmes and resources provided and their results.
- 3) Mutual and transparent dialogue.
- 4) All activities agreed upon should be implemented on the basis of shared financing where the Tanzanian share successively increases over time. The date for completion or termination should be agreed upon the outset. The non-Tanzanian partners should be willing to make long term financial commitments.
- 5) Support to sector investment programmes based on Tanzanian sector policies and plans.
- 6) The development partnership should only comprise activities which are given priority by Tanzania and which are included in the development plans so that financing of these activities is reflected in the development budget and can be monitored.

It is questionable whether the terminology constitutes a radical change. Terms such as ownership, accountability and transparency have been present outside of the partnership concept for some time. Much of the policy goes back to elements of the original Swedish -Tanzanian relationship which contained those features of equality, respectfulness and solidarity in values. Under the current relationship between Tanzania and the donor community,

²⁵ Swedish Ministry of Foreign Affairs, *Partnership with Africa: Proposals for a New Swedish Policy towards Sub-Saharan Africa* (1997), p.19.

which is no doubt further away from partnership than ever, very substantial changes will need to take place in order to recover some of what has been lost and to integrate it into a new and workable relationship which is satisfactory to both parties.

Where the policy remains weak is in the details of how it should achieve this radical change. The workshop of January 1997 outlined a number of 'first steps' towards initiating the new partnership which focus mainly on improving Tanzania's aid management capacity. However, there are two concrete suggestions listed above which merit attention. One is shared financing, defined from the outset, with an agreed and decreasing amount from the donor over time. This kind of 'joint venture' proposal goes some way towards addressing the problem of perverted incentive structures, discussed in Chapter 5. Joint financial responsibility with a gradual and planned increase in the contribution from Tanzania over a defined period of time is more likely to bring about ownership and sustainability than the past practice. The other suggestion, *sector programme support*, is also about promoting ownership and thus sustainability by working through the sectoral programmes of the Tanzanian Government. It is about 'deprojectising' the aid and placing the focus of decision-making on the Tanzanians. This type of support, which presupposes the abandonment of project support, can be seen as a radical solution to addressing the dilemma of good projects in a resource-poor environment. Aid is to be shifted to sector or sub-sector programmes, avoiding the dilemma of favoured (project) islands in a sea of limited resources. But project aid also has advantages and simply dispensing with it is perhaps like 'throwing the baby out with the bathwater'. As with the joint venture proposal, how these will be implemented under the current Sida system, which is bound by disbursement targets, country frames and complex internal administrative procedures, has not been resolved.

The gap in the current partnership policy is that it does not specifically address what the Swedish partner should do in order to bring about demand-driven aid. Though the Ministry of Foreign Affairs' working group on partnership has outlined a "Code of Conduct for Sweden", these do not really address any of the systemic issues. Suggestions under this Code include: "an endeavour to listen to and understand the partner's motives and arguments before adopting a stance", "clear advance presentation of conditions for co-operation", "openness to genuine negotiation ..." etc. These are issues of tone but not of substance. The focus of radical change at present is instead on the developing country partner. The workshop notes of 14/15 January are a good example since they emphasise what the Tanzanian role will be in the partnership. Although the Partnership Africa study was the product of an independent working group and thus did not reflect the Swedish Government's position, it is often referred to within the Foreign Ministry and within Sida as explaining the new partnership policy.

6.2.2 Aid co-ordination

Co-ordination of policies and actions between the donors in Tanzania is to bring about greater efficiency and effectiveness of aid by addressing the problem of donor fragmentation. To what extent does it, in its present form, actually play this role? At present, co-ordination lies mainly in discussions amongst the donors and with GoT to implement the SAP. This takes place mainly at annual Consultative Group meetings and through other less formal gatherings. However, co-ordination at the project level continues to be quite weak, with donors continuing to pursue projects according to their own specific agendas. In the words of a TFNC staff member: “there are so many requests – Canada wanted a specific project, UNICEF another – to the extent that we lost sight of what we were doing, and we had to respond to these projects as we had no other resources”. Thus, at the micro-level, little has been contributed to efficiency and effectiveness. At a macro-level, aid co-ordination as it stands represents something of a flock mentality in which alternative views are not welcome. The lack of diversity reinforces the distorting effects of a collective action. Thus, aid co-ordination should not be about uniformity but about ensuring the best use of aid in relation to what other donors are undertaking.

6.2.3 Concentration

During the 1990s’ concentrating aid into fewer sectors has been viewed as the answer to the capacity problems existing both within Sida and within the Government of Tanzania. It is the principal reason for Sida’s phase out from most of the projects in the case material. According to one Sida manager, “there are currently 1800 ongoing projects in Government (GoT). They can possibly handle 500 or 600”. Also, there is the feeling on the part of the donor agency that “to concentrate in a few areas also means that knowledge about these areas increases within the donor organisation, which should also increase its efficiency”.²⁶

It is highly questionable whether concentration has created greater efficiency, and beyond this, whether it creates more effective aid. There are a number of reasons why concentration can be considered somewhat of a fallacy:

- 1) The risk of creating strong dependency in these sectors as more resources are allocated to them increases.
- 2) Local ownership within the selected sectors could be reduced as a result of the prominence of donor involvement. Larger projects are likely to be creating higher stakes for the donor that it succeeds.

²⁶ Adam et al (1994).

- 3) The process of innovation and of support change agents in various sectors, which has been important to development in the past, is compromised.

It has been argued that the purpose of concentration, like aid co-ordination, should be to arrive at an efficient division of labour between donors; thus, points one and two become redundant. However, the key motivation for concentration, as argued above, is a perceived lack of capacity on the part of the donor rather than avoiding duplication of efforts with other donors, a problem which aid co-ordination does not appear to be solving at present.

The third point is an extremely important one which deserves further reflection. One major positive outcome of donor support to Tanzania at the macro level, often overlooked but which elicits agreement amongst Tanzanians when suggested, is that Tanzania is "like a democratic plant in East Africa" (quoting a Sida staff member dealing with Sub-Saharan regional issues). The donor community, and particularly Sweden which was Tanzania's greatest supporter over many years, catalysed reactions begun by certain change agents creating a relatively peaceful and egalitarian-minded society. Nyerere shared a philosophy with socialist countries outside of Tanzania, they supported him and this allowed him to push through certain policies about self-reliance and egalitarianism in a sea of dictatorships. The fact that Nyerere stepped down shortly after Sida joined the SAP in the mid 1980s is indicative of the importance of the linkage. According to one Sida officer based in Dar es Salaam, Ugandans and Kenyans accuse Tanzania of being a socialist failure. Tanzanians have responded to this by saying that given the commercial successes of Kenya and Uganda so far, how much more successful they would be with the type of freedoms that Tanzanians have enjoyed.

At the project level, Sida has supported change agents such as TFNC, for instance, which would not be financially possible without external assistance. Such an institution has potentially strong leverage on policy with benefits accruing to the poorest, but may also not come high on the long priority list of the Government. The present concentration track which Sida is following allows less flexibility to respond to such change agents.

Beyond these points, the current aid system does not really allow for concentration to work in terms of efficiency. There is a conflict between the objective of disbursement and that of concentration, since concentration places emphasis on absorptive capacity whereas disbursement places emphasis on ejecting funds, largely irrespective of absorptive capacity. In the words of one Dar es Salaam based Sida manager, "I can get two memos in the same week ... one asking why disbursement is so weak and one asking to please concentrate more".

