

# PARADOXES OF PROGRAMME AID AND INCREASING CORRUPTION IN DEVELOPING COUNTRIES

## A CASE OF TANZANIA AND DANIDA



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### Master's Thesis by

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<sup>1</sup> Source- <http://wocha.or.tz/>

## Executive Summary

*“I don't think we need feel any shame that aid can have a promoting effect on Danish exports. It is provided without political intentions – but naturally with the purpose of stabilizing peace between nations, races and regions.”*

*Denmark's Minister for Foreign Affairs, Jens Otto Krag, 1962*

Tanzania has made a tremendous economic progress over the past decade. Maintaining a stabilized economy with an increasing Gross National Income at a considerable percentage from 0.4% in 1994 to 8.8% in 2013 for example makes the country's face shine before foreign investors and development partners. And indeed, the country has been favored by development partners for a long time, whose struggles have been to fight poverty and its underlying causes, corruption being one of the causes. Assistance by General Budget Support has been a joint action towards aid effectiveness and ownership of the development programmes by the Tanzanian government. The focus has been to use the country's own Poverty reduction and growth strategy but the positive outcomes has been difficult to attain. This is seen by the fact that Tanzania is still among the bottom billions with majority of its population facing severe income poverty. Tanzanians response to the changing economic and political atmosphere in the country is overwhelming. Failure of Ujamaa development policies and the continuing economic challenges gave birth to different corrupt activities under the 'the economy of affection' umbrella resulting in the persistence of not only petty corruption but also grand corruption in the country. Donors as advocates of good governance and supporters of different sectors of economy through GBS and other modes of transfer should carry responsibility too since misuse of public resources for private gains concerns their contributions too. Development partners, Denmark in particular has been concerned with the fight against corruption with a right based approach believing that engaging citizens in demanding accountability to the government can lead to proper allocation of resources and transparent service delivery. Denmark believes that corruption especially grand corruption is a challenge to development in Tanzania but is optimistic since all the right anti-corruption institutions such as PCCB (Prevention and Control of Corruption Bureau) and Laws are in place though weak in implementation. A lot needs to be done since the decision to fight corruption in Tanzania runs down to the foundation of the society itself- Family. If donors overlook this, then pro-poor growth in Tanzania is not easy to attain. Corruption will still hinder development and partly donors will bear responsibility for continuing with a blind support.

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## List of Abbreviations

<b>BoT</b>	Bank of Tanzania
<b>BRELA</b>	Business Registration and Licensing Agency
<b>CCM</b>	Chama Cha Mapinduzi / Revolution party (is Tanzania's ruling party)
<b>CAG</b>	Controller and Auditor General
<b>CISU</b>	Civilsamfund i udvikling <sup>2</sup>
<b>Danida/DANIDA</b>	Danish International Development Assistance
<b>GBS</b>	General Budget Support
<b>GNI</b>	Gross National Income
<b>GDP</b>	Gross Domestic Product
<b>IPTL</b>	Independent Power Tanzania Ltd
<b>ICSID</b>	International Center for Settlement of Investment Disputes
<b>IMF</b>	International Monetary Fund
<b>Mwl.</b>	Mwalimu a Swahili word for Teacher
<b>MKUKUTA</b>	Mkakati wa Kuinua Uchumi na Kupunguza Umaskini Tanzania or (NSGRP)
<b>NSGRP</b>	National Strategy for Growth and Poverty Reduction
<b>NGOs</b>	Non-governmental Organisations
<b>NAO</b>	National Audit Office
<b>OECD-DAC</b>	Organization for Economic Development-Development Assistance Committee
<b>PCCB</b>	Prevention and Control of Corruption Bureau
<b>PCB</b>	Prevention of Corruption Bureau
<b>PFM</b>	Public Finance Management
<b>PFM</b>	Partnership Framework Memorandum
<b>PBA</b>	Programme-Based Approach
<b>PAP</b>	Pan-African Power Plant
<b>REPOA</b>	Research Policy for Development
<b>SWAPs</b>	Sector-wide Approaches
<b>SSA</b>	Sub-Saharan Africa
<b>TANESCO</b>	Tanzania Electricity Supply Company
<b>TI</b>	Transparent International
<b>TEA</b>	Tegeta Escrow Account
<b>TANU</b>	Tanganyika African National Union
<b>VIPEM</b>	VIP Power Engineering and Marketing

<sup>2</sup> Danish membership body for non-profit organisations (NGOs) working in international development.

# Chapter 1

## 1. INTRODUCTION

### 1.1.Motivation

Poverty in Africa has been a song by different development practitioners all around the world. Lots and lots of development strategies, policies and approaches have been formulated and put in practice but yet most of the countries in the continent are still in the least developing category. For instance; Charity and Aid from Global donors have been a usual traditional approach to solving Africa's development challenges. "International programs to alleviate poverty include bilateral aid, multilateral aid from international organizations, grants at below-market rates, technical assistance, and debt forgiveness programs, just to name a few" (Alesina & Weder, Sept.2002, p. 1126)

But as a saying goes, one thing can have opposite qualities, .i.e. may be good and bad at the same time. Foreign Aid and support have done quite a number of good for millions of people in Africa contributing to among other things; food security, health care, emergency response etc. However the results have not been sustainable as intended.

A possibility that aid is used in ways not intended by donors when disbursing the funds (Stewart, JAN 2013) has raised concern by the international development community resulting to ongoing discussions and changes of aid modalities from Traditional project-based aid towards Programme-based approach, all aiming at ensuring aid efficiency and effectiveness in providing a long term development solutions.

Changes in Aid modalities have increased freedom to the recipient countries since the mode of transfer and cooperation denotes trust from the donor side. Recipient countries are left to decide on how to spend the money injected for example to the general budget, avoiding following donor's priorities and hence enabling recipient countries' ownership of development process.

Previous studies have shown that, supporting budget in some instances can be a good idea since it increases resources for state building but in most cases may erode accountability by giving the government incentives enough to ignore its responsiveness to the citizens. This is especially when the citizens are not source of the government revenue, giving birth to corrupt governing elites.

Critics of foreign aid have criticized it for not discriminating against more corrupt governments. They make “an even stronger argument, namely, that not only are corrupt governments not discriminated against in the flow of international assistance, but, in fact, foreign aid fosters corruption by increasing the size of resources fought over by interest groups and factions” (Alesina & Weder, Sept.2002)

This undermines efforts to fight against corruption by civil societies and other stakeholders because the interest groups and factions are usually more powerful than the ant-corruption institutions and activists and most of them are protected by the same government receiving foreign aids.

Foreign aid has strived to strengthen democracy and good governance through supporting civil societies, parties, policies reforms in the public sector’s key institutions i.e. the executive, judiciary and legislature with a belief that corruption is a symptom of public sector’s breakdown, which should be addressed as part of a broad strategy for improving public sector’s performance (WorldBank, 1998). And surprisingly the reforms and strategies has been put in place but failed to be implemented. This partly can be blamed on the bad governance of the receiving countries but a finger also should be pointed to the foreign donors who despite witnessing policy failures as well as acknowledging existence of corruption and specifically grand corruption, still they continue with funding.

Among East African countries, this thesis finds Tanzania a good choice of a country in which to examine the relationship between corruption and foreign assistance (aid). The reason behind is that, apart from being one of the countries which receives great deal of multilateral and bilateral aid in Africa, receiving “US\$26.85 billion in assistance between 1990 and 2010. It is the largest aid recipient in sub-Saharan Africa (SSA) after Ethiopia.” (Tripp, 2012) On top of that “It is regarded as one of the donor ‘darlings.’”(ibid) despite the persistence of grand corruption which is seen as a threat to development. Tanzania according to Transparency international ranks 119 among 175 countries<sup>3</sup> where the perception level of corruption in its public sector scores 31 in a scale of 0-100 in 2014 i.e.0-highly corrupt towards 100-very clean.

It has been argued that, contrary to the more or less sincere intentions of the donors, corrupt governments following very poor policies receive just as much aid as less corrupt ones (Alesina &

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<sup>3</sup>“The Corruption Perceptions Index ranks countries and territories based on how corrupt their public sector is perceived to be. A country or territory’s score indicates the perceived level of public sector corruption on a scale of 0 (highly corrupt) to 100 (very clean)”( <http://www.transparency.org/cpi2014/results>)

Weder, Sept.2002) In case of Tanzania for example, a lot corruption and embezzlement scandals have been witnessed involving public funds. Government officials have been accused of being in collusion with the private businessmen in embezzling the public funds part of which are foreign aid but yet aid donations still flow in the country. Even though it is not easy to clearly draw a line of evidence pointing the amount of donor funds being embezzled; the fact that donors fund the country's budget, makes the donations a part of public funds and its embezzlement therefore a donor concern.

An example of a current grand corruption scandal which has alarmed the international donors and interest groups involves the energy sector and the private companies in Tanzania. The scandal seems to reappear with a new face since something like it happened in 2008 which resulted to the resignation of Prime Minister Mr. Edward Lowassa “whose office was involved in improperly awarding a contract to US-based electricity company Richmond Development in 2006. The firm failed to provide emergency power during a power crisis in 2006... Despite these failings, the government was contracted to pay Richmond more than \$100,000 a day.” (BBC-News, 2008). The Prime minister resigned claiming injustice and later followed by two other ministers, Nazir Karamagi (Energy and Minerals Minister) and Ibrahim Msabaha (a former energy minister who in 2008 happened to be in the East African Community ministry). Since accusations were also based on the fact that they bought cheap and old power generator, the outstanding balance was said to have ended in their pockets. And resignation did not follow the claiming of the money back to the government.

Currently i.e. the scandal started with the withdrawal of about \$120 mil from the Tegeta Escrow account in the Bank of Tanzania (BoT) in 2013 by Pan-African Power Plant (PAP) whose owner a Kenyan tycoon Harbinder Singh Sethi, claimed to own the electricity producing company in Tanzania called Independent Power Tanzania Limited (IPTL) which formerly was owned by an Malaysia-based company Merchmar Berhad 70% and VIP Engineering and Marketing (VIPEM) 30%. The reason behind the opening of the account was the dispute between Tanzania Electricity Supply Company (TANESCO) and IPTL over the capacity charge where it was said TANESCO was over paying IPTL so until the dispute was solved the money had to be kept in that account. The concern over the withdrawal of the money rose due to suspicion on the acquiring of IPTL by PAP and after investigations it was discovered that the acquisition was fraudulent. But the Attorney General authorized the withdrawal of the money and the Tanzania Revenue Authority offered Tax

exemption. According to Mr. Zitto Kabwe (Chair, Public Accounts Committee and an opposition party's Member of Parliament), the money in that account belonged to the public since "TanESCO's books show the escrow money as reserves (Kabwe, August, 2014). On top of that in February, 2014 the International Centre for the Settlement of Investment Disputes (ICSID) ruled that TanESCO was indeed overcharged by IPTL (Mhengeru, 2014). Policy Forum (a network of NGOs in Tanzania)'s note of the matter was "that Pan Africa Power Solutions Tanzania's (PAP) acquisition of Mechmar's 70 percent of IPTL's shares was fraudulent and the subsequent transfer of TEA funds to IPTL/PAP of at least US\$ 120 million was illegal and involved the collusion of senior government officials, TanESCO's Board of Directors, the Business Registrations and Licensing Agency (BRELA) and private banks." (PolicyForum, 2014). Even though the investigation is still ongoing, the order of the event is repeating itself by resignation and firing of the Ministers and officials responsible. President's stand is that the money belongs to PAP. By taking PAP's side and firing Member of Parliament, Pro. Ana Tibaijuka who is said to receive \$1bil in her personal account, while ignoring the parliament's suggestions on the issue<sup>4</sup> he placed the government's political popularity at stake especially when people refer to his promise he made to fight corruption, even though corruption index dropped during his rule.

Denmark is among Tanzania's group of donors who have been interested in Tanzanian government reforms and fight against corruption through institutional reforms for over 50 years. Through the country's foreign aid agency Danida, a number of reform activities in Tanzania have been funded both bilaterally and multilaterally. The achievements have been low however in eradicating poverty. Danida acknowledges the fact that corruption in Tanzania is a serious governance and developmental challenge...and that, it is major problem affecting all sectors of the national economy from service delivery to natural resources exploitation, industrial production, environmental protection, business and commerce.<sup>5</sup>

Yet, even though Danida together with other donors providing general budget support responded to the 2014 corruption scandal by withholding part of its General budget support budgeted for 2011-2015 in 2014 until the scandal is solved, the act seemed not seriously meant to make Tanzania government reflect on its widespread corruption for a long while and find solution. This is because in September the same year, another five year agreement was signed by the Danish Ambassador, Johnny Flentø, and the Permanent Secretary in the Tanzanian Ministry of Finance a Government to

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<sup>4</sup> <https://escrowscandaltz.wordpress.com/2014/12/24/jk-should-have-hit-harder-on-escrow-account-billions/>

<sup>5</sup> <http://um.dk/da/danida/resultater/bekaempelse-af-svindel/omfanget/svindel-og-korruption-i-budgetstoette/tanzania/>



Government Agreement for the new Denmark-Tanzania Country Programme for the period 2014-2019, with the Danish support amounts to DKK 1.950 million. (Danish Ministry of foreign affairs)

This questions the seriousness of the international development community as ant-corruption agents and promoters of accountability and good governance. Can we blame the country's bad governance or foreign assistance's lack of effectiveness in the battle against corruption which results in indiscrimination towards corrupt governments and hence leaving the burden to the citizens? Did the Danish government have a sort of agreement towards solving corruption issues in Tanzania before signing another term's agreement? Or corruption was treated as minor issue compared to the big objective of relieving Tanzanians from poverty trap.

The main aim of this thesis is to investigate whether foreign aid acts as a catalyst of corruption in developing countries, with the main focus on United Republic of Tanzania and DANIDA (Danish International Development Assistance), and if there are measures undertaken to solve the problem.

## PROBLEM FORMULATION

### Cardinal question

Is foreign Aid a promoter of good governance and development or catalyst of corruption in the united republic of Tanzania?

### Working questions

- Why Corruption persists in Tanzania? Does foreign aid offer incentives for its persistence?
- What is DANIDA's standpoint regarding corruption?
- What are the implications of the continuous inflow of donor funds to both Danish tax payers and Tanzanian citizens as major stakeholders?

