

Issues and Prospects of Aid Modalities in Africa

Discussion Paper

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1. Evolution of Aid Modalities in Africa

Rise and Fall of Project and Program Aid

Most Western countries initiated aid programs in Africa in the 1960s in the wake of independence from former colonial states. In this period, donors encouraged African governments to plan their countries development, and urged the adoption of policies encouraging industrial growth. In the 1970s, the focus of aid shifted increasingly to poverty alleviation with a priority on projects to develop rural areas. Project aids were used largely by donors when they provided aid for infrastructure and social services especially in the 1960s, for poverty alleviation and rural development in the 1970s. By the end of the 1970s, the project aid modality was established across all sectors in the portfolios of most donors (Lancaster, 1999, p45-46). Project aid is attractive from the donors' point of view. It is highly visible to peoples both in donor and host countries. It is technologically straightforward, consisting of transplants of technology already available in the donor country (Mosley and Eeckhout, 2000, p133).

In the 1980s, with the economic crisis in Africa and debt defaults associated with it, donors were forced to reconsider the effectiveness of project aid modality. Discourse now focused on the role of economic policies as impediments to growth and the importance of stabilization and structural adjustment reforms. In this period, donors needed an instrument that was quick-disbursing, that would bring about policy change, and that would build government capacity in Africa. Project aid could not meet these donors' needs. In this situation, for several donors, financial program aid came to occupy a growing proportion of foreign aid budgets. Foreign aid was used in large part as balance of payments support for governments committed to economic-reform programs based on a neoclassical economic vision of free markets, private investment-led growth, and minimal government intervention in the economy (Lancaster, 2000,

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p46).

In addition to inability to deal with the crisis situation, project aid has been criticized in terms of ownership, fragmentation, and weak impact on the sector level (World Bank, 2000, p1). According to these critics, project aid tends to be donor driven, which undermines local ownership, commitment, and hence has negative effects on project sustainability. Project aid is also likely to be fragmented, leading to uncoordinated multiplicity of aid projects, and to disperse government capacity over many small units. The concentration of attention and funds on specific projects leads to the lack of an overall view of the sector as a whole, and to the lack of sufficient attention to policy, administrative and institutional environments under which projects must operate. Furthermore, project aid tends to have weak impact on solving basic problems at the sector level. Ad hoc, enclave-type approaches ignore the lack of coherent sector policies, system and budgets. Through fungibility, project aid allows shifts in government spending to non-priority items, especially into political patronage in the case of a corrupt government (Mosley and Eeckhout, 2000, p135).

Program assistance has proved to be helpful in particular circumstances, such as emergencies. Structural adjustment operations (SALs) were able to achieve large and rapid injections of money into countries in crisis, and were particularly effective in improving balance of payments. Sectoral adjustment operations (Secals) could lead to increased expenditures for the sector concerned in some countries. However, SALs did not usually control how funds were spent within sectors, and were less effective in promoting long term sectoral objectives. Secals focused almost exclusively on increased finance for the sector, but increased financing for the sector does not necessarily mean improving sector outputs and performance (World Bank, 2001, p2).

Reaction to a Growing Dissatisfaction

In the 1990s, because of the limitation on the extent of reforms and the continuation of low growth rates in most of Africa, donor agencies turned to look for other causes of lagging growth. Much attention was now paid to the quality of governance in African countries and the capacity of their governments to manage their economies (Lancaster, 1999, p47). Poverty alleviation and improvements in the socio-economic welfare of vulnerable households were again emphasized as the overarching objective of development. Poverty reduction – in its broader sense – measured in terms of output rather than inputs was seen as the primary goal to strive for (Thorbeck, 2000, p44). In addition to these factors, a growing dissatisfaction with both the project and program approaches has led to the rise of Sector-wide Approaches (SWAPs) and budgetary support as major aid modalities in Africa.

Present Situation of Aid Modalities in Africa

As a result, there are at present various aid modalities used as

instruments of providing aid in Africa (CIDA, 2000, p2). In stand-alone projects, donor-funded activities are outside of government's sector program. Donor funds are fed into project accounts accessed only by an intermediary agency that is accountable to the donor. In terms of SWAPs, there are basically three types of modalities, i.e., project type aid, earmarked funds, and sector budgetary support (pooled funds). In project type aid, donor-funded activities support the government's sector framework but are managed as projects. For example, donor-funded activities rely on donor management systems, reporting, contracting, etc. In earmarked funds, donor funding supports the government's sector policy framework. Dedicated accounts are used for financing but with conditionalities or performance agreements linked to their release. In sector budgetary support, donors provide funds pooled with other donors. Although some preconditions may apply to the release of donor funds, this modality relied increasingly on common procedures, e.g., appraisal, reporting, monitoring and evaluation, and joint review processes. Unlike sector budgetary support, budgetary support is provided by donors to the government but not linked to a specific sector program. In return, donors usually engage in policy dialogue with the government on the total budget, not just for a specific sector.

