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Management of the international development aid system: The Case of Tanzania

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Funding information

Japan International Cooperation Agency

Abstract

This article tries to clarify Government behaviours as to how to manage aid in Tanzania. Contrary to the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) donor intentions, the development aid structure, carefully constructed under the poverty reduction regime in Tanzania, has led to Tanzanian-owned initiatives toward a national development plan (NDP). Furthermore, this article shows that, in the process of creating an international development aid system, the Tanzanian Government has learned to manage aid in a recipient-driven manner not only from DAC donors, but also from China.

KEYWORDS

aid effectiveness, China, country ownership, Paris Declaration, poverty reduction regime

1 | INTRODUCTION

Due to the high aid dependency and the Government's "weak capacity" and weak "political will" for the development goals, aid has been characterized as "donor-driven ownership," meaning that donors lead the aid relationship and manage aid (Bergamaschi, 2009). The core problems with "donor-driven ownership" can be identified as a lack of good policy and "project fragmentation." As Burnside and Dollar (2000) and Dollar and Pritchett (1998) emphasized, aid effectiveness depends on good policy, and the importance of a common development plan with "political will" cannot be overemphasized. On the other hand, "project fragmentation" was described in the statement by the Organisation for Economic Co-operation and Development (OECD) Chairman and the Development Assistance Committee (DAC) Chairman at the 2005 High-Level Forum in Paris. According to this statement,

there are more than 60,000 aid projects in recipient countries, and the donor-led approach in those projects reduces the impact of development aid, both by imposing different implementation processes determined by each donor, and also by obstructing efforts on the part of recipient countries to build their own implementation systems.

Against this background, aid management became one of the central issues for aid effectiveness, and the Paris Declaration was adopted to enhance aid effectiveness through effective aid management by both donors and recipient countries (Abdel-Malek, 2015). There are five principles of the declaration: country ownership, alignment, harmonization, managing for development results and mutual accountability. Since the Paris Declaration emphasized the importance of country ownership, with the recipient country formulating a common development plan for the recipient country and donors and manage aid with the principles of harmonization and alignment under the common plan. Therefore, effective aid management shall be assessed by how the recipient country manages aid under the common development plan. When the Millennium Development Goals (MDGs) and the Paris Declaration were agreed, aid was dominated by DAC donors, especially in sub-Saharan African countries, so that aid management was focused mainly on aid from DAC donors. However, subsequently the expanding presence of emerging donors, in particular China, has attracted the interest of the international aid community in recent years.

In addition, since the new era for international development might be said to have started in 2016 as Sustainable Development Goals (SDGs) from MDGs, with their expectation of broader actor engagement, incorporating private entities, emerging donors and so forth that could provide further resources, it is crucial to learn how the recipient countries have managed the international development aid, including aid from China, in the MDG era.

In the literature, there is a gap when it comes to dealing with the dynamics of managing aid from the perspective of donors and recipient countries. There is a tendency to discuss aid management from the donor perspective; however, focusing on one side cannot provide a full picture of aid management. Therefore, this article will analyze the extent to which developing country governments are managing and taking in aid maximally from DAC donors and China¹ under the poverty reduction regime.

Tanzania has been selected as the case study for this article. The selection criteria include the country's active engagement in initiatives under the Paris Declaration and high profile of China's aid in recent years (China-DAC study group 2013). Before moving to the literature review and a detailed analysis, this article will show that, contrary to DAC donor intentions, the aid structure, carefully constructed under the poverty reduction regime in Tanzania for aid management has led to Tanzanian-owned initiatives toward a national development plan (NDP). This has created a space for the entry and rapid spread of China's aid. Furthermore, this article will show that, in the process of creating an aid system, the Tanzanian Government has learned to manage aid and been skilfully building management systems for aid resources both from DAC donors and from China in a recipient-driven manner. Furthermore, this article will examine how the Tanzanian Government has managed aid over the years.

This article is structured as follows: after a review of earlier studies, the research questions will be presented, followed by the hypothesis and then an explanation of the method of analysis used in this article. The third section proceeds to identify the way the Tanzanian Government managed DAC donors aid. Section 4 will explain new initiatives of the Tanzanian Government for aid management and untangle the relationship between the Tanzanian Government's own development initiative and China's

¹It is difficult to differentiate China's officially supported finance, including official development assistance (ODA), export credits and non-concessional state loans or aid used to foster Chinese investment into ODA and non-ODA, this article calls Chinese officially supported finance as "China's aid."

aid to demonstrate how the Tanzanian Government received China's aid correctly. Section 5 examines the transitions in the national planning organization relating to how the Tanzanian Government has managed aid over the years. Finally, the conclusion will present some of the implications based on the analysis mentioned above.