6.2.4 Matching funds and performance orientation

One of the recent efforts to change incentive structures in aid to Tanzania has been the mechanism of a 'matching funds' agreement in which Sweden and other donors put in x amount for every x amount which Tanzania can raise. This system is said to bring the performance orientation that has often been lacking into the aid relationship. But the problem with this arrangement is performance by whom and for what purpose? Essentially, this arrangement is about how much the newly created Tanzania Revenue Authority (TRA) can raise through various tax sources. This organisation has moved into the focus of the donor community, and forms part of the World Bank's public sector reform efforts. The performance is deemed by the World Bank and others to be quite good at present. While this kind of arrangement might be good for the donors and for GoT since it increases the sustainability of the bureaucracy (which continues to be oversized), it is moving in such a direction that it takes away unfairly either from the few viable, sustainable operations that are struggling to stay alive in the private sector and, worse, from the citizens, the majority of whom have little to spare. At risk of sounding like an argument against taxation, it is important to emphasise that the problem with the current arrangement is that it places the emphasis not on how the money is found or how it is spent, but on the amount that can be raised. According to one major Tanzanian company, "the matching funds idea just worsens the situation ... all companies are pressured to bribe their way out of this situation since entirely unreasonable items are taxed". One Tanzanian auditor confirmed this when he claimed that in the TRA the donors are "creating a very efficient monster." He concluded, an alternative view is needed".

The matching funds system was originally conceived following the dramatic downturn in the collection of import taxes in Tanzania in 1994, probably due to corruption. Matching funds were an attempt to prevent this situation from arising again. Although the concept is not without merit, the way in which it is playing itself out may not necessarily be beneficial to ownership, sustainable development and poverty alleviation.

6.2.5 Logical Framework Analysis (LFA)

During the 1990s LFA has been introduced as a technique in project planning with the goal of linking project outputs and activities to immediate project objectives and overall development objectives. It is also intended as a monitoring and evaluation tool which can verify what the project set out to achieve by pre-identifying indicators of achievement. The result of applying LFA should be aid which is more focused on contributing to fulfilling overall development objectives such as poverty alleviation, and which is performance oriented. While it is succeeding in focusing attention on outputs and the extent to which the outputs of the aid are achieved, it does not seem

to be succeeding in the first of these aims. The existence of the Pangani project in Sida's portfolio during the early to mid 1990s in itself demonstrates this. Had the LFA for this project attempted to link the project outputs to overall Sida development goals, particularly the goal of poverty alleviation, it would have run into problems since the project basically serves a small, urban elite.

6.2.6 Ownership through participation

One of the key suggested answers to the problem of ownership which is so closely linked to sustainability, is the participation of the recipient, particularly peoples' participation, in all aspects of the project cycle. Projects now spend much time and resources on participative workshops in order to transfer ownership of a project to the indigenous people. However, the old style of project planning seems to continue. Relatively short time frames and small resources are put into this phase in relation to project implementation, and participation is both timely and expensive.

The planning of the LAMP project, a new Sida sponsored decentralised land management project provides a good example. The origin of this project dates back to the 1980s in an FAO/Sida forestry project which turned into an experimental land use planning project in the Babati district in 1990, and emerged as a full scale land management project in 1996. ORGUT, a Swedish consulting firm, has been involved in the project since its inception. The financing document for LAMP prepared for Sida in 1996 is heavily based on a 1990 'blue document' which was the product of a former senior Sida staff member and an ORGUT staff member. Although Sida staff involved at the time claim that the financing document in 1996 was a Tanzanian product and ORGUT was only involved in editing the proposals into an agreed format jointly with the Tanzanian authorities, the final plans for LAMP very much involved a conception role for the consultancy group which became the implementation consultant in the first stage. ORGUT itself acknowledges this role. Key documents referred to in this proposal such as strategies are produced by the same consultancy firm, which also recommends a continuous advisory/control function by a consultancy group. The project has a considerable input of external advisers, both short and long term, making up nearly 50 per cent of the total cost. The project was appraised in 1996 by a two-person team, allowed two weeks in the field: clearly insufficient for an independent and professional review of a complex programme such as LAMP. One of the consultants had been heavily involved in Sida's strategy formulation for rural development and his writings were also used by ORGUT as an important reference point for the design of the project. Not surprisingly, the appraisal team endorsed the approach with some minor modifications. Prior to this no independent evaluation was undertaken of the Babati project in terms of its achievements during the

1990-95 period. The only request in the proposal which originated directly from the felt needs of Tanzanians had to do with education and health components. Both of these were removed by Sida. The local ownership of such an approach and hence its sustainability is clearly in question. According to ORGUT, Sida foresaw a 25–30 year commitment from the outset. This thinking seems to reflect that of the past in which open-ended commitments were made on the assumption that somehow the public sector (in this instance, the local authorities) would assume financial responsibility for the project in the end.

6.2.7 Trade vs. aid

During the mid 1990s Swedish aid has joined other members of the donor community in seeking a relationship with Tanzania which is based on “partnership”. The meaning of the partnership concept is discussed above, but basically refers to a wished for future situation in which both sides in the aid relationship assume equal responsibility for the development of Tanzania and in which benefits eventually accrue both to Tanzania and to Sweden. In these senses the partnership idea is a return to the original motivations of the Swedish-Tanzanian aid relationship, which were essentially to achieve a non-aid, mutually beneficial relationship in which trade, supported by a successful Tanzanian industrial strategy (the BIS), would play a lead role. But the hopes that aid was to be a very temporary phenomenon were dashed with the failure of the BIS and the rapidly deteriorating macro-economic conditions of Tanzania during the 1980s.

Between the mid 1980s and mid 1990s Swedish aid made choices which were on the whole quite contrary to the original aspirations for achieving a non-aid relationship. A situation of heavy aid dependency developed at the project level, and during the early 1990s Sida phased out of the only sector, the industrial sector, which could directly have contributed to promoting successful trade. Despite this, some of the projects which fell under Sida’s industrial portfolio have survived and are even showing signs of being profitable (see Chapter 4). In its new country strategy (1997–2001) Sida is in many ways reverting back to its original strategy i.e. support of industrial development (private sector development), institutions in support of industrial development, education, public sector development and energy.

As donors, including Sida, become increasingly subject to the scrutiny of electorates which demand ever greater value for money, discussing what comes after aid and the translation of aid into mutual benefits becomes increasingly important from the donor’s perspective. Trade development, investment promotion and other related activities fall into this category of discussion. However, there appears to be a trade versus aid fallacy emerging in this discussion which sees one as a substitution for the other. The free market learning of the 1980s and ‘90s also points to the conclusion that it is

not public sector agencies which are primarily responsible for creating and sustaining instances of successful trade. Developing sustained and successful trade depends, to a large extent, on the assessment of country risk by private individuals and, in turn, on the quality of that country's institutions and human resources. Of course, it also depends on liberalised trade markets, but this kind of policy issue is beyond the level of a bilateral donor's remit. Trade and aid are not 'either-or' choices for Sweden in its relationship with Tanzania or any other developing country at a similar level of economic development. In the context of Tanzania, trade in itself is certainly not the answer to a good phase out strategy. In this belief this report focuses on getting to the heart of the sustainability issue whether it has to do with trade promotion or other development-related activities.