2. Rise of Sector-wide Approaches (SWAPs) and Budgetary Support

SWAPs are expected to address the weaknesses of project and program approaches and to achieve greater overall impact with development assistance. The main features include (World Bank, 2001, p4):

- All key donors sign on to the program. Aid coordination is made under the leadership of the host government with broad consultation with stakeholders.
- A comprehensive sector policy framework is formulated, which is sector-wide scope, covering all relevant areas, policies, programs, and projects. Based on an overall policy for the sector, a strategy of measures to achieve policy objectives over the medium term are formulated, which is then translated into a program of specific intervention in the near term.
- Expenditure framework is formulated including an overall expenditure program, and intrasectoral spending plan, derived from program priority. This is followed by joint reviews of actual performance against the plans, and adjustments as appropriate.
- The capacity of government is enhanced through common implementation structures and procedures (harmonization of donor procedures) and use and strengthening of government institutions, procedures, and staff.

A significant characteristic of SWAPs is the incorporation of two aspirations in operational terms: 1) full recipient responsibility for the framework, and for preparation and implementation of programs to be supported by donors, and 2) effective co-ordination of donor inputs into such programs

(Andersen, 2000, p181). Another distinguishing feature is that SWAPs emphasize process, and do not define everything in advance as does a project. The emphasis is to track improvement over time, not to meet ex ante standards.

Strengths and Weaknesses of SWAPs

The advantages of SWAPs are that they can deal with most of the shortcomings of project and program approaches. Activities and projects under the SWAPs cannot be fragmented, utilizing developing government institutions and procedures. It is expected that SWAPs offer scope for greater domestic ownership and provide an effective mechanism for aid coordination. Furthermore, SWAPs can combine policy reform and institutional support as well as provision of substantial budgetary funds through the selected public sector organization. In particular they can be designed to create a supportive policy environment for the delivery of services to beneficiaries, which may have wider potential impact than projects (Killick, 2000, p 245).

However, there are barriers that hinder the effective promotion of SWAPs in many countries. First, SWAPs are not appropriate in all countries (World Bank, 2000, p8). A country should have macro economic and political stability. Sector programs need adequate and stable financing which cannot be realized under conditions of high inflation or excess deficit spending. The country should have political stability because a long-term program cannot be developed or sustained in a context of rapidly changing regimes. Second, the country should have the intention to take an integrated and collaborative approach and strong commitment to take leadership of the process. Third, the country must have at least the minimum level of institutional capacity to handle the development and implementation of the program. According to some observers, these preconditions for starting to develop a sector program may limit its application to a few developing countries.

Second, there are factors that work against harmonization of donors' procedures. The objective of common procedures is to reduce the administrative burden placed on the government by different procedures and from donor to donor (World Bank, 2000, p11). However, this requires donors to compromise on their own internal procedures. Harmonization can be easily achieved in areas such as reporting formats and timing, common performance indicators, joint missions, procedures and norms for technical assistance. It is difficult to promote harmonization in the areas of procurement and financial management. This is because of the need for some donors to be associated with specific inputs or components, i.e. "showing the flag", and/or of narrow commercial interests, such as tied procurement. Some donors also fear the loss of direct control over the use of their funds because there is a risk of waste or misapplication. Beside these factors, the harmonization may be hindered by resentment and jealousy that often exist between donors in the case of real or imagined dominance by certain donors. Some donors may be simply unable to finance recurrent costs, and cannot or do not want to change their practices to accommodate new joint methods

(World Bank, 2001, p11). These factors tend to limit the number of donors that can participate in SWAPs.

This limitation can be seen in the application of pooled fund in developing countries. The ultimate objective of SWAPs is sector budgetary support, that is, pooling of donor resources of government funds (World Bank, 2001, p31). Under this modality, donors do not earmark their funds in which different funds from different donors would no longer be identified separately. However, there are only a few examples of pooling of funds in sector-wide projects in the World Bank (World Bank, 2001, p31). These include: the Zambia technical assistance and health district funds; common disbursements under the Bangladesh health sector program; district funds under the Senegal health program; preparation studies for the Zambia education program; and health sector program and local government reform program in Tanzania. Instead of pooling, most sector-wide programs thus far earmark funds (World Bank, 2001, p31).