2 | LITERATURE REVIEW, RESEARCH QUESTION AND RESEARCH METHOD

The Paris Declaration aimed to enhance aid effectiveness through aid management which was now to be conducted by both donors and recipient countries based on the five Paris principles. As a result of the "survey on Monitoring the Paris Declaration" by the OECD, it was found that there are "unfinished aid effectiveness business agenda" elements, such as aid fragmentation, harmonization, alignment, etc. (Abdel-Malek, 2015, p. 54). Therefore, it is necessary to deal with those unfinished business agenda for more effective aid management.

Harmonization can refer to actions by donors for joint consultation to co-ordinate their assistance in terms of target recipient countries and priority sectors and to reduce the transaction costs to recipient countries caused by aid fragmentation. Alignment requires that donors respect a recipient country's development priorities in allocating assistance for development goals (Abdel-Malek, 2015, p. 54). Therefore, it is important that the recipient countries exercise effective leadership over their development policies and strategies, and co-ordinate development actions, which is defined as country ownership in the Paris Declaration.

Aid is to be managed under development policies and strategies formulated with country ownership. However, aid fragmentation made aid management difficult. Aid fragmentation is one of the longstanding issues in the aid community (Morss, 1984; Cassen & Associates, 1994), with ample examples witnessed in Kenya, Zambia, Tanzania, Vietnam, Cambodia and so forth (Van de Walle & Johnston, 1996; Roodman, 2006). As Acharya, Fuzzo de Lima, and Moore (2006) point out, the immediate consequence of aid fragmentation is increased transaction costs on recipient governments in absorbing aid, followed by aid fragmentation to produce inefficiencies in development assistance and add to the burden of recipient countries, undermining, rather than underpinning, their administrative capacity (Morss, 1984, p. 465; Kharas, 2007; Kihara, 2012). To overcome aid fragmentation for aid management, fragmented projects shall be aligned and harmonized for aid effectiveness (OECD, 2005). A number of previous studies have suggested proposals to manage aid, such as further aid co-ordination (Acharya et al., 2006), lead donor mechanisms (Frot & Santiso, 2010) and aid competition to solve aid fragmentation (Steinwand, 2015). So far, the literature for aid management under the Paris Declaration has focused on the donor perspective, and most of those suggestions are related to donor behaviours. Furthermore, there is little analysis in the literature of how the recipient country exercises country ownership for better aid management.

On the other hand, research reports on China's aid have started to appear, accompanied by an array of assessments. Engagement of China in developing countries and, in particular the expansion of aid to Africa, has resulted in considerable interest and some concern (Manning, 2006; Woods, 2008; Dreher & Fuchs, 2011; Strange et al., 2013). The research on China's aid has recognized that it is having a significant impact, especially in Africa, to the degree that it is "repainting the landscape of international development" (Manning, 2006, p. 384), "a silent revolution, changing the rules of the game" (Woods, 2008, p. 1221), and "a significant challenge to the norms of international aid architecture" (Bräutigam, 2010, p. 1). Moreover, China's aid has received mixed evaluations, ranging from the positive to some that are highly critical.

On the positive side, recipient countries welcome the respect for sovereignty and equality, especially amid disillusionment with DAC donors' conditionality (Woods, 2008; Berthelemy, 2011). On the critical side, the many concerns expressed about unconditional aid include its obstruction of reforms needed in countries where governance and accountability are problems (Manning, 2006; Collier, 2007; Mwase, 2011; Strange et al., 2013) and that it may contribute to the worsening of environmental and human-rights issues (Huse et al., 2008; Strange et al., 2013). Other critiques of China's aid concern the fragmentation of the aid supply (Frot & Santiso, 2010), adverse effects on the ownership of development projects, value for money by tied aid (Schiere, 2011), and so forth. These issues, resulting from the engagement of China, may lead to adverse outcomes in aid effectiveness and undermine African development (Samy, 2010; Berthelemy, 2011). Thus, China's aid is regarded as something markedly different from the initiatives designed to raise aid effectiveness in the Paris Declaration.

From this perspective, this article shall examine the following: how has the Tanzanian Government managed aid and absorbed aid resources maximally in transforming its way of utilizing the international aid system? For this question, contrary to the general consensus that aid has been managed by the "donor-driven ownership," the hypothesis is that the Tanzanian Government has established its own development system to manage aid by recipient-driven ownership and has maximized aid resources.

The research method entailed conducting interviews in September 2010 and March 2012 with Tanzanian Government officials from central and local government in charge of planning/budgeting and aid co/ordination.² In addition, both media-based data collection was conducted alongside the collection of government data and documents to improve the reliability of the information on China's aid due to the following reasons.