## 1.2. Definition of key terms

### Corruption

Defining what might seem to be a *corrupt* behavior or act can be challenging most of the time. What seems to be corrupt in one society or country might be perceived otherwise by others. This somehow might be the result of individual society's ways of interaction, definition of right or wrong as well as societal changes. At the specific level, corruption has been defined and interpreted in many ways, depending on the interpretation of the virtue it is seen to threaten (Jurdjevic, 2010)

In Tanzania, one may say that most people receive petty corruption as a way of life. But this depends on the interpretation. For example giving back something as an act of appreciation to an official who happened to help in acquiring something which one has struggled much to obtain due to delays or lack of incentives happens in everyday basis especially in health sector. Even though this can be judged as an act of corruption, in Tanzania people call it an act of appreciation. And these acts of appreciation most of times happen in rural areas where access to social services is very limited and therefore engaging in them keeps a close tie to the service providers.

As a traditional Tanzanian way of showing hospitality, the government allowed the provision of gifts with undefined limit of amount to voters during elections to win their votes famously known as *Takrima* as passed in the Electoral Law (Miscellaneous Amendments) Act, 2000 s. 98 (2) and (3). Although the Electoral Law was Amended and *Takrima* was abolished on the grounds that it interferes with free and fair election between the have and have-nots candidates and also unfair definition of a corrupt behavior, corruption as hospitality have been viewed as a normal way of life. This is being said in the view that, suppose Tanzania's group of petitioners for the amendment of the *Takrima* provision were not oriented to the more liberal ideas of human rights, rights to vote under free and fair election etc, the practice would have still been legal which foreign countries would call corruption.

Even though viewed as a way of life, is it agreeable by all Tanzanians? In simple response, one may say to gain access and secure future possibilities of benefiting from the services people may view it agreeable but *it is not agreeable*. "Tanzanians for the most part share international perceptions of how public officials are supposed to behave in executing their responsibilities. Traditional cultural

practices, whether of gift giving or other varieties, do not, in the eyes of the Tanzanian public, entitle government officials to take advantage of them.” (REPOA, 2006)

The PCB (Tanzania’s former Corruption Prevention Bureau) “defines corruption in a formula form which is, Authority + Discretion - Accountability = Corruption” (LawReformCommission, 22, Dec. 2004)

Most of the literatures addressing corruption issues have been using one of the widely known definitions of *corruption* as “the abuse of public office for private gain” (WorldBank, 1998) in this definition various forms of interactions are covered between public officials and other agents (private). “Sometimes, money is involved, such as in bribery or kickback for public procurement contracts. In other cases, private gain can be non-monetary, as in cases of patronage or nepotism. The definition also covers acts where there is no interaction with external agents, or where external agents are not explicitly implicated, such as the embezzlement of government funds, or the sale or misuse of government property.” (Kolstad, Fritz, & O’Neil, 2008)

Transparency international sees corruption as “the abuse of entrusted power for private gain. Corruption can be classified as grand, petty and political, depending on the amounts of money lost and the sector where it occurs.” (TransparencyInternational, 2015). Even though the definition is closely related to that of World Bank, TI’s definition does not only base on the act of the public officials only but also extends to the acts of private individuals and companies “For example, if a subcontractor bribes an official of another company to obtain a contract, this would count as corruption.” (Kolstad, Fritz, & O’Neil, 2008)

Danish International Development Agency (DANIDA) defines Corruption as “the 'misuse of entrusted power for private gain”’. (CISU website, 2015)<sup>6</sup> According to CISU “a corrupt act is often - but not necessarily - illegal. In handling corruption you will often face a gray zones and dilemmas”. The gray zones lie between what is legal and illegal where some people receive petty corruption as a way of life. “The causes might differ, however, whether corruption results from a need, a culture or simply from an opportunity too tempting not to exploit, it influences the way we deal with it - or don’t deal with it. (ibid)

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<sup>6</sup> <http://www.cisu.dk/getting-started/what-is-corruption>

Though several studies of corruption have shown several types of corruption, this thesis identifies two types of corruption which is Grand corruption and Petty corruption. The former has been defined by Transparency International(IT) as acts committed at a high level of government that distort policies or the central functioning of the state, enabling leaders to benefit at the expense of the public good...while the later as everyday abuse of entrusted power by low- and mid-level public officials in their interactions with ordinary citizens. (TransparencyInternational, 2015)

While DANIDA's definition might consider corrupt acts in both government and Non-governmental organizations, its definition is almost like the TI's.

The extent of DANIDA's Aid in Tanzania is great, it deals with both bilateral and multilateral aid donations. Since this thesis's case study is DANIDA, it is wise to adopt its definition of corruption. The kind of corruption which will be dealt with is grand corruption and the focus will be on bilateral aid relations in relation to corruption between Tanzania and DANIDA.

### **Programme Based Aid/Programme Based Approaches**

The choice of the right instrument to be used in providing foreign aid or assistance has been a matter of concern by most of the donor countries from developed world. To ensure effectiveness, efficiency and most of all sustainability of the funds donated to the developing countries, different support mechanisms have been put in practice from support to NGOs, Humanitarian and food relief, debt relief to Country programmable aid.

“Before the mid-1990s, most development cooperation was carried out in the form of projects. During the 1990s, it gradually became apparent that the situation with a large number of aid-funded projects managed outside country or organizational systems was increasingly difficult for partner countries to manage and coordinate, and thus inefficient from the perspective of long-term poverty reduction.” (SIDA, 2008, s. 6) This marked the change of Aid modalities from Project based Approach to Programme Based Approach and to more approaches which are currently been suggested like Aid on delivery.

Denmark being a member of the OECD-DAC (Organization for Economic Development and Cooperation-Development Assistance Committee) since 1963, its Agency DANIDA adopts definition of Programme-based Approaches (PBAs) as defined by

OECD-DAC 2008, “as ‘a way of engaging in development co-operation based on the principles of coordinated support for a locally owned programme of development, such as a national development strategy, a sector programme, a thematic programme or a programme of a specific organization’ (SIDA, 2008)

It is understood that Programme-Based Approaches (PBA) can be implemented through different ways. i.e Though the aim is to provide support to developing countries, mode of transfer of the assistance differs ranging from “pooled (or basket) funding of specific activities or reform programmes to joint support of sector-wide approaches (SWAs) and sector and general budget support” (Leiderer, Aug.2012)

According to a report by (SIDA, 2008) PBAs share the following characteristics; a) leadership by host country or organization. b) a single comprehensive programme and budget framework. c) a formalised process for donor co-ordination and harmonisation of donor procedures for reporting, budgeting financial management and procurement and d) efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation.

PBAs have been seen effective due to the fact that it has given more freedom to the receiving countries to use their local strategic plans when it comes to the use of fund provided, hence a sense of ownership one hand, and on the other it has indicated trust in the relationship between donors and recipient countries as long as there is accountability.

Due to a limited time to deal with all PBAs modalities, this thesis will focus on the relationship Tanzania has with DANIDA with regard to the Budget support and its effectiveness especially when the country seem to be unable to untangle itself from the corruption trap. This is also because, “general budget support (GBS), although not explicitly referred to in the Paris Declaration on Aid Effectiveness (HLF 2005), is taken by many to be the most consequential instrument to implement the principles of the new aid effectiveness agenda in practice”. (Leiderer, Aug.2012)

## Chapter 2

### 2. METHODOLOGY

This chapter begins with an explanation of the epistemological and ontological stand point of the thesis. Based on the problem statement, the nature of knowledge sought to be acquired rely much on the context in which the problem occurs. Therefore, this thesis perceives knowledge on its ontological perspective to be socially constructed. “Constructionists view knowledge and truth as created not discovered by the mind (Schwandt 2003) and supports the view that being a realist is not inconsistent with being a constructionist. One can believe that concepts are constructed rather than discovered yet maintain that they correspond to something real in the world” (Andrews, 2012)

Considering epistemology as a philosophy of knowledge or of how we come to know (Trochim, 2006), this thesis takes a subjective stance choosing to study corruption and the context in which it occurs in Tanzania qualitatively studying what is already known (review of related literatures, theoretical assumptions and models) to uncover what has to be known based on the analysis of actual cases, speeches, remarks of the Tanzanians themselves on one part, and what Denmark as foreign aid provider has been doing on the matter, on the other.

The focus is between Tanzania and Danida to determine whether foreign aid particularly General Budget Support contribute to persistence of grand corruption in Tanzania.

Due to mass of data being documented and others online, a mix of a desk study and email and telephone conversations is conducted. Type of data collected are qualitatively researched where apart from email and telephone conversations, all data are secondary qualitative and quantitative.

Theories and models chosen acts as guideline to answering the cardinal question. They are embodiment of previous studies of scholars such as Goran Hyden and Bertha z. and Kwaku Osei-Hwedie. An intrinsic case study is conducted where the gathered data are mostly documented, though email and telephone conversations with mentioned responsible person (s) are used as empirical data.

## **2.1. Clarifying the choice of the case study**

Tanzania has always been nicknamed as a donor darling for so many years despite its reputation in corruption. During its politico-economic transformations since independence to the present the country has gone through different hurdles with donors who in one way or another have been putting pressures in the reforms using aid as a tool. The 2014's collective action of all Tanzania's foreign Budget supporters including Danida drew attention to study the implications of it. Since the hurdles have been there since 1970s and the donors got their ways with Tanzania, something of interest could come out of the current ceasing of General Budget Support to clear corruption.

The question is that are they the catalyst of grand corruption or the supporters of good governance?

The study is also based on Danida as one of Tanzania's donor who withheld budget support. Based on Tanzania-Denmark's old aid relationship dating back to 1960s, Danida has supported Tanzania throughout its changing political and economic atmosphere. Danida has been a supporter of good governance through policy reforms and even support the Cluster 3, goal number 2 of the Tanzanian national strategy of growth and poverty reduction which aim at total eradication of corruption. The withholding of budget support means a lot to the relationship between the two countries. If the conditionality is met means Tanzania for once in history managed to expose grand corruption scandals, acknowledge the fact that corruption is rooted in the country's politics etc. but if left unsolved and the budget support still flow to the country for some other reasons then more clarifications on what is happening between Tanzania and Danida is needed.

## **2.2. Methods**

Qualitative data and quantitative data collection is carried out. Secondary quantitative data are gathered but they are used as helping information to the qualitative data. Secondary quantitative data are presented in terms of figures and tables to back the qualitative data on demography, corruption indicators and incomes. Data collection methods therefore include; Reading of the previous related literatures, Internet surfing especially the Danida and Danish Ministry of home affairs home page and related articles, as well as Tanzania's Ministry of home affairs' home page, E-mail conversation or telephone conversation with spokes persons from both Tanzania ministry of foreign affairs and Danida. In this case a letter to both ministries are sent with a proposal of data

collection stating the reason and open ended questionnaires, (Collecting views of different politicians and interest groups on the subject this is useful in supporting discussion.)

### **2.3. Bias**

Sources of data vs the topic; Most data are obtained from the Danish and Tanzania ministry of foreign affairs home pages, country policy documents and reports. The data have the possibility of presenting the real picture or not and since it is officially documented, it have to be considered the final truth, i.e. In the data collection process, when the questionnaires were sent to Danida for an appointment, the responsible person responded by series of links to the website indicating all have been documented.

The topic seems very sensitive since it is not comfortable asking someone why you are involving yourself with corrupt acts, people or country since its closer to admitting that he/she is corrupt.

The inappropriateness of the topic and subject based on the researcher's nationality and the sensitiveness of the topic is also another issue. By subject I mean Tanzania and Danida. Being of Tanzanian national it seems awkward to talk about how corrupt Tanzania is since it is an act of bad mouthing own country. The defense to this is that, as a Tanzanian I have a right to understand what is happening in my country, and that, whatever good foreign aid is bringing to Tanzania, the persistence of corruption is not helping anything since household poverty is vivid by the time one lands in the country. Income difference is visible even though GDP increases. Why then corruption persist, is the topic of interest to me especially based on previous studies which have doubted foreign aid as its catalyst.

### **Limitation**

Time; there are a lot of donors who withheld budget support from Tanzania. Singling Danida only is due to time limit. Had I enough time, I would have liked to see what other donors are doing regarding their actions and what will be the reasons for continuation of budget support when the case is unresolved. It's not like am against their good intentions of supporting Tanzanian government, the interest here is are there to strengthen accountability in the public sector management as they claim to do or other interests guides them.



In data collection, being caught up between reviewing different documents and reading different data provided by both Danida and Tanzania proved time consuming. Thesis writing period was short too.

### **Validity and reliability of the data**

Data is found from the research subject's documentations. To make them more reliable, question of any double got clarification from the researched. Even though data are collected based on the studies of previous scholars, their application to the studied subjects and the results are from the trusted sources which are mentioned and are accessible. The conclusion is carefully reached based on the gathered data.

## Chapter 3

### 3. THEORY

The purpose of this section is to put forward the theoretical framework and model that guide this thesis. The section presents different views on why corruption is pervasive in developing countries such as Tanzania. And also goes on exploring the possibility of foreign aid to act as a hindrance or contributor of the fight against corruption. Göran Hyden presents a sociological understanding of the Tanzania society (based economy of affection); Bertha Z. Osei-Hwedie & Kwaku Osei-Hwedie's proposed circumstances which could lead to corruption are used to look into the overall political, economic and social circumstances that are embedded in Tanzanian society which act as drivers of corruption. Finally, inspired by previous studies on the role of foreign aid and impacts to governance especially how Dr. Boris Begović analyze foreign aid, a model based on normative and positive analysis as well as mechanism of foreign aid is used to shade right on what foreign aid does in terms of its rationale, real reasons for donors to give aid and what is going on when foreign aid is given.

#### 3.1. Goran Hyden's Economy of affection

Noted as an Africanist and Distinguished Professor of Political Science at the University of Florida, Hyden was also a professor of Political Science at the University of Dar es Salaam in 1970s. He worked also as an academic in various universities in East Africa including University of Nairobi and Makerere University. While in Kenya, Hyden worked also as a Social Science Research Advisor to the Ford Foundation in Nairobi.

In his book *'Beyond Ujamaa in Tanzania: underdevelopment and an uncaptured peasantry'* published in 1980, Hyden addresses the issue of Africa's underdevelopment based on an understanding of the African societies with a specific example of Tanzania.