6.3 Achieving 'good' development: a systemic challenge

The overall conclusion of this study is that there are fundamental structural aspects of the aid system which thwart the efforts to create good development. The aid system has been and continues to be highly supply-driven and public sector focused. The supplier is basing decisions on donor considerations, which are often administrative, rather than on knowledge about what makes success, ownership and sustainability.

Our recommendations are focused on two broad shifts in aid:

- 1) shifting aid from a supply driven, disbursement oriented venture towards a truly demand driven, performance oriented one;
- 2) shifting aid from primarily a government to government undertaking to aid which responds to the whole society;
- 3) shifting the focus of aid management from the administration of aid flows to a knowledge based service venture.

These recommendations are intertwined: Sida and all other aid agencies are forced to operate as administrative organisations due to the condition of supply driven aid. A demand driven, performance oriented development would trigger an organisational response of the latter kind, in which the incentive is to base decision making on what is known about effective aid and about a specific project (in terms of success and sustainability) rather than on donor imperatives.

While these recommendations are broad and far reaching, and certainly far beyond policy guidelines concerning phase out, we believe that without addressing the underlying causes of ineffective aid, aid dependency and poor

sustainability, no guideline for phase out, in its narrow sense, would achieve much.

Below are some key guidelines for achieving the 'shift' described above.

6.3.1 Eradicating disbursement orientation and country frames

To a large extent aid is based on the notion of what can we get for a certain amount of money rather than what it costs to achieve certain objectives. The implication of this is that to disburse becomes a day-to-day management criteria. Disbursement is also easily measured in contrast to the effects in terms of achieving objectives. Disbursement orientation based on existing budget procedures and country frames within Sida have perhaps been one of the single most important factors for ineffective aid. Donor agency staff feel pressured to spend budgets and to meet the plans instated in the country frame, a pressure which often overrides knowledge of what would be best in the particular circumstances. The existence of disbursement orientation and the country frame are symbols of a specific Sida agenda, which developing country stakeholders are aware of and which can result in their willingness to allow consultants who are specifically aware of the Sida agenda to devise their financing proposals. The knowledge of country frames and project budgets on the recipient side also creates a disincentive for pursuing measures for sustainability, since it is expected that Sida or another donor will continue funding often irrespective of performance parameters. Lacklustre performance is often met by additional consultancy inputs sponsored by the donor to 'facilitate' project implementation.

Eradicating country frames does not mean that Sida should have no agenda, but that it should focus more on realising its overall development objectives (poverty alleviation, etc.) and be responsive to a wide range of proposals which are most likely to address these objectives without the pressure of having to disburse a certain amount by a certain time. Incentives should be created for good local performance (e.g. through additional budgets and support services), and poor performance should not be supported.

Could country frames and country budgeting be abandoned? Yes, but this would require a new form of political decision-making by the donor government, a new aid budgeting system and different organisational behaviour from the donor which is based on performance orientation. For instance, if country X shows poor performance due to low motivation, corruption and mismanagement in aid projects and programmes, the donor government should rapidly be able to transfer aid allocations to better performers amongst countries with poverty problems. Similarly, if projects and programmes in sector Y show signs of poor performance the donor agency should have the flexibility to shift such resources to other sectors, where the motivation amongst the recipient organisations to achieve good development is higher.

One means of operating an aid system not based on country frames would

be to establish aid operated more like a development fund, responding to requests and proposals from a wide variety of countries. On a small scale, there is an on-going discussion regarding autonomous development funds in the African context, which could potentially reduce the importance of country frames and budgets. However, these proposals are not, in our view, far-reaching enough to address the fundamentally supply-driven nature of the system.²⁷ One of the problems is that this approach is seen as a complement to the existing system rather than as a substitute for it. The autonomous fund approach is presently being tried on a limited scale in the media sector in Tanzania.

6.3.2 Creating competitive demand between different providers

An important means of doing away with disbursement orientation is to open up competition within the countries for donor money between different providers based on performance. Official development assistance is historically very much a government to government undertaking. The donor agencies are public authorities or parts of ministries, and their clients are by and large government agencies in recipient countries. In the case of Tanzania, the historical reasons for this were obvious: Tanzania pursued a socialist model with the state as the key actor dominating all aspects of society, and with a very limited role for civil society. However, when the state failed to provide services it *de facto* opened up the prospects for civil society to fill the gaps. When Tanzania eventually changed economic policy, aid was slow in shifting clients. By and large recipients of aid are still government agencies.

It is true that Sida always had a window for support to civil society mainly through Swedish NGOs, and it is true that private sector development is given increasing importance. However, the large volumes of aid continue to be directly and indirectly channelled to government through investments in the social sectors, in infrastructure and energy supply, public sector reform programmes, etc. It could be argued that there is an imbalance between the fact that 80 to 90 per cent of aid is directed to government agencies, while government contributes a fairly small share of the GNP in a poor country such as Tanzania.

The counter argument is that Swedish aid is directed to areas for which the government has certain responsibilities such as providing basic social services in the form of health and education, and in providing infrastructure such as roads and energy. Furthermore, aid cannot and should not interfere directly in the private market, but rather create enabling environments through good (public sector) governance. However, basic social services are

²⁷ See *Autonomous Development Funds in Africa*, Report from an Expert Consultation in Kampala (April 1995) and *Autonomous Development Funds in Development Dialogue*, Dag Hammarskjöld Foundation, Uppsala (1995:2).

de facto provided by a wide range of suppliers in poor nations mainly due to the failure of the state. Such providers are local and international NGOs, the private sector, churches and various forms of traditional suppliers (for example, in health). In times of structural adjustment such suppliers are increasingly important as government budgets are declining and non-government initiatives are encouraged. The hard realism of the economic capacity of the state in poor countries is that it is not possible to provide universal basic services. Therefore, utilisation of alternative providers is critical for the provision of some basic services in such countries. However, official aid tends to neglect this development and continues to focus on the state as a supplier.

Sida could establish a new-style sector programme involving various providers, even in basic social services. This could have many positive benefits such as increasing competition between different providers and thus creating better services and better value for money, encouraging better co-ordination between the various providers, and, as a by-product, improving governance. The latter might take place by focusing on the role of government in policy-making, regulation, etc. In such an approach Sida could also mobilise the Swedish NGOs to co-ordinate their involvement in these sectors. In the infrastructure and energy sectors, Sida could encourage private sector providers and force government to take on a more appropriate role.

The task of becoming demand driven has two implications. First, it requires the structure and capacity to respond to a very wide range of demands and to vet proposals. Second, it requires making Sida's expertise and services known and accessible to a wide range of private and public sector stakeholders in the 'partner' country. At present, it is Sida which is competing with other donors to supply GoT with aid in various sectors. The situation needs to be reversed, so that GoT and other actors in development in Tanzania compete for aid resources by submitting competitive proposals. One of the difficulties in creating such competitive demand is that relatively few potential change agents in Tanzania, particularly those at the grass roots, are aware of Sida, its objectives and how to approach it. In order to stimulate such competition, Sida should translate and disseminate information about its overall objectives and procedures in a concise, comprehensible and non-elitist way and should be responsive to a very wide range of requests – this could be something of a comprehensive information campaign which will require substantial resources if it is done well. Developing Sida as a knowledge-based organisation should ensure that Sida has the skills to assess a wide range of requests and develop them jointly with the applicants.