Even though the international development community has a strong interest in China's foreign aid, actual discussions on the impact of China's foreign aid have seldom taken place due to the scarcity of information (Bräutigam, 2010, p. 1) and the resulting lack of accuracy (Strange et al., 2013). The reason for this situation is that the engagement of China in Africa has, in most cases, been discussed in an anecdotal manner, and accurate data on the aid flows of China has not been revealed, unlike DAC data (Berthelemy, 2011). While the Chinese Government finally released data on its foreign aid for the first time in 2011, a detailed breakdown of aid provided to specific countries has still not been provided.

Moreover, unlike the OECD-DAC donors, the Chinese Government does not publish details of the financial information at the project level for foreign aid activities (Strange et al., 2013, p. 12). In order to improve the reliability of the information, it was necessary to conduct both a media-based data collection, and also interviews with the relevant Tanzanian Government officials and donors, as well as the collection of government data and documents. Therefore, while there are still some limitations in obtaining all the necessary information, the information gathered in this research should be sufficient to grasp the trends and realities of China's aid to Tanzania.

The next section will begin with an analysis of the aid structures that DAC donors and the Tanzanian Government have constructed in order to verify how the Tanzanian Government manages aid under the poverty reduction regime.

²These include the Ministry of Finance and Economic Affairs, the Prime Minister's Office Regional Administration and Local Government, the Ministry of Health, the Bank of Tanzania, the Ministry of Energy and Minerals, the Planning Commission of the President's Office, and the Ministry of Infrastructure Development, the Ministry of Transport, as well as DAC donors about their understanding and views of China's aid in Tanzania.

3 | MANAGEMENT SYSTEM FOR AID UNDER THE POVERTY REDUCTION REGIME

The report that set out the approach for Tanzanian development aid after the end of the Cold War was the June 1995 Danish-led “Report of the Group of Independent Advisers on Development Cooperation Issues between Tanzania and Its Aid Donors,” also known as the Helleiner Report (Helleiner, Killick, Lipumba, Ndulu, & Svendsen, 1995). At this time, DAC donors dominated aid in Tanzania. Even though China has a history of more than 40 years of aid to Tanzania, China’s aid had a limited influence for development. Prior to the report formulation, DAC donors criticized the Tanzanian Government severely on grounds of corruption and Government performance. In turn, the Tanzanian Government expressed its dissatisfaction with the donors regarding excessive requests that were difficult to realize (President’s Office et al., 2004). Under these circumstances, DAC donors showed their frustration toward the Tanzanian Government by considering a freeze on all aid. As a result, the relationship between donors and the Government worsened (Helleiner et al., 1995).

In response to this situation, for the purpose of reviewing earlier aid and exploring ways of providing aid in the future, the Helleiner Report had a donor-driven approach. The report compiled views from both donors and the Tanzanian Government, covering issues such as lack of country ownership, dissatisfaction about the enormous transaction costs incurred during different procedures of projects, and so forth. After formulating the report, a mutual government–donor reform process began for a new aid management. The approach addressed poverty reduction and aid effectiveness and led to the formulation of a “poverty reduction regime” in collaboration with the donor, the Tanzanian Government eventually obtained the strong justification it needed to receive donor development aid. Since DAC donors dominated aid and their interest was centred on reduction, aid was shifted from economic sector to social sector. The report profoundly altered the approach to aid systems centred on project aid, which had been the core of aid for more than 30 years since Tanzania’s independence.

Prior to the Helleiner Report, each donor concentrated on specific project aid through a separate interface with the relevant government ministries and agencies. The ministries and agencies needed to respond to each individual donor following donor-specific procedures (reporting, accounting processes, mission support, etc.) in order to receive the project aid. Since the Helleiner Report, a sector-wide approach (SWAps)³ has been introduced to overcome “project fragmentation.” The primary difference between this approach and the previous project aid approach is the shift from “individual based aid” to “collective based aid.” “Individual based aid” is the provision of project aid via a bilateral interface between Government and individual donor for a project selected by the donor country based on requests from the developing country’s government. “Collective based aid,” in SWAps, allowing the aid stakeholders to jointly formulate a development plan encompassing the entire sector, draw up budgets, and manage, monitor and evaluate operations under the leadership of the Tanzanian Government. As part of this shift, the interfaces between governments and donors have expanded to cover entire sectors rather than individual projects. We may, therefore, reasonably conclude that the management system for aid was changed dramatically from project-based to programme-based management.

The next major development for aid management was the introduction of the Poverty Reduction Strategic Paper (PRSP) and General Budget Support (GBS)⁴ as a new form of aid modality. It has

³The sector-wide approach is defined as “a process in which funding for the sector, whether internal or from donors, supports a single policy and expenditure programme, under government leadership, and adopting common approaches across the sector” (Sector-Wide Approach Support Group, 2004, p. 7).