Third, there is a risk of unsustainability. As in the case of Zambia health, the progress of SWAPs may be blocked due to client policy changes that are inconsistent with the agreed framework (World Bank, 2001, p5). Moreover, a question arises about who can guarantee the continuity of donors' support to the promotion of SWAPs in the future. Since SWAPs deal with medium and long-term planning issues, the effectiveness of SWAPs requires the long-term commitment of donors' support. However it is possible that the present supportive policy of donor agencies might change because of change in leaders of donor agencies, changes in economic situation or public opinion in donor countries.

Fourth, SWAPs cannot deal with many important issues that transcend a sector. Poverty alleviation, for example, is a multi-sectoral issue that requires a holistic approach, which cannot be meaningfully broken down into sectoral issues (Mosley and Eeckhout, 2000, p151). Programs to improve administrative and institutional environments cannot be addressed effectively by SWAPs either. For example, the execution of civil service reform (including reviews of the public payment structure and improve the management quality) or the establishment of a medium-term budget expenditure framework involves all ministerial bodies in the development of such a framework (Mosley and Eeckhout, 2000, p151).

Strengths and Weaknesses of Budgetary Support

Under budget support, like pooled funds in SWAPs, donors do not earmark their funds in which different funds from different donors would no longer be identified separately. Unlike sector budgetary support, however, budgetary support provided by donors is not linked to a specific sector program. The rationale of introducing budgetary support is that it can enhance government ownership, hence sustainability, since it gives full power regarding the management of funds to government that provide public services to citizens. It is cost-effective in a sense that budget support can reduce transaction costs

significantly of both donors and the host government. It can provide a facility flexible enough for the host government to utilize resources for priority programs. From the donor's perspective, budget support can increase its impact by joint efforts with other donors, make aid more effective by minimizing transaction cost and by giving influence on the host government in such areas as financial management reform, public service reform, and good governance. Furthermore, budgetary support can overcome the limitation of SWAPs by dealing with multi-sectoral issues such as poverty reduction and civil service reforms.

Nevertheless, budgetary support also has weaknesses that are similar to but more serious than those of SWAPs. It has problems of limitation of its application to a few developing countries since it requires a high level of government capacity in terms of planning, implementation, evaluation and monitoring as well as good governance. It may limit donors' participation due to the problems of flag down, harmonization, and loss of direct control of donors' funds. The continuity of donor's support is also uncertain in the case of a change in political leaders and outbreak of political problems in developing countries as well as policy change on the side of donors. The withdrawal of foreign aid has the most devastating effects on overall development planning in budgetary support. Moreover, since the host government should be accountable for performance and result not only to its nationals but also to donors, the influence of donors on overall policy and institutional environment become the biggest in this modality.

Do SWAPs and Budgetary Support Really Enhance Local Ownership?

It should be recognized that the application of SWAPs and budgetary support to many developing countries is likely to bring about a fundamental problem that may contradict the most important rationale of these aid modalities. Although it is claimed that a potential benefit of SWAPs and budgetary support is to enhance local ownership, there exists tension between the enhancement of local ownership and promotion of these aid modalities in Africa. Most SWAPs and budgetary support have been used in low-income and aid-dependent countries with multiple active donors (World Bank, 2001, p5). In these countries, it is very difficult to meet a basic precondition for these modalities as well as for successful foreign aid in general, namely full recipient responsibility for the framework, and for preparation and implementation of programs supported by donors (Andersen, 2000, p181). For many African countries, it is hard to carry out this task in practice due to weak human capacity to practice full ownership, including in a sector program context (Andersen, 2000, p185). Ownership is of particular importance in the planning phase because of the political decision-making and value judgments involved. However, the subsequent design of sector programs is often handicapped by lack of specialized personnel as well as by non-existent or very weak sectoral planning units. As a result, donors may involve in the process to assist the preparation of the program. This entails the risk of ownership. Donor representatives may feel tempted to influence sector authorities to adopt policies and program designs, and eventually insist on conditionalities, with which the government may not be in full agreement. The

recipient government nevertheless accepts the interference in order to please the donor as this may substantially increase the chances of getting financial support for a program (Andersen, 2000, p186). As Andersen points out, genuine ownership of the development programs is unlikely to take root until citizens of the host countries are equipped and allowed to take full responsibility of government functions with limited and highly skilled expert assistance from outside (Andersen, 2000, p186).

Second, it is also very difficult for low-income and aid-dependent countries to meet another basic precondition for SWAPs and budgetary support. Under these aid modalities, in principle, aid coordination should be made under the leadership of the host government. In practice, however, since the government is not able to take the lead in donor co-ordination, one of the donors, together with the government, tends to carry out this task. In this situation, in order to maintain the ownership of a program, the government needs to have the willpower to say to donors: "Here is my program in this sector; if you wish to help me implement it, you are most welcome. If you wish to do something different, I regret that you are not welcome in this sector in this country" (Harrold, 1995, p13). However, it is hard for a government of a poor and aid-dependent country to make such a blunt statement vis-à-vis a major donor because it entails the risk of losing the aid money (Andersen, 2000, p183).