6.3.3 Pursuing a joint venture approach and long-term joint sector programmes

Sida and other donors have long realised that they can create a disincentive on the part of the recipient to even attempt to assume overall financial

responsibilities by financing capital investments and letting government provide recurrent budgets. In the past a perverted incentive structure existed as it was 'cheaper' for the government to let a donor funded facility be run down by not maintaining it and hope for a new donor project for rehabilitation, than to maintain the assets with scarce government money.

As learning from this experience, Sida has financed a major share of the recurrent budgets in many projects and programmes in Tanzania. The problem with this is that it has created donor dependency as the programmes become almost entirely donor financed. This is one of the reasons that there are phase out problems. The 'new partnership' approach realises this issue and the focus is now on creating a shared financial responsibility from the beginning with a declining role for aid and an increasing contribution from the recipient. This is in theory a good development. However, there is a risk that either aid has to reduce its level of ambition to fit into what is affordable by the local economy or the shared responsibility becomes wishful thinking. Shared responsibility is nothing new in aid: the earlier relationship in Tanzania was based on such an assumption in the sense that the donor would provide the initial investment, and the government would take it on thereafter. This model failed as a result of a lack of realism about what Tanzania could afford in the foreseeable future. It is difficult to judge if current partnership is based on more realism.

Realistic joint financing may vary quite extensively in the amount of time allowed to execute it, depending on where the institution is on the spectrum of public sector dependency to inherently self-financing. It is questionable whether projects or programmes which are inherently commercial in nature and thus should be self-sustaining, should receive aid money at all. This might be true, for example, in the energy sector, but also in other infrastructure development sectors. In other sectors a 'joint venture' approach might have to be stretched over decades in order to be realistic and to provide universal supply in some basic services required for human resource development. For example, an option might be for Sweden jointly with a country such as Tanzania to take on the responsibility of establishing universal basic education without a time limit.

The reality of low income developing countries such as Tanzania is that basic adequate universal social services are unaffordable in the local context. It is politically unviable to accept this reality in aid. For instance, it would not be politically acceptable in Sweden to acquiesce in the fact that only 20 per cent of the children in a Swedish-supported low income developing country would be provided primary education on the basis of meagre local financial resources. In sectors vital to fulfilling Sida's overall aid objectives (e.g. education, health), Sida might consider long-term joint responsibility, considering that low income countries might have a low capacity to finance such vital development activities for a very long period of time. In such a joint programme, it should not be anticipated that phase out will take place

in a limited number of years, although cost-effectiveness of resource use should be a prime consideration. This type of support could be economically justified for building social capital with long-term economic returns. The issue of sustainability should not be neglected and addressed throughout by attention to: 1) as efficient and realistic use of limited resources as possible; 2) ensuring that the government and/or beneficiaries provide an increasing share of the total cost over time.

6.3.4 Adjusting the ambition level to suit the conditions: the 'reality test'

The experience of Swedish development co-operation with Tanzania at the project level has shown that planning usually takes place according to a Swedish institutional ambition level. While ambition is not a bad thing in itself and is often needed in very difficult starting conditions, the level of ambition needs to be adjusted to 1) what is needed most immediately in the local context and 2) what is affordable to operate after the investment has been made. Affordability should not be based on abstract, long-term economic projections – it should be a more immediate estimation and should be adjusted as time goes on. In the instance of a project with inherently self-financing potential it is possible to be more ambitious, whereas in initiatives which are inherently public sector reliant more caution should be taken. The criteria for development should not be some abstract bench-mark from overseas, but what is viable in the local environment

6.3.5 Measuring cost-effectiveness

The absence of any sense of whether project costs are commensurate with the extent to which development objectives are fulfilled, has consequences for sustainability in the sense that no one involved has a view of what is reasonable and affordable to spend in order to achieve certain objectives – projects exist in a kind of 'dream land' of continuous funding. The lack of cost-effectiveness measures is also an impediment to understanding why the development at a macro level (in the Tanzanian case) is so unimpressive, while there are some good achievements at the project level.

During the Stockholm-based preparatory work for this study, it was found that Sida's historical financial recording system is weak. The few evaluations which have made an attempt to assess cost-effectiveness, have found it very difficult, if not impossible, to do so because of the lack of a strong financial recording system and because no benchmarks for cost-effectiveness have been set at the outset of a project. The following steps could be taken to address these gaps: 1) An accurate and user-friendly financial recording system should be established within Sida providing essential historical information on project finance 2) Benchmarks for cost-effectiveness should be

agreed at the outset of a project 3) Monitors and evaluators should be required to assess cost-effectiveness 4) Cost-benefit analysis should be a taught skill within Sida and one which Sida requires of consultants providing monitoring and evaluation services.

6.3.6 Creating and supporting service-oriented institutions through promoting finance and management skills

The analysis in Chapter 5 noted the lack of finance, organisation and management skills in the Tanzanian institutions which Sida has been supporting as one of the impediments to sustainability. The reasons for this are that the focus of the support is technical, that the TA naturally tries to perpetuate its presence by recommending further specific technical inputs and that Sida is not equipped with the know-how to assess finance, organisation and management needs. In the instances where Sida has attempted to support the introduction of some of these skills in the projects reviewed, the effort has been late, piecemeal and not focused on the totality of the organisation and management problem (instead it has been focused on narrow aspects such as accounting). The institutions do not themselves see the need for these skills, since they are created as islands of technical excellence, often serving donor interests. The emphasis of Sida support should therefore be on creating and supporting institutions oriented towards serving Tanzanians. Service orientation, by its nature, requires much more than the development of the basic technical skills, but also the skills, finance and mechanisms to deliver a service.

6.3.7 Orchestrating vested interests

As was discussed earlier in this chapter, Sida is ultimately the dominant stakeholder in the development project web. This is because Sida holds the financial resources in the arrangement. Sida must have the capacity, commensurate with its position amongst the stakeholders in a project, to orchestrate the contributions of the various groups. Local stakeholder groups, consultants, researchers and others will naturally all have their own vested interests, and Sida needs to develop the capacity, mainly through the accumulation and processing of knowledge internally, to channel all of these interests towards development in which sustainability is not compromised by the prominence of one vested interest over another. One tool for such orchestration, might be the development of incentives amongst the stakeholders based on project performance. For example, implementing consultants could be paid, not based on the amount of input provided, but on the results they achieve.

Becoming a knowledge-based organisation implies developing Sida staff as professionals in development rather than as administrators of particular projects. Some Sida staff have themselves already come to the conclusion

that this is the only staff development path which can go some way towards addressing the internal problem of vested staff interests at the project level. Focusing Sida careers on the development and application of professional skills rather than on the continuity of one project or another is vital to Sida being able to take decisions which are based on judgements of project realities rather than on considerations relating to a career path. Becoming a knowledge-based organisation also requires that Sida and its staff are provided with sufficient resources for good aid management.