⁴GBS entails donor funds that are disbursed through the recipient government’s own financial management system rather than being earmarked for specific uses.

expanded the policy dialogue between donors and the Tanzanian Government from specific sectors to all Tanzanian development activities. Furthermore, with the introduction of GBS, conditionality has been imposed on all PRSP-related development, and performance assessment frameworks (PAFs) have been built to promote and monitor the actions and outcomes expected from GBS (JICA, 2004). Through this process, the Ministry of Finance has obtained a hegemonic position within the Tanzanian Government. In this way, the main drivers of Tanzania's poverty reduction regime became the Ministry of Finance on the Government side, and the GBS donors on the donor side.

The aid approach brought about by the poverty reduction regime, carefully constructed by the Tanzanian Government and DAC donors, has led to a mechanism in which development planning and budget compiling, the core processes of Tanzania's development policy, take place within the interfaces between the central Government bureaucracy and donors. Furthermore, along with the transformation of the development aid system from "individual based aid" to "collective based aid" after the Helleiner Report, the Tanzanian Government was able to successfully establish a management system for aid. Then, Tanzania joint assistance strategy (JAS) was formulated by the leadership of the Tanzania Government. The purpose of JAS is to promote efforts to boost aid effectiveness and harmonizing the country-specific aid plans of donors through effective aid management. Even though countries such as Ghana, Uganda and others formulated JAS, only Tanzania's JAS has been approved and signed by a national Government (with the approval of the National Assembly), making it an official joint statement between the Government and DAC donors in 2006.

In sum, the following are the main points that have been made in this section. Before China's aid started to appear in recent years in Tanzania (China-DAC study group 2013), DAC donors dominated aid in Tanzania so that the Tanzanian Government mainly needed to manage aid from DAC donors. As the Helleiner Report suggested, the Tanzanian Government needed to enable an environment for managing its aid in accordance with the Paris Declaration, and then to formulate PRSP and the adoption of SWAps, and GBS to attain poverty reductions under the MDGs, following which the JAS was formulated. Therefore, it follows from what has been said that the Tanzania Government successfully established the management system for aid. However, through the establishment of an aid management system, the Tanzanian Government paid the price of being obliged to manage aid to concentrate on poverty rather than economic growth.

In the following sections, this article will examine how the Tanzanian Government manages China's aid. This article will explain new initiatives of the Tanzanian Government for aid management and untangle the relationship between the Tanzanian Government's own development initiative and China's aid in order to demonstrate how the Tanzanian Government managed China's aid.

4 | THE TANZANIAN GOVERNMENT'S INDEPENDENT DEVELOPMENT INITIATIVE FOR MANAGING CHINA'S AID

Tanzania has been implementing Vision 2025⁵ as its long-term development plan (President's Office Planning Commission, 2014), and the PRSP, enacted in October 2000, as its medium-term development plan. Furthermore, the JAS for Tanzania clearly states that the Government and donors shall move ahead with development based on a single common aid strategy.

⁵The overall aim of the National Vision 2025 is to transfer Tanzania from a least developing to a middle income country. This transfer is envisioned to turn Tanzanian economy into a strong, competitive economy that will provide improved socio-economic opportunities, public sector performance and environmental management.

The Tanzanian Government has formulated PRSPs three times previously. The first PRSP (launched in October 2000) placed poverty reduction front and centre, but the second PRSP (the National Strategy for Growth and Reduction of Poverty (NSGRP), a five year plan starting from 2005 and called MKUKUTA in Tanzania from its Swahili acronym) emphasized growth, as its name suggests. The MKUKUTA initiative divided development challenges into three clusters: (1) growth and reduction of income poverty, (2) improvement of quality of life and social wellbeing, and (3) governance and accountability. The main difference between the first PRSP and MKUKUTA is that the first PRSP focused on poverty reduction, while MKUKUTA, the second PRSP, incorporated growth. The successor to MKUKUTA, MKUKUTA II, covering the years 2010/2011 to 2014/2015, was formally released in November 2010. While it maintains the three MKUKUTA clusters, MKUKUTA II is a strategy that puts more weight on poverty reduction through economic growth. Within the strategy, it stresses agriculture and infrastructure as well as promoting improvements in the delivery of social services, and the continued implementation of reform programmes in local government and public finance management sectors.