Furthermore, the whole process of SWAPs and budgetary support itself entails the risk of undermining local ownership. In addition to enhance local ownership, another rationale (or rather a major objective) of participating in SWAPs and budgetary support for donors is to promote policy changes, public sector reforms, and good governance that are conducive to development in host countries. Thus these reforms are introduced as part of SWAPs and budgetary support and come laden with conditionality. The reform measures are usually donor import in which outsiders introduce, even impose, reforms intended to change the way that sovereign governments organize themselves and spend their money. Donor agencies are likely to craft the reforms, finance them, and play a big role in implementation. Positive effects of donor involvement are to provide ideas on how to proceed, technical help and money for training and implementation. This gives an impetus for the host government to undertake reforms or make them speed up (Berg, 2000, p291). A negative effect of donor sponsorship is that policy changes and reform programs introduced as conditions to support SWAPs and budgets can undermine local ownership of the reforms. According to Berg (2000, p299), experience of past failed reforms of public sector management as part of conditioned policy loans shows that governments usually accept these reform programs when they are hard pressed for money. Their leaders might have believed in them half-heartedly. As a result, they did not always make full efforts to develop local backing. There were not sufficient public debates over rationale and content of reform programs. The specific conditionalities in adjustment loans were often unknown to either the general public, or even fairly senior officials. Many people regarded these conditioned reform programs as imposed by the Bretton Woods institutions. Under these

circumstances it was hard to have the kind of general and open dialogues that nourished true ownership. Elliot Berg's analysis implies that there is a great risk that the reform programs under SWAPs and budgetary support in Africa may follow the same path as past failed reforms of public sector management.

Rethinking Project Aid

Ownership has been used extensively in aid policy and debate in recent years. It is based on the acknowledgement that the host country must own its country's development to achieve sustainable changes (Selvervik, 2000, p18). One of the rationales to introduce SWAPs and budgetary support is that they can enhance local ownership. This contradicts our views on the relationship between SWAPs, budgetary support and ownership. In order to make our arguments clear, different kinds of ownership should be distinguished, namely ownership at the project (micro) level and ownership at the sector and macro level (or overall ownership at the national level). As critics of project aid insist, project aid was likely to undermine local ownership at project level. However, many project aids have not undermined overall ownership at the sector and national level (if it is not part of conditioned policy loans). When donors directly control the projects and are accountable to their results, donors tend not to interfere with the sector and overall policy and administrative system of the host government. This is both the strength and weakness of project aids. Project aids can push forward development process if host governments are reform-oriented with relatively good administrative and institutional environment. The costs of donors' withdrawal of their support for the host governments are smaller than SWAPs and budgetary support since basic national development plan and sector plan are not largely influenced by project aids. Project aids do not work if the governments are not good without policy and institutional environments conducive to development. SWAPs and budgetary support can be designed to address these issues. Nevertheless, donor sponsored reforms tend to be donor driven and hence cannot enhance ownership and sustain reform programs at the sector and macro levels if the governments are not reform-minded and if they fail to develop local backing.

Second, many of the shortcomings of project aid pointed out by scholars and officials are not the fundamental flaws of development. The problems of project aid, such as uncoordinated fragmentation, donor driven, and weak impact at the sectoral level, can be solved if project aids are well integrated into sector policy, strategy and programs of the host country. The donor-driven nature of project aids can be modified if projects are designed to meet genuine local needs based on active participation of the beneficiary especially in the planning process. The effectiveness of project aid is diminished unless there are supportive overall policies, institutional and economic environments under which projects must operate (Cassels, p7). However, these constraints can be overcome if projects are operated within SWAPs and with budgetary support that can be designed to address these issues.

Third, a major strength of project aid is that it can effectively transfer technologies from donors to host countries. Each donor has its own process of fostering technologies, know-how and ideas in the development and such process is not substitutable to those in other countries. Developing countries can generate new ideas and put them into action efficiently through learning from such processes of different donor countries. Since the 1980s, technical cooperation has been severely criticized. The criticisms include its supply driven nature, excessive emphasis on tangible and measurable output as opposed to institution building, and the establishment of parallel project management unit. They also include insufficient emphasis on training, excessive reliance on long-term resident expatriate advisers, failure of the expert-counterpart model, and massive distortions in the market of technical cooperation (Berg, 1993). These criticisms are related to the shortcomings of the way of delivering past technical cooperation, and should not underplay the significance of idea and technology transfer itself to facilitate development in the host countries.