Hyden's central theme is based on the idea that, "Peasant production has a logic of its own. It cannot be adequately understood only as a social phenomenon submerged by capitalism" (Hyden G. , 1980, p. 12) African peasants are owners of the means of production and reproduction and they constitute a large proportion of the population. They can either influence or limit transformation of the state since they possess what Hyden calls *exit* option by choosing to retreat back into

subsistence or not when faced with the demand for commodification of their labor and means of subsistence or needed to participate in production for export.

Most African societies are still in the Peasant mode of production, where peasants have not been captured by or become dependent on other social classes; and means of production (land, labor, and capital) have not been commoditized. Peasantry especially in rural Africa is still characterized with small holder production where production is for subsistence, and land is abundant.

According to Hyden, in peasant mode of production, family is the unit of production where everybody is ensured a share in what is produced. Trade and commerce is carried out based on family principles and orientation and individuals remain subordinate to the corporate family. Wealth is subordinate to status, therefore according to Hyden class relations do not appear in pure forms, they appear in other forms such as Patron-client networks (pg.16&17).

He argues that, peasants resist state's interference because state operates in the framework of impersonal rules which may make them dependent on the outside advice. Change in their material conditions is seen as a way of making them less economic independent, and hence impact their political freedom.

He ends up suggesting that, to avoid this kind of resistance there is a need for a rise of social classes which will capture peasants for their own needs for "as long as peasants finds means to secure their own reproduction they will resist conquest by other classes"(pg.17)

In discussing about the types of economy which arise with different kind of modes of production, Hyden argue that, as capital mode of production leads to *market economy*, peasant mode of production gives rise to *economy of affection*, in which "affective ties based on common descent, common residence, etc., prevail"(pg.18)

According to Hyden, peasant's economy of affection can exist in any mode of production i.e. socialist or capitalist, and that the central concern of the existence of this kind of economy is its own reproduction rather than production. He clarifies this by indicating that, work or improved productivity is not the end in itself as it is with other modes of production where people *live in order to work*, in the economy of affection people *work in order to live*.(ibid) and while they do so, they do not ignore their social ties.

In giving an Example based on a note from Sara Berry's literature on the tale of the poor peasant who for example purchase subsidized inputs from the government and then resell them to the wealthier neighbors using cash for bride price, bribes, funeral practice etc. (pg.18), he demonstrates how control in the means of reproduction determine social structure of peasant mode of production. The fact that in the economy of affection, economic action is not motivated by individual profit alone but embedded in range of social consideration that allow for redistribution of opportunities (pg.19), peasants in the economy of affection invest in maintaining their position in kinship, community or religious network which will reciprocate in the future or in times of need.

Hyden points out the possibility of the existence of power relations outside the economy of affection whose existence does not mean to sustain the reproductive needs of the local communities. An example, he names the expensive patronage practices of African leaders who extend favors or services during elections as only one that exist where clients control patrons.

He sums up his thesis of economy of affection by emphasizing the existence of an economy in African other than market economy which is being maintained and defended against the intrusion of the market economies which he calls economy of affection which have the ability to survive and affect the mode of operation of the market economy.

What happens in the 'public realm' of African countries as far as morality is concerned: According to Hyden, in African societies, there is no common moral foundation between public and private as compared to western societies whose moral grounds were informed by religion.

He argues that in Africa there are two public realms in post-colonial Africa with different links to private realm i.e. public realm based on "primordial groupings, ties and sentiments (which) influence and determine the public behavior of individuals... (And the other) which is historically associated with colonial rule and which is based with civic structure: military, the civil service, judiciary, police etc. (pg.25)

He derives his Public realm idea from Peter Ekeh's literature on '*Colonialism and The Two Publics in Africa: A Theoretical Statement, 1975*' "Most educated Africans are citizens of two publics in the same society. On the one hand, they belong to a civic public from which they gain materially but to which they give only grudgingly. On the other hand they belong to a primordial public from which they derive little or no material benefits but to which they are expected to give generously and do

give materially. Their relationship to the primordial public is moral, while that to the civic public is amoral...A good citizen of the primordial public gives out and asks for nothing in return; a lucky citizen of the civic public gains from the civic public but enjoys escaping giving anything in return whenever he can. But such a lucky man would not be a good man were he to channel all his lucky gains to his private purse. He will only continue to be a good man if he channels part of the largesse from the civic public to the primordial public.” (Ekeh, 1975, p. 108), an extension of example in Hyden (pg. 25)

The significance of using the economy of affection and the dialect of the two publics’ concepts is the fact that they can be used as tool to explain the persistence of corruption in Tanzania. Why people engage in corrupt behaviors either at the petty level or grand level have strong connection to how the society is morally organized i.e. a system of network people create to secure their future where even though there are well defined rules against misuse of public office, to maintain the primordial relations, the civil servants and politicians still engage in them since no one can exist without society and social tie. As Hyden points out in his recent work ‘*The economy of affection in Tanzania —important as ever, 2014*’<sup>7</sup> even though Tanzania has been integrated in the global economy, the economy of affection is still very much alive. With the growing gap between small elite group made up of foreign investors, businessmen and public official on one hand and the majority of Tanzanians on the other, operating outside the economy of affection has been deemed impossible. “In the absence of universally applicable formal mechanisms for providing social protection, the economy of affection becomes an alternative social insurance market. Relatives help each other. People with money are called upon to show their solidarity with kith and kin.” (Hyden G. , 2014)

### **3.2. Bertha Z. Osei-Hwedie and Kwaku Osei-Hwedie’s bases of corruption in Africa**

These are both academicians at the University of Botswana. While the former is a lecturer in Political and Administrative Studies, the latter is a Professor and Head of Department of social work at the University of Botswana. They have published a number of literatures on African society and development, but one of their work found relevant for this thesis is their work titled “*The Political, Economic and Cultural Bases of Corruption in Africa*” edited by Kempe Ronard Hope, Sr and Bornwell. C. Chikulo 2000.

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<sup>7</sup> <http://naiforum.org/2014/06/the-economy-of-affection-in-tanzania/>

In exploring what circumstances corruption in formal relationships especially in the political, economic and social environment of African countries, they shed light in this thesis on another perspective of the persistence of corruption which in one way or another compliment Hyden's thesis of economy of affection.

They argue that, causes of corruption can be explained at the individual, institutional or situational point of view. While looking at the individual explanation by considering individual personality who given opportunities will act corrupt on one hand, they argue that institutional and social explanation seek the causes in cultural institutions, poverty, temptation, imperfect system of laws and political change (Osei-Hwedie & Osei-Hwedie, 2000, p. 44) on the other. For example, when public officials or politicians are influenced or tempted into abusing their positions through free gifts, parties etc

Change especially derived by modernization has been seen as another source of corruption. They argue that modernization can be connected to corruption due to its tendency of setting up new standards which condemn some traditional practices as corrupt acts. In most African state, traditionally there were no distinction between obligations and responsibility an individual had towards the state and family, the distinction came with modernization. Thus corruption is just a product of the distinction between private and public, they argue. Modernization creates new sources of wealth and new classes which aspire to gain wealth through corrupt means.

Looking at the kind of leadership which undergoes modernization, they argue that corruption flourish where there is distortion in the policy and regulatory regime (pg.44), an example is when the ruling party, politicians or bureaucrats are given more control rights, and when in the ruling system there is little chance that law breakers will be caught and punished and if punished the punishment happens to be insignificant compared to their gains from corruption.

They go further arguing that, causes of corruption can not only be based on the change in the social and political structures of the society but both individuals and structures are necessary to the explanation. They argue that, rules and regulations are always in place guiding the morality of the public officials and society but the problem lies with the corrupt individuals who dominate the government and abuse the structure. This is able to happen when success is measured by material possession, and the regime which is permissive towards the ruling elite who is greed.

They also argue that, extended family, tribal or familial loyalties and commitment lead to corruption.

“In African countries, there is the notion that people’s identification and relationship with the state and its institutions are much weaker than identification and relationship with the family. Thus, there is an expectation of reciprocity between the service provider and the receiver of the service. In this case, nepotism may derive from age-old customs. This has led to the development of relationships based on ‘connections’, custom and power and may explain the aetiological connection between gift and bribe” quoted from (Alatas, 1990) by (Osei-Hwedie & Osei-Hwedie, 2000)

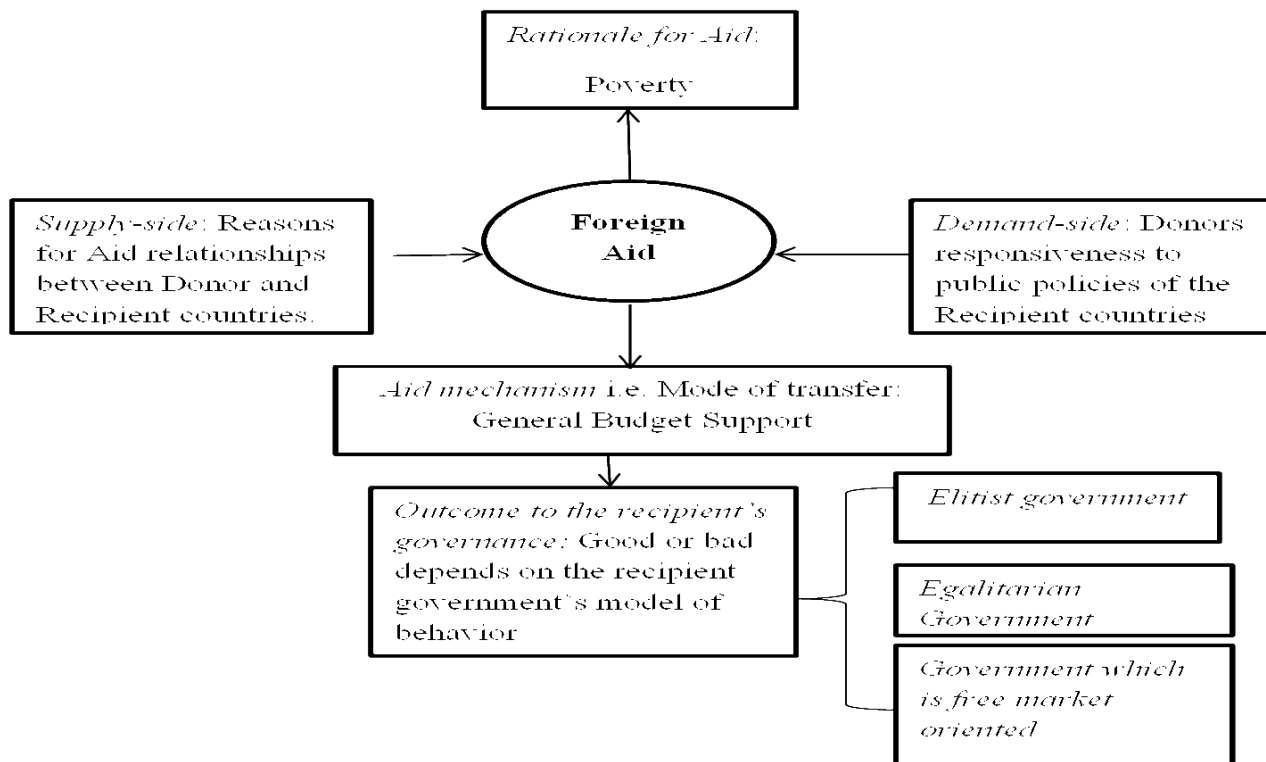
With regard to kinship system, they argue that, it should not be understood that the traditional society encourage corruption or immoral acts of such kind. “In this context, ‘a gift is not necessarily a bribe’ for it depends on the circumstances and intent.”(pg.46) It is transformed into bribe when people are forced to offer it to obtain favor or service in a situation where even though they are entitled to the services, they cannot access them.

Another cause they suggest is the fact that, in most African societies, income security is not sustained. Most salaried jobs offer very low and stagnant income to the civil servants. Thus officials are tempted to use their positions to gain more income. “The state is seen as ‘a grace and favor’ – with state officials as dispensers of favors who can do whatever they want” (ibid)

While referring to Owusu (1975:237)’s *Politics of the market place* they indicate how administrative system can be facilitator of corruption and corrupt activities “Political power is recognized as a resource and an important means ‘to the organization, accumulation, and consumption of wealth’, as well as a means to higher social status in the community... leaders and followers are held together by whatever process can offer them status, jobs and material benefits” (pg.47) This is easy to happen in an environment where few people are involved in bureaucratic decision making, and are in charge of making critical decisions, without open rules for public accountability or disclosure.(ibid)

Tanzania provides a good illustration of the manifestation of corrupt practices. With these academicians’ circumstances which can explain causes of corruption in Africa, they offer a perspective which is a looking glass of what is happening in Tanzania. Their explanation somehow touches Hyden’s thesis of economy of affection so throughout this thesis both perspectives will be used interchangeably.

### 3.3.A model of understanding Foreign aid and Impact to governance



The model above owes its foundation from the way Dr. Boris Begović in his work ‘*The Theory and Practice of Foreign Aid*’ of 2008 analyses foreign aid. Dr. Boris Begovic is a President of the Center for Liberal-Democratic Studies (CLDS) and a Professor of economics at the School of Law, University of Belgrade, Serbia.

He looks at poverty trap as a rationale of aid and goes on discussing the supply and demand side of foreign aid by looking at the reasons why donor countries get involved on one hand, and their responsiveness towards public policies of the recipient countries. In looking at the mechanisms of foreign aid such as recipient country’s budget support, he analyses the outcome on governance based on the model of behavior of the respective government. The explanation of the model goes as follows;

Whatever definition foreign aid has been given in the field of international relations whether; according to Political realism “...a policy tool that originated in the Cold War to influence the political judgements of recipient countries in a bi-polar struggle (Liska, 1960; Morgenthau, 1962; McKinlay and Mughan, 1984; McKinlay and Little, 1977 and 1978; Hook, 1995), Liberal internationalism,...a set of programmatic measures designed to enhance the socio-economic and



political development of recipient countries (Baldwin, 1966; Chenery and Strout, 1966; Packenham, 1973; Riddell, 1996; Opeskin, 1996) (or) world system theory,... a means of constraining the development path of recipient countries, promoting the unequal accumulation of capital in the world (Wood, 1986).” (Hattori, 2001), the *rationale* has always been aiming at poverty.