At the same time, it was learned in a 21 March 2011 interview with the chief economist of the President's Office Planning Commission (POPC), re-established in 2008, that the Government had started work on formulating a Tanzanian NDP under the auspices of the Planning Commission. Later, in June 2011, the Government finalized the Tanzania Five Year Development Plan 2011/2012–2015/2016 and presented the final version to donors at the end of 2011. The Minister of Finance, at the Annual National Development Strategy meeting in January 2012, formally declared that MKUKUTA was a development strategy document, whereas development plans would be carried out according to the Government's Five Year Development Plan (UNDP, personal communication, March 15, 2012). The chief economist stressed that the development plan's formulation process was implemented at the Tanzanian Government's own initiative. Therefore, despite the existence of a shared strategy document between the Tanzanian Government and DAC donors, the Tanzanian Government, on its own initiative, had created an NDP behind closed doors. This duality suggests that, although the Tanzanian Government appears to share the same views and ideas as DAC donors in the poverty reduction regime, the Government's preferred "development" does not, in fact, necessarily match the "development" of DAC donors. So, what caused the Tanzanian Government to exclude donors and independently establish a new NDP without consultation?

First, in order to carry out its own preferred "development," the Tanzanian Government might require new development resources. Even though the first PRSP placed poverty reduction front and centre in deference to the intentions of DAC donors, the second PRSP, the MKUKUTA strategy, signalled the Tanzanian Government's inclination to aim for economic growth while prioritizing agriculture and infrastructure. Nevertheless, because of Tanzania's high aid dependency, it was virtually impossible for the country to attain these economic growth aims on its own. The Tanzanian Government pointed out that the DAC donors had not addressed this issue adequately. From 1995, when the Helleiner Report came out, to 2006, when the JAS for Tanzania was established, there was a huge shift in aid from the manufacturing sector and economic infrastructure, which had been the main areas of aid, to the social services sectors, which became the predominant areas of development aid. Development aid to the manufacturing sector and economic infrastructure, which contribute to economic growth, languished during this period. But from 2008, with the establishment of the POPC, there was again an upward trend in development aid flowing into economic infrastructure.

Secondly, while the Tanzanian Government may require new development resources for its preferred development approach, it should be assumed that the Government needs to maintain the relationship with DAC donors without reducing their support at the same time. Figure 1 shows the situation between the shortfalls in recurrent expenditures necessary to run the country from domestic revenues, and GBS. As can be seen in Figure 1, GBS is crucial for covering the recurrent costs;

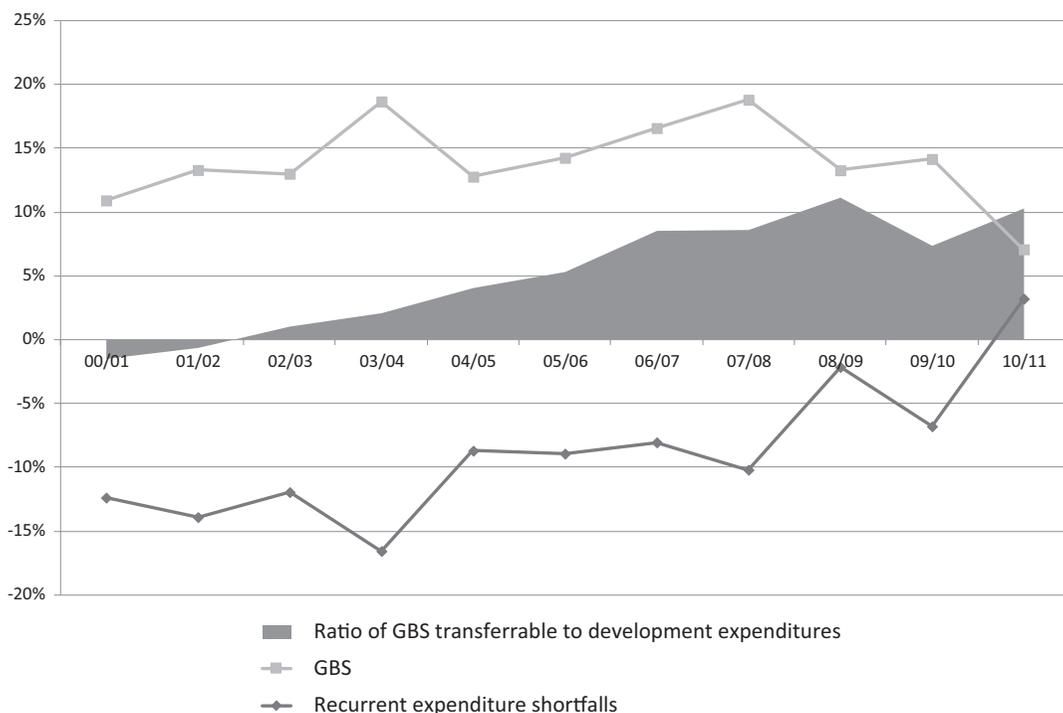


FIGURE 1 Recurrent expenditure shortfalls, GBS (%) and ratio of GBS transmissible to development. Source: Created by the author from the Tanzanian Ministry of Finance and Economic Affairs’ budget speeches.

however, since the introduction of GBS, the Government has been able to cover, albeit gradually, shortfalls in recurrent expenditures, which include GBS. In this way, the Government has arranged conditions whereby surpluses can be funnelled into development budgets, though again, on an incremental basis. Nevertheless, DAC donors, including GBS, have been indispensable in Tanzanian development.