Fourth, project aid can allow donors to act as innovators in development approaches through specific interventions. With their greater resources and ability to take risks, they can support pilot ventures that can establish approaches and activities, which, if successful, can be 'scaled up' and replicated by domestic authorities (Healey and Killick, 2000, p228). China has proved its power to make excellent use of project aid to pilot new activities, which are then taken up with local finance. A country like China with low dependence is likely to prefer project aid to policy conditional program aid. If aid dependence is low but sector policy or management is weak, project support and technical cooperation are still likely to be the most appropriate instruments to facilitate policy development and pilot new approaches (ODI, 2001, p65).

In addition, unlike SWAPs and budgetary support, project aids can be applied to many developing countries. Even if host governments do not have sufficient capacity to manage sector programs, donors may make use of project aids for capacity building since they can directly participate in the projects and associated exchange of idea for development. Even when donors do not support a host government regarding its policy or regime type, donors may assist poverty reduction in the country by project aids through NGOs. Project aids should be used especially in post-conflict countries since political and economic stabilities in those countries are not certain in the foreseeable future.

3. Issues on Aid Modalities in Tanzania

Impact of the Helleiner Report

In Tanzania, there has been a significant shift from project aid to SWAPs, and now increasingly from SWAPs to budgetary support. This development dates back to the mid 1990's when aid fatigue, rising corruption and lack of progress in reducing poverty generated strong debate on the effectiveness of aid (TAS, 2002, p6). It was also the time when Tanzania's relations with donors were strained

mainly due to serious slippage in revenue collection and rising corruption. In mid-1994, the Danish Ministry of Foreign Affairs and the Danish government assembled a group of independent advisers on development co-operation issues between Tanzania and donors. The report submitted by this group – the Helleiner report (1995) – and the adoption of the Agreed Notes in January 1997 set in motion the process for building a new relationship.

The report offered a list of recommendations with respect to ownership, partnership, responsibilities of the Government of Tanzania (GoT) such as civil service reform, budgetary reform and economic management, social sector strategy, dealing with corruption, as well as to immediate risks and requirements (Helleiner et al, 1995). The recommendations implied radical changes in the relationship between the donors and the GoT in order to enhance the effectiveness of foreign aid. These include:

- The need for the GoT to insist on preparing the first draft of all policy documents
- The need for donors to be willing to withhold or delay aid until the local conditions necessary for ownership are satisfied
- The need to shift from the existing situation of an uncoordinated proliferation of projects to a more rationalized and focused program
- The need to adopt a sectoral focus or concentration
- The importance of harmonizing country programs with Tanzania's own prioritization of projects
- The need to develop a vision for long-term development and to draw up supportive strategies and investment programs
- The need for full disclosure of committed donor resources for the purposes of proper budgetary planning
- The need to plan a gradual decline in external support for Tanzania

An independent review of the implementation of the Agreed Notes in March 1999 reported significant progress on almost all the provisions. These include macroeconomic management (preparation of PFP), aid co-ordination (implementation of SWAPs, PER/MTEF, Quarterly sector consultations, MDF/PRBS, CBF), and democracy and governance (multiparty system, formulation of Vision 2025, National Poverty Eradication Strategy, National Anti Corruption Strategy). According to this review, areas that still face problems include:

- Separate/parallel donor systems/procedures on procurement, recruitment and staff remuneration, accounting, reporting formats, monitoring, and management of projects which tax heavily the limited Government capacity
- Fragmented and uncoordinated project support which reduces efficiency and effectiveness
- Management and disbursements of resources outside the Government system (exchequer) undermining transparency and accountability

- Heavy dependency on TA/consultants in executing projects which is very costly
- Unsynchronized Country Assistance Strategies (CAS)
- Inadequate Government capacity

Move Toward Basket Funding and Budgetary Support

A significant change in donors' aid policies can be seen in many areas. In Tanzania donors have moved into basket funding for a range of programs or processes. They include Public Expenditure Review, Local Government Reform Program, Agricultural Strategy, Rural Development Strategy, Road Program including TANROADS, Poverty Reduction Strategy Paper, Public Policy Reform Program, Legal sector, Health sector, Education sector, and Agricultural sector.

The World Bank has strongly supported this trend, and is now moving progressively from basket funding to budget support funding (UNDP, p22). World Bank is providing increasingly more support to budget support, about 30-40 percent of World Bank funding. Most of the Adjustment Programs were in the form of budget support including Programmatic Structural Adjustment Credit (SAC I and PSAC I) and Poverty Reduction Support Credit. DFID is ahead of the donors in this type of funding, offering about 60% of total aid volume for budget support in Tanzania. Beside UK, the governments of Denmark, Ireland, Sweden, Netherlands, and of Switzerland also strongly support Poverty Reduction Budgetary Support (PRBS).