Dr. Begovic (2008) uses the term poverty trap to explain why foreign aid came into being. He narrates the Poverty trap mechanism which is in a vicious circle as follows;

“Because countries are poor and because the majority of income of the population goes to consumption, savings are low. Because savings are low, the investments are also low. Low saving rates specify low investment rates, and because investment rate is low, growth rate is low, which means that there is poverty again.” (Begović, 2008) He argues that, there is a need to break out of poverty trap, and one way which has been preferred is through foreign aid. According to this theory, once countries are out of the trap, their economies shuts upwards and hence sustained.

Whether the above is true or not regarding existence of poverty trap, the issue on the table here is the fact that foreign aid is given under the poverty umbrella.

Why developed countries should care to support developing countries out of poverty in the first place is another topic which has been discussed by different scholars.

Looking at *the supply-side of foreign aid*, (Dollar & Alesina, 2000) presents an argument that the pattern of aid flow from developing countries is dictated by political and strategic reasons and not economic conditions of the developing countries. They goes further arguing that, most donors especially from Nordic countries are motivated by correct incentives namely income levels, good institutions of the recipient countries as well as openness (democracy). While France support its former colonies and United Nations supports the countries which are the members of UN Security Council. (This point is significant when looking at why Denmark provides aid to Tanzania.)

*The demand-side* of foreign aid suggests lack of responsiveness by donors to public policies of the recipient countries. (Alesina & Weder, Sept.2002), for example demonstrate that, the fact that the country is more corrupt than others doesn't mean it receives less aid. Therefore, there is no link between the level of corruption and the amount of foreign aid.

Among the *mechanisms of foreign aid* which are more prone to generating rent seeking behaviors in receiving countries General budget support has been a concern for scholars. The reason behind the budget support is the fact that, it reduces transaction costs (since having so many projects and multiple donors each with their own reporting and accounting system is costly in aid delivery-so single multi donor process is good to manage and monitor GBS). It also increases allocative efficiency in public spending (Since it follows the country's development strategy instead of a particular item). With GBS it is believed that there is greater predictability of aid flows (due to lack of conditionality which delays disbursement). It also believed to be a tool which fosters stronger domestic accountability where instead of line of accountability being towards the donors as was with project aid approach, GBS focus allows governments to channel accountability and transparency towards own parliamentary institutions and citizens.

But does the outcome lead to transparency and accountability or in other words, does GBS promote good governance? While some argue that "Foreign aid is sometimes used for improved training and increased salaries for public employees, including police, judges, and tax collectors, (where) as salaries increase, more competent bureaucrats can be recruited and bribe solicitation reduced...resulting in improvements in the investment climate and higher tax collections in turn produce additional revenues, and improve the government's creditworthiness, reversing a vicious circle." (Knack, 2001), others argue that it "fosters corruption by increasing the size of resources fought over by interest groups and factions." (Alesina & Weder, Sept.2002), and "With high levels of aid, recipient governments are accountable primarily to foreign donors rather than to taxpayers (since it reduces)... government's dependence on its citizenry for tax revenues" (Knack, 2001), (Begović, 2008) argues that, whether or not foreign aid of GBS kind will work on good governance depends on the *model of behavior* of the receiving countries.

According to Dr. Begović, the three model of government behavior include Elitist government, Egalitarian government as well as the government which is free market oriented. *Elitist government* "means that budgetary support goes to the public expenditure and public expenditure goes to the elite of the society. (As) the government usually considers itself as the elite, which means that rich people in that society will get richer..., (in *egalitarian government*) means that budgetary support will increase public expenditure and it will be distributed more equally...there is an option of *government oriented towards free market*, which means that the public consumption will stay the

same, budgetary support will actually reduce the tax burden, and that will increase private investment incentives.” (Begović, 2008)

Departing from Begović’s economic explanation of the last type of model of government behavior, this thesis stands to use his idea in looking at where in those three kinds of model Tanzania falls in relation to the management of public funds and degree of transparency and accountability towards the citizens. Significance of using proposing this model in general is its usefulness in analyzing what is happening between Tanzania and Danida. Why Danida in support Tanzania, Does it care about strengthening Tanzania’s public sector management (how and is it working), what kind of government Tanzania is, are the ruling elites long term development oriented or work to benefit their private pockets and those of their kins?

## Chapter 4

### 4. Tanzania's Economic, Political, and Governance context

The United Republic of Tanzania is located in the eastern part of Africa. The country is bordered by Burundi, Democratic Republic of the Congo, Kenya, Malawi, Mozambique, Rwanda, Uganda, and Zambia. It was formed on 26th April 1964 through the union between Tanganyika and the islands of Zanzibar and Pemba giving birth to the United Republic of Tanganyika and Zanzibar which was later renamed United Republic of Tanzania on 29th October, the same year. Tanzania has more than 130 tribes with different languages. Promotion of Swahili Language as a National language was done to unify all citizens, making communication easy.

#### 4.1.Economic context

With its impressive growth in Gross Domestic Product (GDP) of 7% over the past years, Tanzania is believed to be in a potential position as an emerging economy.

Noting its stabilized economy with an increasing Gross National Income (GNI) at a considerable percentage (from 0.4% in 1994 to 8.8% in 2013)<sup>8</sup>, Tanzania maintains its good face before foreign investors and donors.

But despite the economic improvements, Tanzania remains one of the poorest countries in the world. The sustained growth of GDP over the past years still masks disparities in income. The 2012 Population and Housing Census results show that, Tanzania has a population of 44,928,923 (Tanzania Ministry of Foreign affairs and International cooperation, 2015) of which majority live in absolute poverty. According to 2011-12 Household budget survey, 84.1% of the poor live in rural areas while the remaining percentage lives in urban area. "Lack of access to health and education services, lack of agricultural inputs, and lack of opportunities to diversify in to non-farm activities, dependency and powerlessness are the defining characteristics of the poor" (Lyngé, 2009) especially in rural areas. The country still ranks low in Human Development Index where in 2014, UNDP<sup>9</sup> released a HDI report ranking Tanzania 159 out of 187 countries. Geographical and sector

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<sup>8</sup> <http://databank.worldbank.org/data/views/reports/chart.aspx>

<sup>9</sup> Tanzania (United Republic of)'s 2013 HDI of 0.488 is below the average of 0.493 for countries in the low human development group and below the average of 0.502 for countries in Sub-Saharan Africa" [http://hdr.undp.org/sites/all/themes/hdr\\_theme/country-notes/TZA.pdf](http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/TZA.pdf)

disparities are great, with income generating activities and most social services concentrated in urban areas.

Agriculture (consisting of forestry, hunting, fishing and crop cultivation) is the back-bone of the economy. “The sector accounts for more than 40% of GDP, provides 85% of the country’s exports and employs 80% of the total workforce.” (Tanzania Ministry of Foreign affairs and International cooperation, 2015) Other sectors which contribute to the economy apart from the agricultural sector include tourism, mining, as well as small scale industries.

Tanzania receives both Multilateral and Bilateral foreign assistance. According to World Bank Data<sup>10</sup>, ODA in 2013 included 7.9% of Tanzania’s total GNI right next to Ethiopia 8.1%. Tanzania’s dependence on Aid goes way long back to Nyerere’s period after independence. “Tanzania under Nyerere was a single-party system focused on achieving agricultural self-sufficiency. This goal was not realized, and its pursuit left Tanzania deeply reliant on donor aid.” (Prabhu, 2014) . To date the country even though multi-party state with which underwent structural and economic reforms, still depends on Foreign aid as part of its budget despite the dropping in the percentage of its contribution to the overall country income between 2010 (9.7% of GNI) to 7.9% in 2013.

Among the countries Tanzania receives foreign assistance especially the budget support is Denmark, under its foreign assistance agency DANIDA. According to World Bank data, in 2013, net ODA from Denmark amounted up to \$88.6mil. According to DANIDA Open Aid website<sup>11</sup>, the total amount disbursed for 2011-2015 estimates to \$70.71mil where 28.87% goes to Tanzania General budget support and programme. “In collaboration with other GBS donors, Denmark supports the realization of MKUKUTA II, which covers the period 2010/11-2014/15. This poverty reduction strategy places a large emphasis on investments in infrastructure as well as private sector led growth and employment, especially the agricultural sector” (DANIDA Open Aid website)<sup>12</sup>.

Currently there have been a halt in Budget support disbursement in Tanzania not only by Denmark but by all major foreign budget supporters. The reason behind is the increasing corruption scandals involving public funds, especially the scandal involving the ESCROW account and TANESCO involving a string of high political leaders as its architects. According to DANIDA Open aid

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<sup>10</sup> <http://data.worldbank.org/indicator/DT.ODA.ODAT.GN.ZS/countries/1W-TZ?display=graph>

<sup>11</sup> <http://openaid.um.dk/en/oda/qma/>

<sup>12</sup> <http://openaid.um.dk/en/Projects/DK-1-185092>

website, “The joint annual review of budget support in November 2013 concluded that the basis for the disbursement of budget support was present implying total payment of \$ 559 million, of which 125 million. kr. (\$ 23 million.) from Denmark should have been released at the beginning of the Tanzanian fiscal year of July 2014. However, this year the release of funds was stalled due to the disclosure of a major corruption scandal involving the Tanzanian state-owned energy company TANESCO.” And continue that only \$15 mil was disbursed in December 2014 due to the report from the Audit General that the case has been made public and is being discussed at the parliament.

Quotes from a joint report in the East African newspaper of Saturday, February 28, 2015 at 09:52, “Servacius Likwelile, the Permanent Secretary in the Finance Ministry, said donors had stayed away from a scheduled budget review meeting in November, and that there were no indications of how much money, if any, they would give to reduce the budget deficit for the 2015/16 financial year that begins in July.” Dr. Likwelile said.

#### **4.2. Political Context**

Even though history shows that a lot of armed struggles resisting colonialism happened in Tanzania, the country obtained its independence peacefully from the British indirect rule in 1961. Apart from the border conflict with Idi-Amin Dada, a Ugandan president in the late 1970s Tanzania has never gone to war with the neighboring countries nor suffers destructive civil wars.

Previous studies on Tanzania’s socio-political and economic development indicates that, Tanzania after independence from the British rule embarked in measures which would unify its people and bring about economic progress. This was because “As a heritage of the colonial rule, the new nation lacked the physical and locational assets for attracting foreign capital, and had shortages of local capital due to scarcity of local entrepreneurship and skills which are necessary for overcoming the handicaps of the country.” (Grosen & Coflkun, 2010) Education during the colonial rule was for white collar jobs, and economic and social development was not encouraged.

In this matter “a radical passage from Ujamaa type of policies to the market liberalization was initiated in Tanzania.” (Grosen & Coflkun, 2010)

‘Ujamaa’ a Swahili name for Socialism was meant to form a classless society where development would be achieved based on self-reliance investing much on people especially of rural areas. The concept was used as a political economic model of development where a single party rule was

established (TANU) as a tool for social cohesion; status or tribal discrimination was abolished since the principles of equality and nationalization of economy's key sector was introduced; villagization policy introduced aimed at collectivizing all forms of local productive capacities; self-reliance was fostered through change of people's economic and cultural attitudes where Nyerere wanted people to learn to produce their own necessities and be satisfied with them and avoid dependence on previous colonial power; education for all was introduced and creation of Tanzania identity through the use of Swahili language replaced tribal identification.

With a title of '*Mwalimu*' meaning '*Teacher*'; Nyerere, the first Tanzanian president (1961-1985) known with a reputation as a humanitarian socialist "In his writings and speeches, he elaborated a vision of a social order in which public ownership of the society's productive and financial assets would eliminate the exploitation of one class by another and where participatory decision-making would result in greater attention to the needs of small farmers." (Lofchie, March 2014)

Engaging in a democratic theory of a single-party rule, Tanzania held six single democratic elections between 1965 -1990 where the ruling party CCM (Chama cha Mapinduzi) heir of TANU presented two candidates whose debates were highly attended and widely discussed by the majority Tanzanians.

According to previous studies elections were conducted fairly with both candidates present, though during their debates, they were prohibited from discussing non-socialist ideas which would cause social chaos. Popular support of the leaders were not based on race, ethnicity or color since Mwl. Nyerere having the final say in all policy matters detested them. "Throughout the period of single-party rule, the Tanzanian government maintained the premise that legitimate authority was based on the rule of law and not the personal rule of an individual or small elite group" (Lofchie, March 2014) .

Nyerere's three prerequisites for development were land, good policies and good leadership. In promoting development for self-reliance, the focus was put on rural area since about 90% of the population lived there and majority of them engaged on subsistence agriculture. The Arusha Declaration of 1967 emphasized in the investment on human capital rather than relying on capital or material resources since for Nyerere "the development of a country is brought about by people, not by money. Money, and the wealth it represents, is the result and not the basis of development" (Nyerere, 1968a, p. 243)" (Kassam, 2000)

During Ujamaa period, development in Tanzania's perspective was measured in terms of equitable distribution of resources and absence of exploitation rather than Gross National product. The emphasis was not exclusively on increasing economic production but included also "all-round development of the people in terms of their education, health, nutrition, housing, child care and the like, and, above all, the achievement of a particular quality of life which is people-centered. (ibid)

Following Nyerere's coercive measures in forcing people to relocate from their villages, high taxation and later confiscating the people's marketing cooperative unions, he faced resistance. People wanted to maintain their family farms and were not happy about government interference in their properties because according to (Lofchie, March 2014) some of the leaders confiscated the lands and turned them into their own. As for the cooperative unions, these unions meant a lot to people. They acted not only as the sources for markets but also some held strong historical ties within which different social activities like contributions for family celebration like marriages, or even support during crisis like funeral etc. took place.

This somehow can be related to what Goran Hyden, 1980s suggested being the reasons for underdevelopment of Africa, the fact that Peasants somewhat in Tanzania for example held power over the ruling class and resistance to changes especially the kind of change that would threaten the existence of their mode of production.

What Nyerere believed in his principles was not what actually was happening. Nyerere's Ujamaa contrary to (Hyden G. , 1980) did not mean to create classes and social stratification in order to achieve development. He meant a classless society which would improve the life of the poor especially those residing in the rural areas. "The economic framework that Tanzania implemented during his presidency was perverse with respect to the distribution of wealth. It featured a planned transfer of economic resources away from the poorer elements of the society, the small farmers, to the far better off inhabitants of a new industrial sector, its workers, managers, and civil servants." (Lofchie, March 2014)

In the above point Hyden argues that, Tanzanians too contributed to Lofchie's argument. When it came to modernizing peasant's agriculture, the Tanzanians preferred to remain with their small production since they were not interested in surplus production and improving agriculture would jeopardize their independence from the government. Who benefited more from government incentives were small group of farmers who embraced change.