6.3.8 Prioritising strong information systems

A prerequisite for good aid management is good information systems. In the study of twelve projects two critical types of information were scant or extremely difficult to obtain. One is cost information. One desk officer stated that it took him a week to estimate the cost of one major Sida project. The other relates to project objectives (especially for projects still alive, but begun during the 1970s) which are presumably stated in historical documentation, but which is frequently not available. Sida's archival recording system is more based on the administrative requirements of a public authority rather than on good project management requirements.

Sida is in the process of introducing a new database providing basic project information (Project Plus). The system is being introduced in 1998. However, the introduction of this new information system is not sufficient for what could be considered effective project management.

Emphasis should be placed on the best use and development of information systems by all staff as a priority issue within Sida.

6.4 *Sida as a change agent within the donor community*

The 'new partnership' strategy is in theory dealing with most of the problems identified in aid by this report. It must be recognised that partnership is nothing new in aid. The co-operation between Sweden and developing countries in the 1960s was very much based on the partnership concept in terms of shared values, ownership by the recipient country, shared financial responsibility and time-bound assistance by the donor. Over the years these noble principles were abandoned for a number of reasons such as unrealistic expectations of the development process, donor-driven agendas and various perversions, as discussed in this report. The issue in the 'new partnership' is not so much the orientation, but the implementation. There is a risk that the new partnership will make little difference as it is being implemented in essentially the same system.

The above recommendations are made in recognition of a number of his-

torically unique Sida qualities. Sida is an organisation which has been prepared to respond and to be innovative within the donor community in the past. Others within the donor community have not infrequently followed. It has shown a staying power where other agencies have not and has been prepared to join with developing countries in their vision for a future. Sweden has also been willing to investigate into and to be self-critical of its record in development, as is evidenced by the series of studies on aid dependency of which this study has formed one part. In recognising its pivotal role in the development co-operation relationship Sida could potentially do much to stimulate better development.

Appendix 1: Tanzanian perspectives on aid dependency

A Macro Perspective

by

Professor S.M. Wangwe
Executive Director
Economic and Social Research
Foundation (ESRF)
P.O. Box 31223
Dar es Salaam, Tanzania

Dr. W. Lyakurwa
Director of Training
African Economic Research
Consortium (AERC)
P.O. Box 62882
Nairobi, Kenya

1. INTRODUCTION

The overall objective of the larger study is to:

- examine the relationship between good/bad project phase out and aid dependency;
- identify features of good phase out.
- The purpose of this component of the study is to provide a macro perspective from a Tanzanian point of view in which three sets of issues are examined.

The first set of issues addresses the factors behind Tanzania's development failures and achievements since the early 1970s, locating the role of aid in that process. These issues are covered in Section 2. The second set of issues addresses the meaning of aid dependency in the Tanzanian context, and identifies its manifestations, the major causes and its potential future effects. The third set of issues covered in section 4 identifies measures which should be taken in order to enhance aid effectiveness and efficiency. In this process the roles of donors and that of Tanzania are also identified. Section 5 is the conclusion.

2. DEVELOPMENT CHALLENGES: FAILURES AND ACHIEVEMENTS SINCE 1970s

At independence in 1961, the Tanzanian Government prepared a three year plan (1961–63) based on the findings of the World Bank study of 1960. The development of the economy was to be based on a high rate of growth (6 per cent) facilitated by operations of the market and private sector investments stimulated by public investments. During the first six post-independence years (1961–1966) foreign and local private investments were expected to bring about the planned growth and development. The failure to realize the expected volume of foreign finance contributed to the charting out of the first Five Year Plan (1964–69) and the Arusha Declaration (1967) with emphasis being placed on self reliance. It was envisaged that foreign aid would only be mobilized and utilized to build the capacity for attaining self reliance. This can be regarded as the first attempt to redefine the perception of aid and to cultivate a partnership which would ultimately help to build the capacity for attaining self reliance.

During the 1970s Tanzania was one of the foremost Sub-Saharan Africa recipients of bilateral aid. Both bilateral and multilateral assistance to Tanzania increased considerably in the late 1960s and during the 1970s. The willingness of donors to extend substantial amounts of aid to Tanzania during the 1960s and the 1970s can be explained from two perspectives. First, Tanzania's development policies pursued during that time were fairly con-

gruent with the dominant views of the social democrats in the North. Second, Tanzania was considered to be strategically important in terms of foreign policy considerations.

In the initial period aid was sought as a means of filling gaps in the context of two-gap models of the time. In this regard, aid in the 1970s was largely project aid geared to bridging the widening investment-savings gap and the related foreign exchange gap which were propelled by an ambitious state-led investment programme as expressed in the Basic Industry Strategy in 1974. The earlier concentration of aid in investment projects was consistent with the requirements of such an ambitious investment programme. The role played by aid then was in line with the development economics doctrine which postulated an important role for foreign capital in promoting growth in capital shortage economies like Tanzania.

Indeed, from independence to around 1977–78 aid played an important role in bridging the two gaps. Achievements were impressive in terms of economic growth, averaging about 5 per cent during 1961–78 and in terms of rapid development of the social sectors. However, it also means that by filling the two gaps (investment-savings gap and the foreign exchange gap) aid contributed to reducing the need or the pressure to make timely adjustments to avoid nurturing an economy living beyond its means. By the end of the 1970s the crisis of the economy began to manifest itself in terms of various macro-economic imbalances. The crisis manifested itself in a variety of ways including a decline in the real output, rising inflation and rising internal and external deficits.

The causes of the crisis included both external and internal factors. Among the external factors were the worsening terms of trade, sharp increases in oil prices, military spending brought about by the 1978 war with Uganda, the break up of the East African Community, and the severe droughts which occurred between 1981–82 and 1983–84. Most of the internal factors revolved around weaknesses in domestic socio-economic development policies and strategies, and on economic management. More specifically, they included the neglect of the agricultural sector, over-emphasis on new investments in large-scale and capital-intensive industries, the excessive expansion of public administration, forced villagisation, and excessive government intervention in the economy. It is quite conceivable that some of these initiatives were undertaken on the understanding that aid would come in to fill the resource gap (e.g. over-emphasis on public sector led large scale capital intensive industrial investments, excessive expansion of public administration through the decentralization programme of 1972 or the introduction of crop marketing authorities).

Attempts were made throughout the 1980s to reverse the economic decline. After failing to reach an agreement with the IMF in 1981, most donors withheld their support. The government launched a National Economic Survival Programme (NESP) during 1981–82. The NESP was an

independent national effort to defend the economy by mobilizing resources through export promotion and austerity programmes. However, since the programme contained more exhortations than practical policy measures, its targets were not achieved.

Towards the end of the 1970s and early 1980s it increasingly became clear that value-added from new investments was limited because of the declining capacity to import the needed intermediate inputs and to meet other recurrent expenditure requirements at a time when both the balance of payments and budgetary deficits were growing. Given the situation of low or negative marginal contribution of new investments, it was also perceived that aid allocated to new investments was not effective in increasing output as the recurrent budget requirements (in terms of local currency and foreign exchange) were beyond what the economy could bear. In response to this situation deliberate efforts were made to shift from project aid to import support and financing of rehabilitation of existing capacities. However, by the mid 1980s the improvement that was expected to come from the shift towards rehabilitation of existing capacities and import support (or balance of payment support) was not forthcoming. The little momentum was quickly running out of steam. This outcome confirmed that there were more fundamental structural and policy issues which were not being addressed by changing forms of aid. At this time pressure was mounting to make substantial changes in the policy stance led by International Monetary Fund (IMF) and World Bank (WB) and supported by bilateral donors.