The Government of Tanzania (GoT) also seems to prefer budget support funding to other aid modalities. This is implied by the following demands made to donors in Tanzania Assistance Strategy (TAS) in 2002.

- As far as possible adopt the joint actions approach and harmonized rules and procedures (formulation, supervision and evaluation missions; accounting, disbursement and reporting; annual consultations, etc.) with the view to enhance government capacity. The initiatives on basket funds in health, education, LGRP and the PRBS provide a basis for the way forward
- As far as possible untie aid and provide technical assistance for capacity building. Some donors have completely untied aid while others are still constrained by policy stance and legal framework
- Adopt the MTEF with the view to improve the predictability of resources
- As far as possible donor support approaches which increase aid effectiveness
- Decentralize authority on decision making to the country missions in order to expedite and deepen consultations

At the CG meeting in 2001, the President of GoT also stated:

While considerable progress has been made in preparing and costing sector specific interventions to alleviate poverty, the existing international financing mechanisms are, it seems to us, still largely similar to those of the preceding years. In our view, there is a pressing need to review these mechanisms, in order to ensure realistic, effective, and more flexible support for interventions aimed at reducing poverty.

In this connection, the Government welcomes the increased willingness of the international partners to support our poverty reduction programmes on a “basket” and sector-wide basis, or through projects conforming to the poverty reduction strategy. More flexible and untied forms of international assistance are critical to our poverty reduction efforts at this stage, when it is becoming increasingly important to embark on more cost-effective and imaginative programmes for the benefit of the poor.

Risk of Ownership

It is understandable that the GoT prefers budgetary support over SWAPs and project aid given the fact that Tanzania is largely aid-dependent and has serious debt problem. Around 25-30 percent of the total Government budget and 80 percent of the development budget are dependent on foreign aid/finances. Tanzania has development co-operation programs with over 50 Governments/donors, international financial institutions and NGO covering hundreds of projects virtually in all sectors (TAS, 2002, p6). In this situation, fragmented and uncoordinated project aid reduces efficiency and effectiveness of assistance, and cannot meet pressing needs of the country.

However, this movement entails risks that may undermine local ownership of the reforms. First, although it is claimed that Tanzania is taking ownership and leadership, it still appears the whole process is still by and large donor-driven. There are many evidences to support this (UNDP, 2001, p22). The World Bank chairs the CG meeting, not the Ministry of Finance. The secretariat and analytical processes for PER are provided by the World Bank. The PRSP similarly is under heavy external influence. Meanwhile in the sector ministries technical advisers are involved in the development and monitoring of SWAP. The donor-driven nature of the reform process is also seen by the statement made by the President of GoT at the CG meeting in September 2001,

“---- (We) would like to request that our international partners, including the Bretton Woods institutions, consult more closely with the beneficiary countries in elaborating or reviewing poverty-reduction facilities and related operational issues, such as PRSP process. ----- (It) remains vitally important that we too are so convinced, our own views having been taken on board.” (Statement by the President of the United Republic of Tanzania, his Excellency Benjamin William Mkapa, at the Consultative Group Meeting for Tanzania, 7 September 2001, p10)

Second, there are not many general and open dialogues about reform programs that nourished true ownership in Tanzania. Since not enough effort has been made to make the public aware of the change, very few ordinary people are aware of the acclaimed changes in partnership and aid practice. Only a few people have been engaged in the changes in the Ministries, consultancy and civil society (UNDP, 2001, p22). Public debate is limited over the rationale and content of reform programs. A report on Joint Mid-Term Evaluation of EC, DFID and IA Support to the Education Sector Development Programme Design, Preparation and Management Process also concludes:

Projects were hastily formulated without significant consultation between government, donors, stakeholders or primary beneficiaries. As a result, the projects were poorly designed and made overly optimistic assumptions about GoT capacity and readiness to embark upon preparation of a full education programme to be funded (eventually) through project support (Ministry of Education and Culture, 2000, p36).

In this situation, it is possible that many Tanzanians regard these reform programs as given by donors and the Bretton Woods institutions. The experience of Structural Adjustment Programs in many countries indicates that reform programs sponsored by aid donors may well fail for lack of sufficient local support (Berg, 2000, p299).