Both internal and external factors contributed to the fall of Ujamaa, Internal being economic crises, resistance of the policies and government support from the peasants themselves, since Ujamaa aimed mostly at transforming the peasants and external being the influence of donors and development partners who threatened to withdraw support if policy reforms were not done.

Ujamaa period was short-lived because its policies were seen as irrelevant to development by external donors and creditors i.e. mostly the IMF and World bank claiming that “socialist macroeconomic policies of sub-Saharan African countries in general, and of Tanzania in particular, had lost their validity (Rugumanu 1997:104) and that an adjustment should be used as a tool for transforming Tanzanian socialist policies into market liberalization (Ponte 1999:3).” (Grosen & Coflkun, 2010) “President Nyerere’s departure in 1985 signaled a break from socialist policies and allowed the process to evolve in an orderly fashion. President Mwinyi’s liberalization efforts post - 1985 and initiation of institutional and structural reforms ushered in a free market economy, and President Mkapa reinforced the importance of macroeconomic stability and ensured consolidation of a free market economy, after 1996.” (Muganda, May,2004)

This introduced Tanzania into the capitalist democratic regime, where market was free, state’s power minimal, civil society emerged and individual liberty enhanced. It was believed that, a combination of democratic politics and economic liberalism would influence developmental performance positively.

This paradigm shift in the outlook of development in Tanzania was praised by the 2<sup>nd</sup> president in Tanzania after Mwl. Nyerere, in his speech at the Eight National Economic Policy Workshop in 1992 president Mwinyi stated that“ ‘Despite the problems facing the World Trading System and the unequal exchange between the products and services of the Third World with those of the developed countries, there is no escaping from participating in the world economy...It is necessary for us (Tanzanians) to reexamine the role of the state in economic development... State control, which suffocates individual and cooperative initiative in the economy, is not conducive to sustainable economic growth and social progress. Development is brought about by the people themselves’ (Gibbon 1995:12).” (Grosen & Coflkun, 2010)

Tanzania has been regarded as a donor darling in Africa sub-Sahara. Its political stability and readiness though slow implementation of policy reform and its embrace to democracy coupled with its natural resource endowment can be counted as part of its blessing in front of the development

partners eyes. Development partners have been part and parcel of economic reforms in Tanzania. Their involvement has been both as “providers of substantial financial and technical assistance and adjudicators and monitors of government’s performance (or nonperformance) in implementing economic reforms”. (Muganda, May,2004)

### **4.3.Governance**

What could then be the characteristics of modern Tanzanian government and governance system? According to previous studies like that of (Lofchie, March 2014) , Tanzania did not only transform its own economy from a state ownership and control to a free market but also transformed its governance system. From a constitutional single party system to a multi-party system Tanzania has maintained the rule of Chama Cha Mapinduzi(CCM) despite the presence of almost 22 political parties with 6 parties holding parliamentary seats in the National Assembly.

Mwl.Nyerere despite his strong conviction on his socialist ideas of a stateless society finally decided to step down not only as a single-party strong executive in 1985 but also as a party chair in 1990s giving way to a multi-party system of governance in Tanzania where “The Eighth Constitutional Amendment (Act 4 of 1992) reintroduced multiparty politics to the country for the first time since socialism had been declared (by constitutional amendment in 1975) as the official state ideology. The amendment process was initiated by former president, Julius Nyerere in 1990. Acting as head of the ruling party, Nyerere responded to growing demands for political reform (and emerging pressures from foreign donors), by delivering a series of six talks regarding possibilities for political change and multi-party-ism.” (Widner, August 2005)

It is documented that, President Ali Hassan Mwinyi, Nyerere’s successor before the eight constitutional amendment in 1992, formed a commission a then called Nyalali commission chaired by the Chief Justice Francis Nyalali to find out whether to establish multi-party system. The commission’s report produced unexpected results regarding the citizen’s preference of single party over multi-party system since according to Michael F Lofchie, “Most Tanzanians preferred a continuation of CCM rule with all its shortcomings to the emergence of a multiparty system that might arouse the kinds of ethnic divisions that have disturbed the social peace elsewhere” (Lofchie, March 2014)

Therefore, even though the documentation of a democratic Tanzania shows peaceful transformation, the survey conducted to assess people’s reaction towards it especially “the Nyalali Report and a

wealth of follow-up research about this topic make it clear that democratization in Tanzania was a top-down process, brought about by a governing elite that was responding to changing international norms and expectations more than to popular pressures from below” (ibid)

Believing now that Tanzania is a democratic government since 1992 where it held its first democratic multiparty elections in 1995, the analysis of its governance as government of the people by the people for the people as put defined by Abraham Lincoln (1809-1865) should follow the democratic elements such as separation of power, freedom of opinion, religious liberty, general and equal rights to vote, as well as good governance (i.e. focus on public interests and absence of corruption).

- *Separation of power;*

Tanzania is a constitutional government. Its central governing bodies include the Legislature, Executive and Judiciary. Leadership comes to power through election. Election of leaders is divided into Local election where village or street chairman election is conducted and General election where the members of the National assembly including the head of state’s periodic elections are held.

Even though the democratic governance of Tanzania is regarded to be that of bottom-up in the process of policy suggestion, discussion and finally approval, studies shows that Tanzania still maintain the oligarchical type of rule where president has the final say even if the parliament is present. In Tanzania the executive still hold power over Judiciary and Parliament. This has something to do with the influence of Mwl.Nyerere’s single party tradition which managed to evolve in its rule from a socialist party to an open market democratic party.

During Mwl.Nyerere’s period, “despite the presence of a highly bureaucratic party-state, Tanzania had a personal style of decision-making that thrust routine decisions onto the desk of the president for final resolution. Many of Tanzania’s major policy initiatives, in fact, began as presidential decisions that the National Assembly then had to formalize with legislation.” (Lofchie, March 2014) The tradition still continues with the current Tanzanian government. All major policy reforms are being debated from the grassroots through the government law making body but await the president’s approval.

Under the Principal of *separation of power* the State Authority, noted even in the Constitution of the United Republic of Tanzania under Article 4(1) is supposed to be vested and exercised by three separate institutions all independent as long as they perform their tasks fairly and impartially. “4.- (1) All state authority in the United Republic shall be exercised and controlled by two organs vested with executive powers, two organs vested with judicial powers and two organs vested with legislative and supervisory powers over the conduct of public affairs.”(The Tanzanian Constitution of 1977)<sup>13</sup>

In principle, when establishing the theory of separation of power a Jurist Montesquieu (1715–1755) pointed that, the powers of the three organs of the government should not be concentrated in the hands of one man or a group of men. Doing so would lead to tyranny, corruption and abuse of power.

What makes this kind of governance to continue operating is a long history. Briefly; after independence Tanzania did not formulate its own brand new constitution. The constitution which has been going through the process of amendments has been inherited from the British rule. It should be noted that, even though the British rule followed the legislative principles, the governor had the final say. Mwl. Nyerere’s democratic style therefore had a legislative system but he made sure the bureaucratic cadres operated in the partisan system.

Resistance to adhere to the party’s rule had implications, as Hyden observed that one of the implications was being expelled or relieved from their duties. After Mwl. Nyerere’s retirement, he continued to be the ruling party’s chairman. The amendments in the constitution did not do much to reduce the head executive’s power. In the current National Assembly nearly one third of the representatives are from the ruling party, where opposition do not have strong vote when it comes to setting forward the motions which go against the interests of the ruling party. Besides, the partisanship which was started by Mwl. Nyerere to control the behavior of the ruling cadres (as of not having too much power to exploit the citizens) is still practiced in contemporary Tanzania.

In principle, the executive is supposed to be accountable to the legislature (which is not only law making body but also a representation of the people), in practice of whether this happens is doubtful. Accountability on the part of the executive even in previous rule was not a tradition taking into

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<sup>13</sup> <http://www.judiciary.go.tz/downloads/constitution.pdf>

consideration that majority of the members of the national assembly come from the ruling party which has to pay loyalty to the executive.

As of the Judiciary being another arm of the government which is supposed to reinforce law fairly and impartially in Tanzania is not 100% independent. The executive having power to appoint the higher judicial personnel have an obligation to consult the Judicial commission and the Chief justice before appointing judges of the High Court and judges of the court of appeal but he is not obliged to act in accordance to their advice. This brings us back to the issue of loyalty to the executive again from the judiciary.

The current efforts of the National assembly by the members of Parliament to establish a parliamentary body with sharp teeth to fight powerful and corrupt political leaders without interference from the Executive is an example. It is what in Swahili term known as '*Bunge lenye meno*' (*Parliament with sharp teeth*) whose architects include Parliamentarian<sup>14</sup> working in collaboration with African Research Institute (ARI). "It was not long before *Bunge's* nascent powers were tested by a double-header of public controversies. The Bank of Tanzania scandal in 2005 provided a wake-up call. Two years later, the Richmond scandal became an opportunity to set a precedent" (Prabhu, 2014) Firstly, it was about the push for the financial and administrative independence of nationally independent bodies; and secondly, the extension of facilities and opportunities for scrutiny of government spending." (ibid)

The above effort succeeded in establishing National Audit Office in 2006 under Controller and Auditor General for scrutinizing government office and also National Assembly fund in 2007. The surprise is still there on the emergence of another big scandal the Escrow account saga even though "Cheyo stressed his confidence in the CAG's ability to deliver a reliable report on the IPTL controversy despite the current office holder, Ludovick Utuoh, having retired in September" (Prabhu, 2014). The case which was suppressed by the president that the money stolen from that account actually belong to the one who is accused of stealing it and instead fired the minister involved in receiving \$1mil and ignored the propositions from the parliament about how to deal with the scandal.

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<sup>14</sup> *Samuel Sitta*, Speaker of the National Assembly representing the ruling party, (CCM); *Dr Willibrod Slaa*, Secretary General of the opposition Chama cha Demokrasia na Maendeleo (Chadema); and *John Cheyo*, chairman of the Public Accounts Committee from the United Democratic Party (UDP).

- *Freedom of opinion and religious liberty;*

On religious liberty, Tanzania is a secular state. Even though majority population is either Christians or Muslims and the current president is a Muslim too, the country is not run under any religious doctrine. Everyone is allowed to practice any religious belief as long as it does not harm others. It has been in the ruling party's tradition to avoid ruling under religious or ethnic influence and this has maintained political stability in the country. Sometimes this can be the reason why despite Tanzanian's distaste of the ruling party's corrupt reputation, people still cling to it for peace. It is relevant that other parties have been sought popularity by instilling either ethnic or religious ideologies to gain power giving CCM a chance to win over and over.

Freedom of Opinion however is a matter of interest in Tanzania. In theory in Tanzania every citizen has the right and freedom of expression. The existence of the different forms of media as well as civil society provides room for people to do so. Registration of these rooms for people's opinions has always been the government task.

The purposes for their presence are always under scrutiny from the government. If they involve too much in government affairs they end up being banned or people involved getting into trouble. An example is the banning of national newspapers for different reasons some being because they pose a threat of causing trouble in the country. "Mwananchi holds over 50 per cent of the media market share in Tanzania... On September 27, Tanzania's Director of Information, Assah Mwambene, announced that he would be temporarily banning the paper, because of stories intended to influence "the citizens to lose confidence in State organizations." " (Oke, 2013) Even the "Newspaper Act of 1976, article 25 of which states that the government can prohibit the publication of any paper it sees fit, if the Minister responsible feels that the ban is in the public interest."(ibid)

- *General and Equal rights to vote*

It is stated in the Tanzanian constitution article 5.-(1). that "Every citizen of the United Republic who has attained the age of eighteen years is entitled to vote in any election held in Tanzania..."(Tanzania Constitution of 1977).

Despite the " allegations of electoral irregularities— including doubts about the neutrality of electoral monitors, the CCM's use of takrima (gifts) to obtain votes, poor management of election ballots, and physical harassment of opposition parties and their supporters" (Lofchie, March 2014)

election results in Tanzania has always been received peacefully. CCM, the winning party since independency's "principal vulnerability is its reputation for corruption."(ibid) But it is a surprising fact that the party has always won majority of the votes. Apart from being a party without any religious or ethnic inclination, the party has influence especially in remote rural part of Tanzania where people still believe in Nyerere. "Why, then, does Nyerere's persona continue to have such a powerful effect on Tanzanian political affairs? One reason has to do with Tanzanians' discontent about the extent of corruption on the part of the current governing elite. Many Tanzanians believe although Nyerere was surrounded by political leaders he knew to be corrupt, he was personally incorruptible" (Lofchie, March 2014) CCM uses this fact to place Nyerere's photo next to the current president in almost all village government offices and even during the campaigns Nyerere's name never escapes candidate's mouths .

#### *Good governance (focusing on public interest and absence of corruption)*

Good government has always been that which works for the interests of the people. The Tanzanian political economy is filled with the history in which the ruling class has always been in the struggle to put in place suitable policies aiming at eradicating absolute poverty among the population. This can be seen in MKUKUTA I&II a Swahili abbreviation for The National Strategy for Growth and Reduction of Poverty (NSGRP), and the CCM election manifestos. With the former's being in place for the first time in 2005 when President Kikwete came to power and is the one most preferred by development partners, the later has always been there as a party's plan and promise for development.

Since Nyerere's period of stateless society great gap between poor and rich in Tanzania has been visible. Even though looking at the GDP or GNI, the data shows that the country is progressing the real picture of development in terms of household poverty is contrary to the general data. "Prominent economists outside the development economics tradition have long cautioned against any facile tendency to identify growth with development. Nearly fifty years ago, for example, Robert Clower showed that economic growth figures may reflect the performance of only one narrow sector of an economy and that gains in that sector may flow to a small stratum of a society, principally the members of its governing class." (Lofchie, March 2014)

Tanzania is governed by a class of rich political elites whose interests had always had impacts on the policy formulation. "The journalistic term for Tanzania's current system of governance is "crony capitalism," (ibid) where wealth is considered to be the source of political power. The

wealthiest business entrepreneurs, many of whom attained this status through their political connections, use their economic resources to help the elites remain in power (Lofchie, March 2014) In this scenario it is difficult for the elite ruling class to be held accountable when they fail to provide public good because their interest will be jeopardized.