The protracted debate on the policy changes which were being proposed by the IMF and World Bank (basically the standard policy package) was taking place under conditions of "wait-and-see" by most donors. During this period aid levels were declining and the economic crisis was deepening. By 1985 the volume of aid had declined to below USD 500 million. Even the donors whom Tanzania had hoped would continue giving support in the framework of unchanged policies began to press for policy changes. For instance, during a Nordic/Tanzania seminar in 1984 the Nordic countries leveled strong criticism on Tanzanian economic policies. By 1985 the Nordic countries were quite explicit in urging Tanzania to adopt the IMF proposed economic policy reform programme. The sheer magnitude and intensity of the economic crisis, pressure from the IMF, the World Bank, the donor community, and internal policy debates, coupled with the failure of independent national efforts to revive the economy, all combined to persuade Tanzania to adopt a far-reaching Economic Recovery Programme (ERP) in 1986.

Following the agreement with the IMF and World Bank in 1986 aid flows which had been withheld began to flow again. However, the resumption of aid flows from 1986 occurred at a time when aid relations had been influenced by the period of strained negotiations in the first half of the 1980s. Having tried to formulate and implement two earlier programmes (NESP 1981–1982 and SAP 1982–1985) without success or adequate donor sup-

port, Tanzania (especially after 1985), accepted the influence of the World Bank/IMF and the positions of other donors in her economic policy. It had been realized that disagreement with the World Bank/IMF does not only result in the withdrawal of the support of IFIs, but also of other donors. This perception has tended to influence relations between Tanzania and the donors; with Tanzania shying away from effective participation in the design and operation of aid projects and programmes, a situation which has not facilitated progress towards the ownership of its development programmes. Consequently, this situation has contributed to the erosion of local ownership of the development agenda.

The resumption of aid flows since 1986 facilitated more effective utilization of existing productive capacities and enabled rehabilitation of infrastructure to be implemented. This has contributed to recovery of output and growth of the economy from about 1 per cent per annum during 1980–85 to 4 per cent during 1986–96. For this growth to be raised further to levels which can effectively reduce poverty (8–10 per cent) and for the high growth to be sustained there is a need to stimulate further local and foreign private investment. At present private investment is not responding sufficiently to ensure and sustain private sector led growth and the development of the Tanzanian economy.

Economic recovery is also fragile due to excessive dependence on external aid. Although over the past two years significant improvements have been achieved in establishing a fiscal balance, this has been largely at the expense of the deterioration of public services, and investment as well as institutional decay. The need for more public resources and their more effective utilization is evident. In spite of these changes the economy still seems to be awaiting signals of policy continuity as evidenced by a wait-and-see stance of private investors and/or avoidance of irreversible capital investment, particularly in production as opposed to commerce. The industrial sector is recovering at a very slow speed from the de-industrialization suffered in the 1980s.

Tanzania's development strategy has influenced the demand and supply for aid in three important respects. First, Tanzania's many innovative, ambitious and unorthodox development initiatives and the rapid pace of reform²⁸, required and therefore necessitated a considerable amount of external financing which a single donor or few donors could not have afforded. These

²⁸ During the late 1960s and early 1970s reforms included the massive nationalizations; the massive mobilization of rural peasants which involved the re-location of about 75 per cent of the population; the rapid decentralization programme of the early 1970s; the transformation of peasant farming to block and communal farming; the initial popularization of cooperatives and their replacement, later on, by parastatals; reforms in the agricultural and industrial sectors, and the distribution of crops and products; industrial restructuring through newly-established state enterprises; and the adoption of the ERP during the mid 1980s.

resource requirements increased at a time when the growth of the economy and the subsequent domestic savings and export earnings were stagnating. The demand for resources to supplement domestic resources was met through the mobilization of foreign aid. Second, Tanzania's objective of self-reliance and its principle of non-alignment has implied aid diversification. Third, the welfare orientation of Tanzania's development strategy pursued during the 1970s, has tended to appeal to many like-minded donor countries, including the Nordic countries.

3. AID DEPENDENCY: MEANING, MANIFESTATION, CAUSES AND EFFECTS

Aid dependency is more an expression of qualitative relationships than quantitative resource gaps such as the investment-savings gap or the foreign exchange gap. To this extent aid dependency is an expression of a form of behavior rather than a state of accounts or other quantitative balances. Aid dependency can be viewed as increasing if more aid moves an economy further away from self sustained growth than it was previously.

In recent years aid dependency and the low effectiveness of aid have raised concern. The realization that aid dependency was a problem is manifested in the large number of recent aid evaluations. The evaluation reports of Norwegian Aid (1988), Swedish and Finnish Aid (1995), Dutch Aid (1994) as well as Danish Aid (1995, 1997) all indicate that the level of aid effectiveness has fallen below expectations. One common thread which runs throughout these reports is concern about the low level of sustainability as expressed in difficulties encountered in phasing out projects and the limited local ownership of the development programmes. The findings of several recent aid evaluation reports are consistent with the observation that both the donors and the Government of Tanzania have contributed to the problem of lack of sustainability in projects and limited local ownership of development projects/programmes.

Aid dependency is manifested in the lack of initiative, and in the attitude of waiting for the other partner to suggest or even prescribe the action to be taken. This aid dependency has practically increased the tendency of passivity on the recipient side. This dimension of the dependency problem is a problem of the aid relationship.

In this context, aid dependency has intensified in Tanzania since 1986. The main cause of the intensification of aid dependency is the humiliating experience of Tanzania during 1980–85. The lengthy and protracted negotiations between Tanzania and the World Bank over a World Bank programme loan during 1978–81 and the bitter conflict between Tanzania and the IMF between 1980–85 were due to Tanzania's resistance to the proposed package of policy reforms. The Tanzanian government continued to

resist the reforms insisting that the external factors were to blame for the crisis while the International Financial Institutions insisted on reform, attributing the crisis to the failure of domestic policies. The failure to reach a consensus resulted in the severing of relations between Tanzania and the IFIs (initially), and later on with other donors who tended to sympathize with the views of the IFIs. Following the agreement with the IMF two things happened. First, in 1986 aid relations between Tanzania and the donor community improved and aid flows resumed thereafter. Second, the ownership of the development policy and the definition of the development agenda by Tanzanians sunk to a very low ebb. Initiatives in macro-economic policy and management, and sectoral development have since the 1980s been taken by the World Bank, the IMF and several times by bilateral donors. Many policy studies and sectoral policy formulations have been initiated by donors. At the level of project aid the perceived decline in the administrative capacity of public institutions, the decline in domestic resources and the perceived rising incidence of corruption have attracted the establishment of parallel donor controlled structures for the administration of their own projects.

Aid dependency has been manifested further in the suspension of five year development plans, a feature of the 1960s and 1970s, and their replacement by short term economic recovery programmes. These programmes are largely reflecting the Washington consensus rather than internal policy debates or effective participation of Tanzanian stakeholders. Aid dependency has affected Tanzania authorities' views on policy programmes. These programmes are viewed as a means of reaching agreements with the IFIs who are perceived to possess a seal of approval without which aid flows from other donors could be at risk.