Third, GoT has to recognize that as it receives foreign assistance through budgetary support to a relatively greater degree, donors' influence on overall development planning and budget allocation inevitably increases, regardless of whether the influence is good or bad. Without the donor impetus, reforms might not have been undertaken at all, or would have been long delayed. A risk is that as GoT becomes more reliant on budgetary support, its overall development planning and implementation will also depend on donors' policies and preferences that are often dependent on economic situations in donor countries and the opinion of their public and parliament. The donor's policies and preferences are also compounded by the view of political leaders to poverty reduction, governance, democracy and human rights. For example, in the case of an outbreak of some political or military incident that is against the human rights from the donors' point of view, donors may withdraw all of their money from budget support because of fungibility problems as well as strong domestic political pressure. This has devastating effects on GoT's overall development planning and implementation in the future.

Fourth, there would be tension between conditionalities possibly attached to common basket fund and budgetary support and local ownership. The idea of moving from project to SWAPs and budgetary support in its pure and untied version is not easily accepted in aid constituencies. As a sort of compensation for relaxing direct control over aid resources, aid was made conditional on host governments conducting sound economic and other policies, transparent and efficient financial and public sector managements and other measures. Greater

participation of donor organizations in SWAPs and budgetary support may facilitate them to have broader access to policy information and give influence on GoT's policies, institutions and governance situations. This entails risks. First of all, many reform programs that were introduced as part of the conditions for some supports tend to undermine local ownership of the reforms and had other reform-weakening effects. The second risk is that those conditionalities (or steps to be taken) may not work well, with a result that continuing support for common basket fund and budgetary support may discourage GoT from conducting genuine reforms. As experience of structural adjustment programs shows that the adjustment money kept flowing coming even when host governments did not fully implement reform programs. This was because none of the parties that engaged themselves in the programs wanted to see these failed. A cessation of disbursements was possibly a personal defeat for responsible members of the donor staff as well as relevant officials of the host government. On the other hand, the continuity of the money flow contributed to the creation of a non-sanctions atmosphere, diminished the credibility of specific reforms, and contributed to the persistence of a soft budget constraint in general. "Since the avoidance costs of non-compliance were reduced, decision-makers shifted their calculations of the costs and benefits of reform implementation in the direction of non-implementation" (Berg, 2000, p301).

Fifth, many reform measures and performance management systems are donor imports. They have been crafted by donors, and usually with little local input. Nevertheless, as shown by the experience of public sector management programs under structural adjustment in many countries, donors have proved to be imperfect designers and implementers of such reforms. According to Berg (2000), the general problem has been aid agency failure to adapt programs to fit country-specific conditions. "Most reform programs that have ended badly were not based on bad ideas. They were not brought down because of basic conceptual flaws but because of failure to foresee or adapt to blockages in implementation and in the post-implementation environment"(Berg, 2000, p301). Berg maintains that "the main donor weakness has been inflexibility, a sluggish response to emerging implementation difficulties, and an inability to tailor programs to the specific features of low income country environments" (Berg, 2000, p301).

The tendency of donor agencies to have an illusion about the universal applicability of their domestic policies and institutions may be one of the reasons why donors are not good at design and implementation of reform programs in developing countries. Donor agencies tend to introduce their own values, policies and institutions to poor countries without sufficient consideration of local context. The second reason may be the lack of sufficient local participation in selection and application of exogenous idea into each developing country. According to economic anthropologist Keiji Maegawa, any country that has successfully realized a market-based economy has accepted the market mechanism only in such a way that existing socio-economic structure is neither destroyed, replaced, or abandoned. The structure of the base society remains surprisingly intact even after a drastic change in the economic mechanism. He explains:

Many nations and societies have adopted Western institutions and objects ----- in order to survive (or by their own choice). However, it is important to recognize that they did not accept Western inventions in their original forms. Any item in culture will change its meaning when transplanted to another culture, as seen widely in ethnography around the world. ----- The essence of what has been called “modernization” is the adaptive acceptance of Western civilization under the persistent form of the existing culture. That is, actors in the existing system have adapted to the new system by reinterpreting each element of Western culture (i.e., “civilization”) in their own value structure, modifying yet maintaining the existing institutions. I shall call this “translative adaptation.” (Maegawa 1994, cited in Ohno, 1998, p13)

One of the issues in recent movements in Tanzania is the inadequate process of translative adaptation by Tanzanian people when many reform programs have been rapidly introduced by donor agencies. If this trend is continued, reform programs supported by donors might not sustain but tend to perpetuate aid dependency of Tanzania.