In short, in order to realize its preferred development approach, it was necessary for the Tanzanian Government to obtain new development resources for growth in a justifiable manner while maintaining a good relationship with DAC donors. Under these circumstances, in the field of economic growth, the rising presence of China at a time when DAC donors were concentrating their development aid in the social services sectors is very important.

Given these points, it should be possible to verify, through an analysis of China’s role in the Five Year Development Plan, which is part of Tanzania’s NDP, whether the Tanzanian Government’s preferred development approach is at odds with the approach preferred by DAC donors.

Recent China’s aid to Tanzania, which is based on China–Tanzania technical agreements in April 2008, primarily functions in the three initiative areas of deployment of medical teams, human resource aid and public works projects. Through interviews with Tanzanian Government officials and the staff of DAC donors, it has become clear that China has participated neither in donor meetings nor government–donor meetings, and has not shared the information about its aid with DAC donors. These behaviours suggest that that China does not follow the JAS for Tanzania. Then, what is the role of China within the Tanzanian Government’s latest development framework?

The Tanzania Five Year Development Plan is a strategy to unleash Tanzania’s latent growth potential. At the core of the plan are five priority areas, namely: (1) infrastructure—particularly energy and transportation infrastructure (ports, railways, highways, and air transportation) through large-scale

investment, water, hygiene and ICT, (2) agriculture and agricultural reforms for food stability, (3) industrial development, particularly industries that use local products such as fertilizer, cement, textiles, coal, iron and steel, and development of special economic zones through the utilization of private–public partnership arrangements, (4) development of human capital and skills with a focus on science, technology and innovation, and (5) tourism, trade and financial services (POPC, 2011).

Professor Benno Ndullu (personal communication, March 21, 2012), Governor of the Bank of Tanzania and the central figure in this plan, pointed out that the basic concept behind the Tanzania Five Year Development Plan is to use public investment wisely as a lever to invite private investment, continues:

We plan to build a logistics hub by this means. The Government will provide the land and the private sector will invest in the logistics hub. While the business environment has improved with the previous DAC approach to development aid, strategic areas have been neglected because of a lack of funds. Wise public investments will clear away these investment obstacles.

With Vision 2025 as its long-term development plan, Tanzania has been implementing the PRSP as its medium-term development plan. Furthermore, the Joint Aid Strategy for Tanzania clearly states that the Government and donors shall move ahead with development based on a single common aid strategy (the PRSP). Despite the existence of these plans, Tanzania established the Tanzania Five Year Development Plan on its own initiative. I asked Professor Benno Ndullu what donors thought of this move. He said, “DAC Donors are not pleased by this plan. But the fact is ODA is not flexible. If ODA can be directed into Tanzania’s strategic areas, it would be fine, but if it cannot, other investment is necessary to attract the private sector (personal communication, March 21, 2012).”

This testimony is vital to the analysis presented here. What is most intriguing is that ODA to date has been rigid and has neglected strategic fields for Tanzania’s growth—those in which improving the business environment in the country are central. Furthermore, the areas where DAC donors have been unable to contribute under the past PRSPs are exactly the strategic areas for economic growth that the Tanzanian Government wants. It is clear, then, that the new Tanzania Five Year Development Plan was established as a NDP to supersede the PRSP. This testimony is also consistent with the previously-mentioned grounds for the Tanzanian Government’s independent and secretive establishment of a new NDP that kept donors out of the process. Professor Benno Ndullu had the following to say about the specific concepts behind the plan:

The Tanzania Five Year Development Plan established in June 2011 is a strategy document for strategic national investment. To take advantage of our geographical advantages, as Tanzania is the gateway to the inland districts, our aim is to accelerate growth through the enhancement of data services using optical fibre, the appropriate application of resources and agriculture, the enhancement of port facilities, and the improvement of our central railway corridor. We also hope to make Mtwara a growth base. This is because gas fields are present in the surrounding area and because it can be a base for manufacturing plants and exporting. We also plan on building a logistics hub as another base. This will necessitate upgrades to our port facilities, electrical power grid, and other infrastructure. Moreover, optical fibre network projects are critical to establishing a good business environment. And aid with gas pipelines is essential to stabilizing Tanzania’s power supply sector

(personal communication, March 21, 2012).