Even though donors have always pushed reforms and contributed in the transformation to a democratic state, they often ignored the existence of corrupt cadres. These owe their origin from Mwl. Nyerere's era in 1970s crisis which allowed parallel enterprises to emerge where with little salary the ruling elites accumulated as much wealth as possible in poor farmer's expense. Though it is in most development partner's belief that a democratic society will enhance leaders' accountability and hence brings about development, the evolution of CCM and its cadres has almost proven this otherwise.

Upon entering into power, President Jakaya Kikwete (2005-2015) in his campaign manifesto promised to relieve people from poverty, as well as ending corruption within the party and in the government in general earned him about 80% of votes. Even though a system of accountability was established and corruption dropped still he was perceived as not able to relieve the country from income disparity. Rich still remain rich and poor still remain poor. Increases in grand corruption encourage existence of petty corruption at the grand roots administration. Misuse of public office is done to retain power and create networks which for security of family members in future. This reputation came with a cost to the party's popularity since the percentage of votes dropped in 2010 election and in 2014's Escrow account saga is a threat to the general election in October 2015 since it involves majority of the ruling party's cadres, on one hand and a threat for budget support on the other.

#### **4.4. Denmark in Tanzania**

Denmark's direct involvement in developing countries goes way long back to 1960s. "In the 1950s, the Danish development assistance effort was channeled almost exclusively through the UN system. In 1962 Denmark established its first overall bilateral development assistance programme for the developing countries under the Ministry of Foreign Affairs. The name Danida appeared in 1963 as a contraction of Danish International Development Agency and, subsequently, Danish International



Development Assistance. Today Danida is no longer a contraction but has been retained as the term for Denmark's development cooperation" (DANIDA, 2015)<sup>15</sup>

The current Denmark's development assistance strategy is laid down and administered on the basis of the Danish Act on International Development Cooperation Consolidated Act no. 555 of 18.06.2012(ibid) The new Strategy for development cooperation i.e. '*right to a better life*' focused in the fight against poverty with human rights and economic growth as the main goal.

Helping poor to fight for their rights especially by confronting the structures which leads people to poverty and society inequality is central, though this cannot be done without a solid economic foundation. Therefore, working to support the creation of societies that ensure people's rights and promote equality, including access to decent employment, education, health and to social protection" (DANIDA, 2015) was part of the strategy.

Tanzania has maintained a good relationship with Denmark for a long time, plus it has been among the top recipients of Danish development assistance. Besides the country was "the first African country with which Denmark initiated a development assistance partnership in 1963. This was just one year after the Danish Parliament (Folketinget) passed the first Danish law on international development cooperation and shortly after the Tanzanian mainland, called Tanganyika, became independent." (Denmark-Tanzania country policy paper 2014-2018, 2014)

Throughout the 50 years of cooperation, the main objective of the Danish development cooperation has been to contribute to Tanzania's nation building efforts and to the struggle against its massive poverty"(ibid)

### **Why Tanzania?**

Why Tanzania, when other African countries have stronger historical ties with Denmark? Such as Ghana with its past as a Danish colony, and from the 1950s the home of a high school project administered by Danish aid organization Mellempfolkeligt Samvirke (MS). Or Kenya, of Karen Blixen fame. Or Nigeria, which was the base for several Danish missionaries? The answer is probably that it was actually Tanzania which chose Denmark" (danida, 10-04-2012)

According to the report written in 2012 to commemorate 50 years of Danida by Ministry of foreign affairs, it was a Young Nyerere's enthusiasm in 1960s about the Nordic model of development which led Tanzania into being a first country to be considered and still a darling of Danish

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<sup>15</sup> <http://um.dk/en/danida-en/about-danida/history/>

Development assistance. “Denmark also turned out to be enthusiastic about Tanzania. When MS started its voluntary programme in 1963, Tanzania was from the start the main recipient of the many Danish volunteers. Danish experts also flocked to Tanzania in large numbers. In 1967, the country had 31 resident Danish experts – more than any other country that received Danish development assistance.” (danida, 10-04-2012)

Despite the bilateral bickering between the Danish industry& agricultural sector and popular organizations in the early years about what should be given preference, with the former choosing better-off developing countries such as Thailand, Indonesia and the Philippines and the later suggesting the poorest countries such as Malawi and Ethiopia, “Tanzania continued to be a Danish priority however. In the period from 1962 to 1975, the country received a third of Denmark's total bilateral development assistance, and it was undisputedly the largest recipient of Danish development assistance in 2010 with DKK 727 million.”(ibid)



*Tanzania's President Julius Nyerere is received at Copenhagen Airport by King Frederik IX.*

*PHOTO: AAGE SØRENSEN/ POLFOTO adopted from DANIDA 50 YEARS (1962-2012)*

### **Danida's interests in Tanzania**

The overall strategic objective of the development cooperation between Tanzania and Denmark according to the Tanzania country policy paper of 2013 by the Danish Embassy in Tanzania include; to assist and encourage the Tanzanian government to combat poverty and inequality, promote inclusive green growth and employment, support sustainable social development and build strong democratic governance, with the aim enabling all Tanzanians into taking an active part in the country's development and continue its long history of peaceful democracy and development.

In order to achieve these objectives, the following focus areas were chosen for the cooperation: Health sector, Agricultural sector, Good governance and access to Justice, as well as Regional peace and stability.

Danida's focus has been the changing needs of the poor countries while supporting in the political, social and economic reforms. The continuous motivation to support Tanzania for example has been due to the success on some sectors, the need to reduce income poverty as well as a change of focus towards developing the private sector to create employment. Some of the successes include the fact that Danida together with other Development partners has managed to create a politically stable and peaceful Tanzania compared to other democracies in Africa, as well as the rising economic prosperity as shown by the growth in GDP over the past decades. On the other hand, the continuous need to reduce income poverty among the Tanzanians.

In Tanzania "General Budget Support in its current form began after Tanzania reached international debt release in 2001, where Denmark was among the first development partners to enter into a Poverty Reduction Budget Support (PRBS) programme. (Denmark-Tanzania country policy paper 2014-2018, 2014) The main objective was to contribute to the country's own Poverty Reduction Strategy in Swahili abbreviation MKUKUTA<sup>16</sup> I&II.

The records of budget support provided to Tanzania since 2011 is approximately 1.1 billion DKK where "another DKK 615 million is committed under the current fourth phase of the Danish GBS programme, which runs from 2011 to 2015. In the current phase, 80% of the Danish funds are given as a fixed annual tranche, while approximately 20% is dependent on fulfilment of performance agreements in selected areas." source from Danida website<sup>17</sup>

On the achievements of the GBS, the above Danida source provided that "The provision of GBS, together with increased tax revenues, has increased the state's capacity to mobilize resources and increased public expenditures, enabling for significant growth in public services, particularly in health and education. GBS has also created a structured framework for dialogue between development partners and the Government of Tanzania. In terms of poverty reduction, however, the progress has been disappointing, with a largely stable, high poverty level over the last decade (DANIDA, 2015)

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<sup>16</sup> Mkakati wa kukuza uchumi na kuondoa umaskini I (2005) na II (2010) (MKUKUTA)

<sup>17</sup> <http://um.dk/en/danida-en/goals/country-policies/tanzania/annex-2---denmarks-development-activities-in-tanzania/>

Danida recognizes the existence of both petty and grand corruption in Tanzania as a threat to the economy. Danida cooperates with Tanzania in the National strategy for poverty eradication Cluster III- Governance and accountability with focus on governance and accountability by 2015. Under this cluster, some of the Danida activities are found among the goals by 2015 which includes

“1) To ensure that structures and systems of governance as well as the rule of law are democratic, participatory, representative, accountable and inclusive; 2) *To ensure equitable allocations of public resources – with corruption effectively addressed*; 3) To put in place an effective public service framework as a foundation for service delivery improvements and poverty reduction; 4) To ensure that the rights of the poor and vulnerable groups are protected and promoted in the justice system; 5) To reduce political and social exclusion and intolerance; 6) To improve personal and material security, reduce crime and eliminate sexual abuse and domestic violence; 7) To enhance and promote national cultural identities.” (Selbervik, R 2006: 9)

In the current Denmark’s strategy for development cooperation, GBS is stated as a tool for good governance where it is outlined in the document that Denmark will “increase the use of budget support as a mutual contract based on good governance with respect for human rights and democracy, transparent and accountable management of public funds, active efforts against corruption, and the will to reduce poverty.” (Ministry of foreign affairs of Denmark)<sup>18</sup>

In 2014 Denmark together with other development partners in Tanzania withheld funds worth \$559 million of which 125 million dkk (\$ 23 million) which was supposed to be released at the beginning of the budget year of July 2014 following “the disclosure of a major corruption scandal involving the Tanzanian state-owned energy company TANESCO. The Public Accounts Committee requested the Tanzanian Auditor General, CAG, to examine the case and present it to the parliament for discussion. A partial disbursement of USD 15 million was released in December 2014 after the report from the Auditor General’s office on the investigations was made public and debated in the Tanzanian parliament.” Danida Open aid website<sup>19</sup>

The contradiction still remains though on whether Danida will release the rest of the budget support suppose Tanzania fail to clear the corruption scandal. This is due to the existence of a new policy paper 2014-2019 signed in 18<sup>th</sup> November 2014, which shows all the determination to continue the support, with a diverting attention to business and private sector though development assistance remains the focus. Are they changing strategy? What exactly is happening in relation to this case?

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<sup>18</sup>[http://um.dk/en/~media/UM/Danish-site/Documents/Danida/Det-vil-vi/right\\_to\\_a\\_better\\_life\\_pixi.pdf](http://um.dk/en/~media/UM/Danish-site/Documents/Danida/Det-vil-vi/right_to_a_better_life_pixi.pdf)

<sup>19</sup> [http://www.iadb.org/regions/re2/consultative\\_group/groups/transparency\\_workshop6.htm](http://www.iadb.org/regions/re2/consultative_group/groups/transparency_workshop6.htm)

## Chapter 5

### 5. ANALYSIS

In this section, different views and data are introduced while looking at the working questions as guidelines to answer the cardinal question of this thesis which concerns on whether *foreign Aid is a promoter of good governance and development or catalyst of corruption in the united republic of Tanzania.*

The theoretical and empirical analysis therefore intends to answer the following questions;

- Why Corruption persists in Tanzania? Does foreign aid offer incentives for its persistence?
- What is DANIDA's standpoint regarding corruption?
- What are the implications of the continuous inflow of donor funds to both Danish tax payers and Tanzanian citizens as major stakeholders?

In gaining an understanding of why grand corruption persist in Tanzania and whether foreign aid GBS in particular, has something to do with it, this thesis looks at the context in which corruption is defined, practiced and tolerated in Tanzania.

While digging in the context of corruption in Tanzania, a picture of lots of happenings regarding corruption is seen. The picture which shows that, despite so many corruption incidences, efforts and systems to fight corruption has always been there since time immemorial. During the colonial period, “the colonial administration in the 1930s had amended the Penal Code to include a section, which stated that demand, to solicit, to give and to receive bribe is a criminal offence. Because of the inadequacy of the then existing laws on corruption, in 1958 the colonial administration enacted a law for Prevention of Corruption Cap.400, which widened corruption offences to include receiving of presents and commissions” (Chambua, Kihyo, & Mpangala, 2000).

After independence, in 1971, the 1958 law was replaced by the Prevention of Corruption Act (PCA), leading to the establishment of Anti-Corruption Squad (ACS) in 1975 as an institution. “The ACS was given the mandate to: investigate and prosecute offences under the Prevention of Corruption Act (PCA) and other offences involving corruption, take necessary measures for the prevention of corruption in the public, parastatals and private sectors, and to advise the government and parastatal organisations on the ways and means to combat corruption.” (DirectorGeneral(PCCB), 2011/12). The activities were under Police force which was under the

jurisdiction of the Ministry of Home Affairs. Its operations were limited to the Headquarters (Dar es Salaam) and Zonal office, so it was considered de facto. The PCA was further amended in 1991 and the ACS had its name changed to the Prevention of Corruption Bureau (PCB) this time under the President of Tanzania. This was seen to be de jure because the operations were extended to the Regions and District of the country. With the mandate to investigate, raise awareness and guide government on anti-corruption issues as well as prosecute cases of corruption, either directly or via the Director of Public Prosecutions, the bureau is placed under the president's office. (Chêne, 2009) Internal corruption in the Bureau itself coupled with lack of enough resources and capacities where "Between 2000 and 2004, 9,507 reports of corruption were investigated, of which 357 were prosecuted resulting in 48 convictions" (ibid) led to the creation of another Bureau to investigate the PCB i.e. the PCCB (Prevention and Combating of Corruption Bureau) under Prevention and Combating of Corruption Act or PCCA in 2007 aiming to review and advice the PCB.

With all above efforts and a number of key institutions aimed at fighting corruptions such as the Commission for Human Rights and Good Governance (CHRAGG) which "acts as an Ombudsman office that can receive complaints from citizens and make non-binding recommendations to the state" (Chêne, 2009). This too is under the president's office; The Ethics Secretariat, under the Public Leadership Code of Ethics Act, Cap 398 (1997) with a responsibility to ensure that top government officials disclose their assets annually; the National Audit Office (NAO); as well as the Public Procurement Appeals Authority (PPAA) responsible for the "application of fair, competitive, transparent, and non-discriminatory and value for money procurement standards and practices" (ibid) Yet corruption still flourishes in Tanzania.

Looking at the presence of the above institutions and laws; and the persistence of corruption in Tanzania this study then focuses on the circumstances which perpetuate the presence of corruption by looking at the socio-cultural, economic and political context.

*Socio-culturally*; Norms that encourage giving favors to the family or close ties, society's label or imagination of how wealthy a public official is supposed to be by the time of retirement plays a big role in shaping the morale to engage in corrupt acts.

Majority of Tanzanians lives in extended family or at least have got ties with distant relatives and family friends who depend on each other socially as well as financially. Studies show that, success of one member of family means responsibility towards less successful members. In his study of Tanzanian society, Hyden observed that, economy of affection still bind the Tanzanians to their

societies even when they are rich. Being rich implies growing obligation. (Hyden G. , 1980, p. 79) Pressures from the family ties always act as an incentive which leads to individual members of family who have access to public resources/office to engage in corrupt acts as an act of loyalty or as a way of returning favor due to being either educated or placed in such a position by family or community.