4. Recommendations

- (1) Donor agencies should make sure periodically of the genuine commitment of GoT to the PRSP process and reform programs. Tension between conditionality and ownership can be relaxed only when GoT really wants to reform their financial and public sector management and to promote pro-poor economic and social policy. Experience of structural adjustment in Africa shows that reform-minded governments can use external pressure (i.e., conditionality) to persuade and contain strong opposition groups that favor status quo. The pervasiveness of fungibility also draws attention to the importance of selectivity in the choice of host governments. Despite donor efforts to tie their assistance to preferred categories, governments can use the extra resources provided through development assistance largely as they choose. Therefore what difference aid makes depends on how host governments respond to the resources thereby provided. Ownership is all (Healey and Killick, 2000, p243).
- (2) Donor agencies should consult with GoT more closely in elaborating or reviewing poverty-reduction facilities and related operational issues, such as PRSP process. There seems to be a gap between donors’ insistence of local ownership and their actual behavior on the ground. Limited consultation with GoT will undermine their ownership of PRSP and related reform processes. It should be remembered that ownership means full recipient government responsibility for the design of development programs (Andersen, 2000, p185).

- (3) It should be noted that it is GoT that has to take full responsibility for the results of the on-going reform programs. In the case of the failure of the programs, donors will not take responsibility for the results of their advices. The role of donor agencies is to act as a facilitator of PRSP process by providing idea, technology, know how, and money. It is GoT's responsibility for putting those offered by donors into concrete shape.
- (4) GoT should make more efforts to develop broad-based local support for the reform programs. As a UNDP report points out, so few people are aware of the changes going on, even in Universities. Only a few people have been engaged in the changes in the central and local government as well as civil society. This situation must be changed since sustainable reform programs require sufficient local backing regardless of the change in political leadership in the near future. In order to develop broad-based local support for reform programs, GoT should consult more closely with stakeholders at all levels of government and at the community level in elaborating and reviewing the programs.
- (5) Related to the above point, GoT should promote local participation in the whole process of PRSP. Sufficient local participation is required not only to develop broad-based local support but also to adapt programs to fit country and local specific conditions. Present donor import reform programs should not be accepted as they are. It is the Tanzanian people who adapt to the new programs by reinterpreting each element of programs in their own value structure, modifying yet maintaining the existing institutions. This process is the key for the programs to sustain by adapting them to fit local context.
- (6) Donor agencies and GoT should make a sub-optimal choice first, and to move gradually to an ideal model as situation permits. It is important to recognize that many donors should participate in SWAPs. What is vital now for aid dependent countries like Tanzania is to move stand-alone projects as many as possible to project type aid in a sector reform program. In doing so, fragmented aid projects can be incorporated in sector strategies and programs. To this end, it is not wise to simply stick to ideal type of SWAPs such as pooled funds and harmonization of procurement (untied aid) and consequently discourage some donors from their greater participation in SWAPs. Each aid modality has its own strengths and weaknesses. No single aid modality is perfect. Therefore the issue is not which modality to choose, but how to combine various modalities to minimize risks and to maximize total impact of aid on the sector level. By keeping SWAPs open to any donor, GoT can also broaden the scope of manipulation and fully utilize different characteristics in institutional and technological background of donors.
- (7) It is worth considering a regional approach to development in the context of SWAPs. Under this approach, a donor supports agreed sector program activities in a particular geographical area. The regional approach could effectively cope with the problem of aid in a decentralized government

system. The on-going decentralization process in Tanzania may complicate the implementation of sector-wide programs because it raises questions as to whether and how foreign donors should become involved with decentralized local authorities. However, the regional approach should not complicate implementation of the national programs. Because of the fungibility of funds, the geographical concentration of donor contributions merely substitutes for a central government allocation, which might as well then be allocated to another area, or to other public services in the same or other areas. Even if a donor wishes to finance specific public services in excess of minimum national standards for selected geographical areas, this would seem logical and justifiable, seen from a national and central government point of view since it can make reductions in the block grant, equal to the donor financing of services (p191). Furthermore, the regional approach could allow GoT to extend and replicate successful pilot projects innovated by donors, promote donors' competition for best practices, and to utilize characteristics and comparative strengths of each donor with respect to idea, technology, know how and money.

- (8) Both GoT and donors should plan a gradual decline in external support for Tanzania. The donors represent around 25-30 percent of the total Government budget and 80 percent of the development budget. In particular, the rise of budgetary support as a major aid modality may create an unhealthy relationship between GoT and donors. For donors, the continuing budgetary support might keep GoT from making serious reforms, and in the worst case this might lead to a situation in which all the donor money would dry up. For GoT, it is against its principle of self-reliance, since their whole development process would be largely influenced by donors' preferences. Unlike project aid, donors might withdraw a part or all of their budgetary support for the sake of donors convenience or reasoning. In order to avoid these worst situations, both GoT and the donors should make efforts to reduce the currently considerable aid dependence of Tanzania gradually but as soon as possible.

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