This situation of aid dependency has had an effect of discomfort amongst Tanzanians recently leading to the view that:

- donors are too demanding and impatient;
- while it is true that there is a problem of corruption, this is no more severe in Tanzania than in other developing countries. After all, most donors condone corruption by entities from the donor countries which often pass their corruption as 'commissions';
- donors have excessive influence on Tanzania's development programmes and policies;
- donors have little trust in Tanzania (as evidenced by the creation of project 'islands');
- the donor demands on the time and energy of key economic managers and officials is overwhelming rendering them less effective; and
- technical assistance personnel are overpaid, at least in comparison with local salaries and not always as qualified for the job as might be expected. In addition, their role in building local capacities has been less than satisfactory.

The economic crisis of the 1980s, coupled with policies directed towards reducing the size of the government contributed towards eroding the government machinery's capacity. The capacity of the state in policy analysis and economic management has also been reduced. Aid has been coming in the form of projects or programmes for which parallel administrative machineries have been established. Such parallel machineries have formed island projects with their own administrations. These administrations, however, have exerted pressure on the existing administrative machinery (within the government) in at least two ways. By employing some public servants in these projects, or by demanding too much time from the officials in the respective ministries. This has tended to erode rather than build the limited capacity within the government. Second, most forms of aid have tended to be more of the capacity-utilizing type and less of the capacity-building type. In a situation where there is a low government capacity for economic management it seems appropriate to allocate more aid towards building that capacity.

Donors were deeply concerned with what they perceived as fiscal mismanagement, corruption, and inadequate attention to democratic processes. The Government of Tanzania saw donors as inappropriately intrusive and demanding. To try to bridge the differences between the government and its aid donors, an independent group of advisers was appointed jointly by the Danish Ministry of Foreign Affairs and the Tanzanian Ministry of Finance. The group conducted its work during 1994–95, a period during which aid relationships deteriorated even further. Its report was presented in June 1995. The report focused on the need to consolidate macro-economic stability, improve relationships between government and donors and improve Tanzanian economic management. The report called for a change in donors' operational culture to enable the realisation of national ownership. The production of the report and change of government in November 1995 was followed by concerted negotiations to improve the deteriorated Tanzanian-donor relationships. Towards the end of 1996 the situation had improved as manifested in the signing of an agreement between the government and the IFIs in November 1995. The report was discussed between government and donors in a workshop in January 1997 and promising agreements were made to radically change the rules and roles between them (government and donors) in the direction of greater Tanzanian ownership of the development cooperation programmes in terms of planning, design, implementation, monitoring and evaluation. Emphasis was placed on Tanzania taking the lead in setting the development agenda.

Among the effects of aid dependency greatest concern is raised by the erosion of local initiatives in addressing development issues. The human and institutional capacities are geared towards meeting mobilizing, receiving and administering aid and striving to meet numerous procedures and conditionalities. Often Tanzania pays so much attention to conforming to aid proce-

dures and meeting targets that the necessary grip on the policy making process is eroded. This situation has not only resulted in the failure to build capacity in policy analysis and development management but has also led to the erosion and under-utilization of capacities which had already been created over the years. The outcome has been a considerable erosion of ownership of the policy agenda.

4. MEASURES TO ENHANCE AID EFFECTIVENESS

The findings on the Tanzania – donor aid relations can form the basis for making inferences on the roles of donors and recipients in enhancing aid effectiveness in more general terms.

4.1 The role of donors

The donor community including the WB/IMF have a role to play in improving aid relations which includes changing their ways of doing business (in several respects). The issues proposed below would contribute in the endeavour.

- The process of preparing aid policies and strategies and country programmes by donors, should be done in collaboration with the recipient countries. This process should be improved in terms of taking into account the goals and priorities of the recipient and the donor. In this respect, a participative approach to country programming is worth emulating by other donors.
- Aid recipients should be fully involved in the process of project design. Donor funded projects should explicitly incorporate capacity building components both institutional and human; mechanisms for generating resources; and a time frame after which donor funding will begin to taper off.
- Donors should cease the practice of operating and implementing aid projects/programmes outside the formal local administrative machinery. Where local administrations are weak, initiatives should be taken to strengthen them. The challenge is to ensure that the future administration of aid projects results in less intensive use of the government administrative machinery's limited capacity and to shift the allocation of aid in favour of capacity-building in areas where it is limited (e.g. in economic management).
- Donors should show greater willingness to devolve responsibilities from the centre to field offices. These field offices should be given greater autonomy to make decisions; taking into account the realities in the field (recipient country).

- Donors would wish to speed up the implementation of aid projects/programmes and show results quickly. This situation undermines the time needed to grasp the necessary local conditions which are prerequisites for promotion of local ownership of these projects/programmes. Donors should therefore, place greater weight on the necessary local conditions for enhancing ownership and sustainability (even if this means disbursing less aid or prolonging the implementation of the project).
- In order to enhance accountability and transparency, donors should cooperate by providing the Tanzanian government with the full information on expenditures which they incur directly such as expenditures under technical assistance and project commodity assistance. In this regard, mutual respect by both donors and recipients should be ensured through a dialogue.
- The process of planning and programming of the development projects and programmes is riddled with uncertainties of resource commitments (especially from donors). Donors could facilitate this process by providing full information on resource commitments, say over a 3–5 year period, including making estimates of direct funds that would allow a higher degree of confidence in the planning and programming of these projects.
- If for any reason external funding of projects should cease before the stipulated time frame, exit should be carried out in an orderly manner with the full involvement of local project implementers as well as local authorities.

4.2 The role of the recipient

GoT's role in improving aid relations and effectiveness should be as follows:

- So long as aid is still important to Tanzania's developmental course, it is imperative that the government evolves an aid strategy to guide the overall utilisation of aid resources. The major objective of the strategy should be to utilise aid in liquidating aid over-dependency and achieving effective domestic resource mobilisation.
- The Government of Tanzania (GOT) needs to develop and sustain an effective economic management system especially the creation of a stable macro-economic environment through sustainable fiscal and monetary policies.
- In civil service reforms, the working environment should be improved in terms of providing better pay, ensuring more effective delivery of public services; and developing effective on-the-job training.
- The Government should build the capacity to formulate realistic budgets, make respectable projections of revenue and expenditure, and improve budgetary controls. It should hasten the pace of disengaging from direct

economic management and become more involved in providing a conducive economic environment essential for the private sector to operate.