As for the public's general views of the leaders or public official's retirement status, a tendency of being accused by the community members that that official did not use well his/her position while in power especially he/she retire poor has been note by previous studies which encourage individual greediness and hence abuse of public office. Quoted by Lofchie, Jennifer Widner gives a good description of this phenomenon in Tanzanian Judicial system that "Social pressures meant that judges and magistrates who declined to take bribes were at once esteemed for the model they set, and chastised, for their inability to do better by themselves and their communities... Observed Tanzanian judge William Maina, who had experienced the problem himself, "Magistrates were blamed if they did not engage in corruption. People would say, 'He is a foolish person because he has not used his position.'" (Lofchie, March 2014)

The misinterpretation of the traditional gift giving where people uses it as a means to gain favor and not as an act of pure hospitality also leads to corruption. Different reports show that, the abuse of this gift giving tradition in Tanzania has been intense especially at the sectorial level of administration. To get things done quickly people tends to bribe the public officials in the name of gifts. This is rampant especially in the public procurement and even in obtaining permits, licenses not only between businesses and government sectors but also citizens vs government sectors. The Enterprise survey conducted by World Bank in 2013<sup>20</sup> involving 813 firms showed that, 15.7% of firms surveyed encountered situations where a gift or informal payment was requested in public transaction, 14.6% expected to give gifts in meetings with tax official, 66.2% expected to give gifts to secure government contract while 17% expected to give gifts to get an operating license. The report went further indicating that, while 20.1%; 5.1%; 31.4%; 25.3% and 20.4% expected to give gifts to get things done, obtain import license, construction permit, electricity and water connection respectively, 47.2% identified corruption and 34.0% courts system as their main obstacles.

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<sup>20</sup> <http://www.enterprisesurveys.org/data/exploreconomies/2013/tanzania#corruption>

*Economically*; multiple opportunities for personal enrichment as well as market forces which have made life less bearable in Tanzania contribute to the increasing incidences of corruption. Many sources of income a country finds itself possessing can be a source of temptation to the public officials both at high and low levels. Tanzania for example is one of the African countries endowed with natural resources which alone if well invested in, could solve the pro-poor development challenge, but there has been reports documenting ongoing corrupt activities which lead to either tax diversion or less profit since large portion ends in the pockets of officials responsible. A study on the Timber industry in Southern Tanzania in 2007 indicated a revenue loss of up to 96% of timber harvest in 2004. “The economic implications of this revenue loss were significant at all levels of government. For example, it was estimated that Kilwa District Council would have increased its total annual budget by four-fold if all potential timber revenue was collected. Similarly, it was cautiously estimated that under-collection of natural forest product royalties at district level during 2003 and 2004 resulted in up to USD 58 million lost annually across the country” (Milledge, 2007)The report goes further explaining the cause of this loss to be a result of “incidents of fraudulent legalisation, or ‘rubber stamping’, during which official documentation was issued for illegally-harvested timber, thereby rendering it legal on the market” (ibid)

In many incidents, the issuers of either fake documents or contracts which lead to embezzlement especially in natural resources’ specific departments are found to be high profile officials in collaboration with business owners both domestic and foreign. Tanzania still lacks transparency in the area of tender bidding and contract system. This has resulted to major corruption scandals like the Richmond saga which resulted to the Prime Minister Edward Lowassa resignation in 2006 over allegedly entering into fake contract with Richmond Company<sup>21</sup>. In 2008, Tanzanian Affairs<sup>22</sup> issued a report about the scandal. According to the report, “in 2006 Tanzania faced a serious crisis in electricity supply and, as an emergency measure Richmond was awarded a contract to supply generators to provide 100 megawatts at a cost of TShs 172 billion. The generators failed to arrive on time and when they did they did not work as required...The pipeline was never built and the generators were provided by another company. Under part of the contract however the government agreed to pay some \$137,000 a day regardless of the amount of electricity provided” provided the

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<sup>21</sup> Richmond Saga...It is understood that the Richmond saga began when plans were being made for the construction of an oil pipeline from Dar es Salaam to Mwanza. There was intense international competition to obtain the construction contract. Eventually it was awarded to a hitherto unknown American company called Richmond Development Company. See Tanzanian Affairs of May 1. 2008.

<sup>22</sup> <http://www.tzaffairs.org/2008/05/report-on-richmond-scandal/>



report. Upon investigation of the loss Anna Komu (opposition CUF MP) said “The squandered TShs 200billion were equivalent to the annual budgets of the ministries of Education and Community Development and Gender, and Children’s Affairs.”(ibid) The Prime Minister had to take responsibility since he was responsible in recommending Richmond Company based in USA for the task which turned out to be a fake. He however refused to take blame.

Tanzania’s evolution towards reforms since independence has had its share in contributing towards corrupt activities in the country. It can also not be less agreeable that, the major transformations in Tanzania both economically and politically affected much the lives of people. Corruption played a major role in these transformations. With the transition from colonial rule, through Socialist to free market economy Tanzanians have been caught in a survival struggle to cope. But while all this was happening the only people who were floating happily in the wave of change according to previous studies had been the ruling Elites.

After independence, even though the Mwalimu Nyerere government was against rent seeking behaviors and restricted the ruling class when it came to ownership of private properties, yet still public officials had special advantage over ordinary people. The 1970s economic decline and the emergence of parallel market saw public officials and ruling elites exploiting the ordinary Tanzanians. With decline in wage and progress measured in term of wealth accumulation, “civil servants who could find ways to extract rents from the citizens they expected to serve-and this was practically everyone from primary school teachers and police officers to high ranking customs officials-began to seek bribes for their services.” (Lofchie, March 2014)

The speed and peaceful transformation from the so called Ujamaa’s bad development approaches to market oriented ones was seen to have been facilitated by the corrupt desires of the ruling elites in Tanzania. Liberal economic reforms were seen as a way towards strengthening their participation in the parallel market (Lofchie, March 2014). Views from previous scholars such as (Hyden G. , 2014) observe that, under liberal economy, “The market... has not succeeded in making the economic and social environment more legible. In its own way it has encouraged a process that renders the society more difficult to govern.” (Hyden G. , 2014) With the increase in population and rural-urban migration for the search of employment-since a large part of youth population graduate and face unemployment problem- a greater number of Tanzanian population has decided to engage in

informal activities most of which evade tax while others maintain the informal relations of favoritism in the job market as practiced in the economy of affection.

Low and irregular salaries especially to the public officials who have a big family, has been noticed to be one of incentives for engaging in the corrupt activities. A report by the Permanent Secretary in the Ministry of Health in Tanzania, Mr. Mwaffisi presents an example of corruption in Health sector in Tanzania while suggesting one of the example to be low salaries where he reports “Clients pay bribes in almost all the departments of the hospital; the outpatient, laboratory, X-ray, the labour ward and the mortuary are notorious. The pharmacy and the general wards are also not free from corruption. In fact, there is no "corruption free zone" as it is often claimed.” (M.J.Mwaffisi, 10-15 October, 1999)

*Politically*; Imperfect systems of laws i.e. limited risks of exposure and punishment; lack of strong political pressure as civil society is weak; patronage and lack of separation of power are another cause of the persistence of corruption in Tanzania.

On Political pressure in Tanzania, the presence of civil society as well as opposition parties and media indicates that the ruling class is well grounded and subjected to transparency and openness. But this exists in theory. In practice, previous studies and reports show that, “Opposition voices in the party system and civil society have traditionally been very weak in Tanzania. All basic civil liberties, such as freedoms of speech, association and religion, are guaranteed by the Constitution, but there are frequent reports on violations of these civil rights by state authorities, which is supported by Freedom House 2013.<sup>23</sup> Civil society has gradually consolidated itself since the democratisation process, which started in the early 1990s. However, civil society organisations are still politically weak, fragmented and often ignored by political leaders.” (Business Anti-Corruption Portal.2015)<sup>24</sup>

Looking at the strength of the executive, suppression of opposition had been a usual thing since Mwl. Nyerere’s period where those leaders who were anti socialist stood a chance of either being expelled or relieved from their duties. The same goes to the contemporary Tanzania where leaders of opposition parties have been complaining of threat to their lives such as Mr. Freeman Mbowe a member of parliament and a chairman of CHADEMA political party who can be quoted from his

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<sup>23</sup> <https://freedomhouse.org/report/freedom-world/2013/tanzania#.VWIIp0-8PGc>

<sup>24</sup> <http://www.business-anti-corruption.com/country-profiles/sub-saharan-africa/tanzania/show-all.aspx>

speech at the conservative party conference in Denmark of 27<sup>th</sup> sept.2013<sup>25</sup> claiming that himself and the members of his party have been injured or even killed in their efforts to fight corruption in Tanzania.

The 2014'S Freedom House report indicates that, "Tanzania's judiciary remains under political influence, and suffers from underfunding and corruption. All judges are political appointees, and the judiciary does not have an independent budget. There is therefore pressure from the executive regarding what cases the judiciary considers."<sup>26</sup> This indicates all the possibility of corruption cases especially of high profile officials to be ignored. In a report by Global Integrity (2010) it was noted that, judicial outcomes are usually interfered by politics, bribery and cronyism where political incentives sometimes influences the national level judges in giving their verdicts.

The above socio-cultural, economic and political reasons of why corruption still persists in Tanzania provide a mixed picture of both petty and grand corruption. A mixture is provided while bearing in mind that whether it is petty or grand corruption, those who are the architects are a result of socio-economic, cultural and political systems found in Tanzania which have been practiced and tolerated for decades. It is not true that corruption all the ruling elites are corrupt, fight against corruption is ongoing and the institutions have been put in place with leaders especially from the opposition party playing the role of government watch dogs. An example is shown by several remarks from an Opposition party's Member of Parliament Zitto Kabwe "We have been having huge problems with electricity in Tanzania for the last 20 years,"... "There is no story of power in Tanzania, of the energy sector in Tanzania, without corruption."...The World Bank and the International Monetary Fund have long been involved in infrastructure projects in the country, with the World Bank overseeing more than \$230m of financing to the country. But their willingness to work with government officials has meant that they are "becoming allies of the corrupt regime", (theguardian, Monday 13 October 2014 18.14 BST)

*Why then foreign aid is involved in corruption activities going on in Tanzania?* Previous studies have indicated the fact that foreign aid even though provided with good intentions of relieving poor countries from poverty, it tends to add incentives to be fought for by the government officials of those countries. According to Alesina and Weder, 2002, donors tend to provide aid regardless of

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<sup>25</sup> <https://www.youtube.com/watch?v=WGMrEaO0Ts0>

<sup>26</sup> <https://freedomhouse.org/report/freedom-world/2014/tanzania#.VWIrXU-8PGc>

how highly corrupt the recipient country is, and therefore no link between the level of a recipient country's corruption and the possibility of receiving less foreign aid.

Whilst some studies show that, Tanzania has been regarded a donor darling (Lyngé, 2009) since independence and that foreign aid has been flowing in the country regardless donor's knowledge of the existing corrupt acts in the public management. Other studies also has shown that, even though Tanzania has been receiving foreign assistance for a long time, it has done so while engaging in series of '*aid crises*' or crushes with donors which have had direct or indirect link to existence of corruption scandals in the country. These donors have always demanded changes or reforms in specific government policies as a way for further support (Bigsten & Danielsson, 1999).

For example, the aid crises of 1979-85 was much based on the IMF and World Bank's critics against the Ujamaa policies and the Nyerere's government approach to the 1979s economic crisis. In 1979, the county was running in fiscal deficit and it was the period of war against Ugandan dictator Idi Amin where a lot of resources were needed for war expenses. "During the crisis period per capita income fell by 1.5% per year according to official estimates... much of economic activities had moved to the parallel economy... Manufacturing output collapsed due to lack of imports and agricultural growth declined (Bigsten & Danielsson, 1999)

Rent seeking activities could not make things easy either since "pervasive corruption [by the public officials] degraded the minimal levels of service the government was able to provide even with foreign assistance because it drained government revenues and distorted government ability to allocate its meager resources according to planned priorities or social needs." (Lofchie, March 2014) .

To recover the government refused IMF's liberalization conditionality and "implemented its own "National Economic Survival Programme" in 1981-82, but reforms were limited and unsuccessful... Donors who had been attracted by the egalitarian principles set out in the Arusha Declaration, had become more and more critical about the negative effects of Ujamaa on economic efficiency, and by 1983 most of the donors had begun to withdraw their support of the Tanzanian experiment and aid flows declined (Bigsten & Danielsson, 1999)

The political resistance to reforms was strong, since the liberalisation of the economy really represented a U-turn relative to the development strategy that was outlined in the Arusha

Declaration. By the mid-1980s, however, the crisis was so acute and the external support so small that the government had to budge” (ibid) followed by president Nyerere’s resignation paving way to liberalisation in 1986.

In 1993-94, according to (Bigsten & Danielsson, 1999), there was a general feeling among donors that corruption and tax evasion was rampant and government was not committed to dealing the situation. Because of “the lack of fiscal control and in particular the large scale tax exemptions granted by the Ministry of Finance [,] tax revenue fell again and the government reverted to borrowing from the central bank. Much of the fiscal control that had been built up since 1986 seemed to be lost.”(ibid) This resulted to donor’s withholding substantial amount where Disbursements between 1994 and 1998 were in the range of 50% of commitments (Mutalemwe, Noni, Wangwe, 1998, p.10) quoted by (Bigsten & Danielsson, 1999).

Previous studies show that, even though Tanzania decided to embark on structural adjustment policies, large segment of the government was not committed. There was low feeling of ownership of reforms and the pace of reforms was very slow. “There was slippage in the programme again and there seemed to be an increase in corrupt practices, which meant that there was a new crisis in donor relations between 1993 and 1995... The new government, from November 1995, put improvement of donor Tanzania relations high on the agenda and it again increased reform efforts. In 1996 Tanzania entered into a new agreement with the IMF on a three-year ESAF<sup>27</sup>,” (ibid) which improved the relationship with other donors.

The recent aid crisis which is still affecting Tanzanian economy occurred in 2014. The energy sector’s corruption scandal explained in the introduction part of this thesis involving Tanzania National Electricity Supply Company (Tanesco) and the Independent Power Tanzania Ltd (IPTL) managed to draw attention of the group of budget support donors comprising of Finland, Germany, Britain, Norway, Sweden, Denmark, the European Commission, Ireland, Canada, Japan, the World Bank and the African Development Bank. Their withholding of fund is based on their demand on the government to clear the corruption scandal in the energy sector for them to continue with the funding. This again shows donor influence on Tanzania’s system of governance.