The plans set out above are exactly what China has tried to realize through the following projects and investment: the project to install an undersea optical fibre network, an iron ore production project in Liganga and Mchuchuma, Songo Songo gas production project, setting up a special economic zone, building a Logistic Department Centre for spare parts and an exhibition hall in Kurasini, 40 kilometres outside of the Dar es Salaam port and other road and railway projects.

Bank of Tanzania Governor Benno Ndullu, who is also the chairman of the Tanzania Five Year Development Plan Implementation Committee, spoke about Tanzania's grand blueprint for ambitious growth. This strategy makes it clear that China has a huge role to play, as it has expanded aid in recent years in the strategic fields that to which DAC donors and others, who have been promoting development aid centred on the social services sectors, have not been able to contribute. All China's contributions underpin Tanzania's future growth strategies, as contained in the Five Year Development Plan.

This section demonstrates that China's recent expanding contributions dovetail perfectly with the concepts behind the Five Year Development Plan. Thus, Chinese contributions, especially in the fields of energy and transportation infrastructure, ICT, industrial development, development of special economic zones and so forth, which Bank of Tanzania Governor mentioned, are an irreplaceable part of Tanzania's approach to future economic growth. What this analysis suggests is that, although the Tanzanian Government's and the DAC donors' development strategies are essentially in agreement, the "development" the Tanzanian Government desires cannot be attained with DAC donors' development strategy, which is heavily slanted toward the social services sectors. In this sense, the two sides' opinions diverge. In other words, in order to attain the "development" it wants, the Tanzanian Government, on its own initiative, independently formulated the Five Year Development Plan and channelled China's contributions, a new resource, into strategic fields that DAC donors have largely neglected thus far. The Tanzanian Government has successfully incorporated China's contributions without avoiding any damage to the relationship with the DAC donors, but with obtaining otherwise necessary justification to receive the new development resources.

The next section, in order to respond to the research question provided will follow the transitions in the National Planning Commission. It will show how the Tanzanian Government has established aid management systems in a way that conforms to the intentions of the donor. However, when the Tanzanian Government was confronted with a new aid system or new opportunity for receiving development aid resources, the process was driven by the Tanzanian Government.

5 | TRANSITIONS IN TANZANIA'S NATIONAL PLANNING ORGANIZATION FOR THE AID MANAGEMENT SYSTEM

An interview with the chief economist of the POPC, responsible to the Cabinet in all matters relating to the planning and management of the economy (personal communication, March 21, 2012), outlined how Tanzania's planning committee has changed its organization, role and name over the years. According to him, there have been times when it was the Ministry of Economic Affairs and Planning and other times when it was consolidated with the Ministry of Finance. Since 2008, however, it has been part of the President's Office.

The past 15 changes to the national planning organization have seen the Planning Commission placed under the President's Office four times, in 1964, 1989, 2000 and 2008. These four changes were made in times that were important in terms of development aid. The year 1964, was, of course, the year Tanzania gained its independence and became a republic. The Development Planning Department was responsible for analyzing all proposals related to economic development, domestic and foreign government development, and community development and determining development

plans. The Planning Commission was placed under the President's Office next in 1989. This was the year development aid soared to a point where the country's aid dependency exceeded 20% of its gross domestic product (GDP), in the wake of introducing World Bank and International Monetary Fund (IMF) structural adjustment programmes in 1986. Amid the rising impact of development aid, the country placed the Planning Commission under the direct control of the President's Office and gave the Commission sweeping powers. The move gave the Commission the authority to require all aid project proposals to be submitted to the Commission so that it could centrally manage all projects. This consolidation of power suggests the country tried to modify the impact of development aid and to unify access to development aid resources. It is clear from Paper 6 of the Planning Commission Act, 1989, that the Planning Commission, as the Government's highest advisory body, had sweeping powers:

Subject to the provisions of the Constitution, the Decentralization Government Administration (Interim Provisions) Act, 1972, the Local Government (District Authorities) Act, 1982, the Local Government (Urban Authorities) Act, 1982, and any other written laws relating to the organization and performance of the functions of the Government, the (Planning) Commission shall be the highest advisory body, responsible to the Cabinet, in all matters relating to the planning and management of the economy and for that purpose it shall have (the following powers).

Later, the Commission established the Tanzania Development Vision 2025. Vision 2025 is still regarded as the country's long-term development plan. The year 2000 was important because it was the year the PRSP was established, which was critical to the poverty reduction regime's formation. The chief economist of the President's Office Planning Committee (personal communication, March 21, 2012) declared that the 1989 Act required all projects to pass through the Planning Commission, however, after various reforms, and the introduction of the PRSP, subsequently all projects had to pass through the Ministry of Finance.