- The Government should continue with the anti-corruption campaign and enforce anti-corruption measures.
- Some aid programmes are operated with little consultation, co-ordination and collaboration with the related activities within government. In view of this situation it is suggested that, to the extent possible, donor-supported projects should be located within the respective ministerial departments or in other relevant national institutions. If these institutions are deemed weak, then a case for enhancing their capacities should be made instead of operating projects in parallel structures.
- It has been observed that the Management Information Systems (MIS) within the government machinery are weak; a problem which is itself characteristic of a low capacity for economic management. Capacity building needs should therefore be understood as a process rather than as an event or an isolated activity in a project. Capacity building in one project is often influenced by other activities outside the project. This suggests that coordination with relevant activities should be given greater attention. This would require the development of a national framework to guide the capacity building process whereby strengthening human resource development and developing institutional capacities could be achieved.
- Any shift from project aid towards programme aid or budgetary support will require greater accountability and capacity to manage the budget. Therefore, capacity building programmes should continue to be directed towards the government's leadership role in economic management of various sectors in terms of improving policy formulation and budget management. Budgeting and accountancy management should be strengthened as a prerequisite for greater accountability and local ownership of aid efforts. However, when introducing new procedures, adequate transition periods should be allowed for, during which targeted training in the relevant Government departments and the donors' field offices would be undertaken. The activities which should be undertaken during this transition should be planned jointly by the donors and government.
- It is imperative to recognise that capacity requirements are dynamic, changing with the challenges of economic management. As such the government should develop a framework for reviewing its capacity to manage the economy in a continuous manner in a changing environment. At the project level, the government should ensure that adequate financial capacity is created to carry on post-project implementation.
- According to the findings of several recent aid evaluation reports, projects and programmes that are locally owned by those who implement them have proved more likely to work and the chances of sustainability are greater. These observations are very valid and warrant that a high priority be accorded to issues of enhancing local ownership of development poli-

cies and programmes. The Government should enhance ownership of the policy agenda.

- A first step towards ownership will involve developing national and sectoral frameworks and strategies for development which would guide the formulation and implementation of development programmes and projects. A clear national aid strategy should be derived from these national development strategies. Current efforts to craft a development vision for Tanzania 2025 is a step in the right direction.
- Tanzania will need to mobilize its capacities in the central and sectoral ministries and key policy institutions such as the Bank of Tanzania and other capacities outside government to make inputs into policy analysis. The capacities for policy analysis and economic management may be limited but the limited existing capacities need to be mobilised and utilised more fully.
- The effectiveness of local capacities would be enhanced further if preparations were to be made in good time so that important policy documents are not formulated in a rush to meet very short deadlines. The task of preparing policy documents should be regarded as a normal and regular process in the Government economic management system and not as an emergency. This implies that an institutional machinery for this process will need to be put in place. An inter-ministerial team of experts should be set up for this task. This team would have the mandate to mobilize technical support from elsewhere within or outside government or from within or out of the country as need arises.
- The Government should ensure that technical assistance is used to complement rather than displace local capacities. Technical Assistance Personnel (TAP) should be integrated into the national framework of administration and make them accountable to local institutions. On-the-job training programmes should be designed to ensure that local capacity building is enhanced by the presence of external technical assistance.
- The Government should design effective programmes to mobilise domestic (natural, financial and human) resources with a view to planning for a reduction in aid dependence over time.
- The Government should enhance local participation in development and encourage decentralisation of decisions making the process at local government and community levels.

There is need for strengthening of the local government, the regional and district administrations, community-based organisations, and NGOs for the purpose of promoting the society's actual involvement and participation in development at all levels. Greater efforts should be made towards extending capacity building initiatives to these levels. This could be done by preparing a separate programme for capacity building at local levels and non-government development agencies distinct from capacity building projects in the ministries.

5. CONCLUSIONS

The perception of aid dependency and low aid effectiveness contributed to the deterioration of aid relationships to a low ebb especially after 1986. Aid relationships deteriorated and were at their worst during 1992–95. Since the third phase government came to power in November 1995, a concerted effort was made to improve aid relationships. In November 1996 the Tanzanian government signed an agreement with the IMF, an indication that a new phase of aid relationships had commenced.

Two most important recent initiatives aimed at improving aid relationships are: the government-Nordic countries agreements of September 1996; and the government-donor workshop of January 1997. These initiatives coincided with increasing emphasis on the importance of national ownership of African adjustment and development programmes at the international level, for instance, in the Development Assistance Committee (DAC) of the OECD, in the meeting of the Special Programme for Africa (SPA), and in the World Bank. National ownership was everywhere stressed both as an end in itself and because of its proven development effectiveness. It would appear that all these initiatives are pulling in the direction of allowing the recipient to take the lead in setting the development agenda and enhancing national ownership of development policy. The real challenge is at the level of implementation and making an effective follow-up on the agreed steps to change the aid relationships. In this context, the following more specific challenges need to be addressed:

- It is quite possible that the partners in development do not have a common understanding of the concept of ownership. For quite some time each partner may continue to behave as if ownership means business as usual. On the one hand, some donors are likely to insist that Tanzania should take the donor-driven programmes and own them. On the other hand, some Tanzanians are likely to interpret ownership as aid given without any questions being asked. The agreements between the Tanzanian government and donors in January 1997 go a long way in defining the steps which need to be taken for ownership to be realized. Implementation and follow-up should be given high priority.
- Short term pressures, crisis management and pressure to meet sometimes unrealistic deadlines have often worked to the detriment of the long term objectives of ownership, capacity building and sustainability. Management of the conflict between short term imperatives and the long term objective of redressing aid relationships remains a major challenge. Long term objectives should take precedence over short term pressures.
- Having eroded confidence and trust in the aid relationships, the restoration of Tanzania's credibility within the donor community may take longer than assumed by one-time agreements. The challenge is largely Tanzania's

to show that the necessary governance improvements are made and are sustained.

- Recognising the importance of restoring credibility must also mean that conditionality and performance criteria will need to be elaborated and agreed upon between the partners. Past experience indicates that aid conditionality and performance criteria have been donor-driven rather than a derivative of discussions and agreement between both the recipients and donors (as partners in development). Tanzania has implemented the conditionalities sometimes with reluctance and low level of commitment. This shortcoming has tended to limit the realisation of the objectives of aid thus limiting the effectiveness of aid. If conditionalities are designed upon mutual agreement, based on the commitment of both partners, then the effectiveness of aid is likely to be enhanced. In this context, it will also be necessary to broaden the concepts of accountability and transparency and clarify the roles of recipients and donors. Currently donors perceive accountability and transparency as issues binding only the recipient. Donors too, should accept to be held accountable to the recipient on the basis of negotiated and agreed performance criteria. Conditionality in the new partnership should be designed to serve both as a signal and commitment mechanism. The real challenge is to have both partners agree on conditionalities and performance criteria which are binding to both, having stipulated the role of each partner.
- A new structure of relationships in the new partnership implies change in operational procedures, restructuring of incentives governing bureaucratic behaviour and being innovative in ways of doing business. These change requirements, like any other change in society, is likely to meet resistance in some quarters. The challenge is to carefully design steps towards the desired state of partnership and put in place mechanisms for monitoring progress in the direction agreed upon.

Appendix 2: Sources consulted

The study has been based on interviews with around one hundred resource persons on the Swedish and Tanzanian side, involved in the case projects and development cooperation in general. We have also consulted a large number of internal SIDA/Sida documents concerning the twelve selected projects in Tanzania, including *Insatspromemorior*, sector reviews and protocols from annual consultations between the Government of Sweden and the Government of Tanzania over the period from 1970 to 1997. Important documents have also been various publications and internal documents by the Tanzanian institutions supported by Swedish aid, such as annual reports, 10 year development plans, strategic action plans, performance assessments, etc. In addition to this, the following specific reports have been consulted:

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