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<sup>27</sup> **Enhanced Structural Adjustment Facility** “The IMF has provided financial assistance on concessional terms to low-income member countries since the mid-1970s, first through the Trust Fund, and then through the Structural Adjustment Facility (SAF) and the Enhanced Structural Adjustment Facility (ESAF). The ESAF was replaced by the [Poverty Reduction and Growth Facility](#) (PRGF) in November 1999.” See <http://www.imf.org/external/np/exr/facts/esaf.htm>

Denmark being one of the countries which provide budget support<sup>28</sup> is purposely chosen as a case of this study because of its long history with Tanzania. As previously mentioned in chapter 4, Denmark has been supporting Tanzania since 1960s. The focus of support has been poverty eradication.

On the supply side, Denmark and Tanzania development partnership begun after Tanzania's President J.K. Nyerere approached Denmark for financial assistance. This is documented in report titled Danida 50 years Anniversary 1960-2012. In 1970s aid mechanism was project and donation based. However followed some declarations for aid effectiveness such as the Paris declaration of 2005 which insisted on country's ownership of development processes and aid effectiveness through the use of country's own development strategy, Denmark amended the 1971 law of development cooperation in 2012 and new strategy for development cooperation with focus on human rights and sustainability, partnership and ownership was formulated.

Denmark's continuous support to Tanzania has been motivated by the economic improvement Tanzania has been showing and the challenges for more action "Denmark has through its GBS programme contributed to the expansion of social services and an increased focus on results. Such support needs in accordance with the priorities for the new PRS to be complemented by e.g. investments in infrastructure and creation of a stronger private sector. This is currently being addressed through the Danish roads and business sector programmes". 2011-2015 budget support Tanzania's country program.

On the demand side, Denmark has been providing Budget support to Tanzania since 2001 with the objective contributing to economic growth and reduction of poverty by supporting Tanzania's own Poverty Reduction Strategy. The feasibility of the provision of GBS to Tanzania according to Danida is confirmed based on an overall assessment of the 10 Danish budget support principles, as well as an appraisal of Tanzania's achievements and the current reform outlook." 2011-2015 budget support Tanzania's country program<sup>29</sup> Denmark maintain a principle of Zero-tolerance to

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<sup>28</sup> "Budget Support in Tanzania is embedded in a comprehensive donor coordination framework. The Joint Assistance Strategy for Tanzania (JAST) is the central articulation of the aid effectiveness process and of the mutual commitments which it entails. The 14 GBS donors coordinate their activities under the umbrella of the PRBS Group. This group is represented at the highest level by the so-called Troika +, which consists of the incoming, current and outgoing chair and the WB as a permanent member. The Head of Missions meeting, in which all 14 donors participate, is the highest decision making body. The Consultative Group, bringing together the economists of all GBS donors, is the technical and advisory body of the PRBS Group." *see the Tanzania GBS programme document 2011-15*

<sup>29</sup> <http://tanzania.um.dk/en/~media/Tanzania/Documents/GBS/GBS%20Programme%20Document%202011-15.jpg>

corruption. Assessing the level of governance and fight against corruption are among the first and second principles of the Danish budget support. Other principles include; Poverty (presence of solid poverty reduction strategy and the will to implement it); Track record (Positive experiences with development cooperation generally and budget support specifically, as well as ongoing documentation of concrete development results); Finance Act (The Finance Act process, with publication of budget and accounts, as well as parliamentary consideration.); Public Procurement (Rules for public procurement broadly in accordance with international standards); Audit (Presence of an independent National Audit Office or similar functioning inspection body); Public Financial Management (Expert appraisal of quality and capacity in public finance management); Partnership (Mutual observance of agreed obligations.) and Harmonization (Consensus among all budget support donors regarding approach (incl. rules for transfer and monitoring) and conditions for general budget support). See 2011-2015 budget support Tanzania's country program pg. 30-38.

The Assessment of the country programme done in 2010, concluded that Tanzania makes progress in the above 10 principles. By rating each principle in a scale of **a**, **b** and **c** where "Rating a/satisfactory: The technical preconditions for continuing with - or considering - general budget support are in place. Rating b/Less satisfactory: There is political will and capacity for reform. General budget support may be continued – or applied - within a well-defined framework of conditionality and/or technical safeguards. Rating c/Unsatisfactory: Technical preconditions for General Budget Support are not in place."(ibid) The assessment rated satisfactory Governance, Track record, finance Act, Audit, PFM, Partnership and Harmonization while Anti-corruption, Poverty and Public procurement were rated less satisfactory. All of the ratings provide for continuation of budget support.

Denmark considers corruption and shortfalls in the Tanzanian governance as a challenge which need more involvement and commitment both from the donor side, the government, civil societies and other activists. The Prevention and Combating of Corruption Act was passed in 2007 and the PCCB (Prevention & Combating of Corruption Bureau) significantly increased the scale of its operations, more than doubling the number of cases prosecuted from 218 in 2005 to 587 in 2010...the combination of GBS funding through the budget with targeted support to institutions of accountability such as the NAO, the Parliament, CSOs, media and Local Government Authorities has created more transparency (Joint Evaluation of Budget,2013) However "Corruption remains a central and serious challenge for Tanzania, in terms of both good governance and for the entire

social development.... Crucial, however, is a continued strengthening of the systems and mechanisms for openness, accountability and transparency in the public system.” This optimism is documented in the (Denmark-Tanzania country policy paper 2014-2018, 2014).

The same country policy paper (2014-18) outlines the future strategies for strengthening accountability and fight against corruption where, the plan is to support both the supply and demand side of transparency and accountability. It is envisioned that, “ while the Tanzanian government is broadly committed to ensuring non-discrimination, participation, transparency and accountability in the public sector, progress in realizing the core public sector reforms is not living up to expectations. The primary drive for change will need... an active population that makes greater and more broadly articulated demands for a more responsible political system and political leadership.”(ibid)

Therefore Danida plans to provide Budget support to the supply side of governance and service to the public (the government) as well as the demand side in working to promote democracy, good governance, rule of law and respect for human rights ( the Tanzanian civil society) through assisting citizen’s own organisations such as the Foundation for Civil society. Regarding the demand side’s support, Danida intends to work with both local and international “key institutions and organisations that can advocate for and make demands for good governance, help to ensure the systems of checks and balances necessary to a democratic society and generally hold the government accountable to its citizens. Among these institutions could be parliament, civil society (including women’s organisations and legal aid providers), media and private sector institutions such as the trade unions and the employers’ organisations.” (Denmark-Tanzania country policy paper 2014-2018, 2014)

Monitoring of corruption in Tanzania by donors has been documented as being relatively well institutionalized: for example, Denmark’s Anti-Corruption Action Plan 2006 requires annual reporting on corruption and Anti-corruption clauses to be inserted in all Denmark-NGO contracts. Besides Annual Country Assessments over the period consistently report and publish on Tanzania’s state of corruption and Denmark’s actions to address it. (NORAD, Report 6/2011)

Going back to the Withholding of the Budget support, even though the 2014<sup>th</sup> decision to cease Budget support was a joint action by Tanzania’s donor group, the study discovered that Denmark has not given up on Tanzania. An email conversation with a personnel from the Embassy of



Denmark-Tanzania, Ms. Mette Melson<sup>30</sup> -when asked what was Denmark's position with regard to the withhold of the budget support and the increasing grand corruption in Tanzania, she is quoted replying that "The conditions for the provision of general budget support are assessed every year in advance of issuing a firm commitment from donors to the government budget for the coming year. In March 2014 this commitment was provided with the caveat that the donors would wait and see how government would follow up on the IPTL case. This decision was taken by budget support donors collectively. The Danish government decided to release 15 million USD in December in recognition of the functioning accountability institutions and the discussions of the CAG and PAC reports in the Bunge. The remaining part of the funds will be disbursed shortly as the discussions with government have been recently been resumed." end of quote.

She goes further indicating that continuation of Budget support is in order and that Denmark and Tanzania have already signed another five years partnership contract which will also be implemented through GBS. "Also, please see our country policy paper on our website, where you will also see that a new country programme was signed between the government of Tanzania and the government of Denmark in November 2014. The new programme has a continued support through general budget support as one of the key elements." End of quote. The Country policy paper she refers is the 2014-19 new partnership strategy signed by The Danish Ambassador, Johnny Flentø, and the Permanent Secretary in the Tanzanian Ministry of Finance on 18<sup>th</sup> November 2014 with an estimate of Danish support amounting to DKK 1.950 million.

However she points out that "The future of the GBS will be decided based on the ongoing dialogue, cooperation and coordination with the government, the donor group and other key development partners". End of quote.

Overall, the response above places responsibility to the Tanzanian government to push forward the fight against corruption as conditionality for further support. This decision of the donors, together with the previous reform efforts provides a picture that even though development partners, Denmark in particular have been less discriminatory over supporting more corrupt countries and hence providing them with incentives to be fought for by rent seekers, the intentions has been to help poor countries out of poverty and success has been made in both policy reforms that aim at

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accountability and provision of social services though in Tanzanian case much need to be done. The question however is, is withholding financial support a right approach even though the decision was made to remind Tanzania to fulfil its obligation as indicated in the underlying principles of the Budget support Partnership Memorandum Agreement section 5(v) and section 6. With the former section insisting on principles of ““(v) Good governance, accountability of the Government to the citizenry, and integrity in public life, including the active fight against corruption (in accordance with commitments of the signatories in the New Partnership for African Development, and other international agreements)”, and the later section emphasizing the consequence “Observance of the underlying principles is considered critical for the continuation of this partnership. Concerns regarding non-compliance by any signatory with any of these underlying principles will be handled through consultation and dialogue between GBS Partners and the Government at the appropriate level.’ ” (PFM, 2011)

The implication of the withholding of Budget support is great to Tanzanians. First it affects budget planning and implementation which in return affect public spending of different sectors and institutions of the country. “Withheld financing has impacted the disbursement of Tsh290 billion (\$163,413,000) to the national electoral commission to procure biometric voter registration kits, as well as prepare for a referendum on a new constitution, scheduled for April. Major energy and infrastructure projects have also been affected.” The East African newspaper of Saturday, Feb.28, 2015 posted at 09:52 am. This if unresolved may continue to sow seeds of corruption especially if Tanzania never reach consensus in the corruption scandals the ongoing investigations the country is carrying out, and if the government is not ready to stand on its own feet.

Secondly, the situation upset the international relationship not only with Danida but with other development partners affecting implementation of all the good plans of development.

Thirdly, the seizure of Budget support also instills a sense of interference and parallel accountability where the government instead of being obliged to be accountable to the people; it becomes more accountable to the donors. This can be proved by a remark from an opposition Party’s Member of Parliament John Cheyo “The people who have the right to hold our government to account is the parliament of Tanzania... Why then should this right be taken by civil servants of donor countries? They are a mini-parliament controlling our executive, which, in my opinion, is quite wrong.” (Prabhu, 2014)

BUT, looking at the side of the Danish tax payers, even though continuation of support would strengthen Denmark-Tanzania relationship especially in trade and business as underlined in the new cooperation agreement 2014-2019, still white elephant burden will continue to be upon them. With continuous corruption and misuse of public funds which a portion comes from their taxes, a long term support will not be avoided aiming at strengthening governance systems to solve income poverty with very slow progress.

## **Chapter 6**

### **6. CONCLUSION**

Danish-Tanzania aid relationship has existed for a long time. The partnership has seen Tanzania transform economically, socially and politically as it abandoned the Ujamaa development policies towards a multiparty democracy while changing modes of aid transfer to suit the effectiveness of the support and enhance ownership of development programmes. Poverty reduction and fight for the rights of women and children has been the central goal.

In Tanzania, the journey towards economic transformation has been a challenge to the citizens. Every step of transformation has been overwhelming to the citizens. Most developmental decisions have been approached from the top without total involvement of the people. The resulting corrupt behavior and acts which previous studies shows as ways of life which even the citizens came to embrace in the economy of affection can be interpreted as an adaptation mechanism. Changes have been seen as upsetting the way of life, and every step of transformation did not make life easy. While Ujamaa policies failed to promote change in the agriculture sector which employ majority of Tanzanians, the liberal policies provides other life challenges such as unemployment, low salaries making people withdraw more towards the informal sector away from the government. The gap between rich and poor is great in Tanzania, and corruption not only petty but also grand corruption is rampant.

Denmark together with other development partners has worked hand in hand to improve governance in Tanzania. Even though Denmark considers corruption to be a major challenge to Tanzania's development in all sectors of economy, still hold optimism that with more involvement of both the government and civil society; systems of transparency and accountability will be established. Tanzania has made improvement in the public financial management i.e. the country

has scored 45 percent on the Open Budget Index for 2010 which means minimal information on the central government's budget and financial activities are provided to the general public. A wide range of laws, regulatory bodies and systems have been enacted and implemented over the last 15 years. Procurement regulation has been of international standard, though need compliance. Budget transparency and oversight has improved though needs citizens' fully engagement as well as Establishment of the National Audit Office means government's spending is open for scrutiny and hence one step towards transparency.

The long histories of aid crisis Tanzania has faced and continue to face indicate development partner's strong commitment to the improvement of Tanzania's governance systems.

Overall, Corruption in the face of a country which -no matter its persistence- is growing in GDP should be seen as a bad thing in itself. Perhaps it is the one causing difficulties in the improvement of income poverty and cause income disparities. Varying estimates of corruption on Budget indicated in "2009 by President Kikwete estimated that one- third of Tanzania's annual budget of nine trillion (Tanzanian) shillings was being lost to corruption. Transparency International offers a somewhat lower figure, estimating that about 20 percent of the government budget is lost annually to corruption. Whichever is correct, the result is the same. Corruption is an upward transfer of income: the poorer people in the society pay bribes to relatively better off public officials. The schools, hospitals, and public services that are important to the poor and the middle class became starved for resources; corrupt politicians could afford a lavish lifestyle." (Lofchie, March 2014)

A call for attention to both Tanzania and Danida is strongly advised. Presence of Anti-corruption bodies in Tanzania is acknowledged in this thesis, but their presence without real commitment from citizens and especially the top leadership seems to effectuate the opposite i.e. sustain a corrupt system, the picture which shows that they are created to show the donors that something is being done and donors takes the bait.

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