With the progress of the poverty reduction regime's formation process, and with the introduction of the PRSP and GBS, all projects began to be passed through the Ministry of Finance. This created a structure in which the Ministry of Finance had central control over all donor development aid, and formed mechanisms to efficiently obtain the resources represented by donor development aid. At the same time, the privatization of state-run enterprises, due to the introduction of PRSP, was unmistakably a huge concern for the Tanzanian Government since privatization could have impacts on the financial resources of the Government.⁶ Consequently, the privatization function was added to the President's Office Planning Committee for the purpose of privatizing the economy and state-run enterprises as well as harmonizing development investment policies and the implementation of export strategies. Then, in 2008, the planning department shifted again to the President's Office, and the Tanzania Five Year Development Plan was created for the purposes of determining policies and strategies on long-term economic and social welfare targets and of monitoring the implementation of Government decisions on economic management and planning. It is clear, from the statements of the chief economist (personal communication, March 21, 2012) that the Government was trying to centralize the management of all projects at the President's Office Planning Committee under the auspices of the Tanzania Five Year Development Plan while the Ministry of Finance continues to have jurisdiction over GBS.

⁶The first PRSP provided the platform for the privatization of large public corporations, such as Tanzania Telecommunications Company Limited (TTCL), Tanzania Railways Corporation (TRC), Tanzania Electric Supply Company Limited (TANESCO), Tanzania Ports Authority (THA), National Bank of Commerce (NBC), etc.

The chief economist (personal communication, March 21, 2012) stated:

DAC donors have MDGs, but the Government's orientation is growth. The Five Year Development Plan focuses on infrastructure improvements, energy supplies, agriculture, human resource development, trade promotion, and financial services for economic growth. MKUKUTA II (the third PRSP), on the other hand, is a comprehensive strategy. The two are not in conflict. Rather, this arrangement lets donors continue to cooperate in order to implement MKUKUTA II while funds can be provided to projects included in the Five Year Development Plan.

We can read from this statement and the way that China's contributions are incorporated into the Five Year Development Plan that the Government seems to be aware of the compartmentalized policies: the PRSP for DAC donors primarily to realize the MDGs, and the Five Year Development Plan, which encapsulates the Tanzanian Government's growth focus. Evident from all this testimony is that, given a situation of high aid dependency and the necessity of relying on donors for development, the Tanzanian Government had to construct new mechanisms and management systems to absorb Chinese contributions, an enticing new resource, in order to break ground in strategic fields that will drive the growth the Government desires. However, China's approach eschews the poverty reduction regime frameworks the Tanzanian Government had built with DAC donors. Thus, if the Government had not taken new measures, it would have proven difficult to incorporate China's contributions. At the same time, development aid from DAC donors remains an essential resource for the kind of development sought by the Tanzanian Government and is a crucial strategy for poverty reduction. Therefore, along with DAC donor aid, the Government had to take in contributions from China, which exists outside the poverty reduction regime frameworks the Tanzanian Government had built with DAC donors, and who were in conflict with DAC donors over the growth of development aid based on the poverty reduction regime frameworks. If successful, the Government would be able simultaneously to pursue both resource acquisition and the development it wants through Tanzania-driven aid management. This framework is the Tanzania Five Year Development Plan, which the Tanzanian Government established independently on its own initiative and is probably the reason why the PRSP continues to exist.

6 | CONCLUSIONS

This article has attempted to clarify Government behaviours relating to the management of aid in Tanzania, where the poverty reduction regime is most advanced.

There are some conclusions that can be drawn from this article. The first conclusion is that, although the Tanzanian Government's and the DAC donors' development strategies are essentially aligned, the "development" the Tanzanian Government desires cannot be attained solely with the development approach of the DAC donors, as it is heavily slanted toward the social services sectors. As a result, the Tanzanian Government, on its own initiative, independently formulated the Five Year Development Plan and channelled Chinese contributions, a new resource, into strategic fields that DAC donors have so far largely neglected. So, while poverty reduction strategies are definitely important to the Tanzanian Government, this article showed that the Tanzanian Government has simultaneously prioritized growth even though the Tanzanian Government appeared to share the same views and ideas as DAC donors in the poverty reduction regime. In this way, the Tanzanian Government could manage aid from both DAC donors and China.

Next, this article analyzed, by means of tracking the transitions in Tanzania's development planning commissions, how the Tanzanian Government has managed development aid. We find that the Tanzanian Government has learned valuable lessons through the transition process and constructed a management system that allows it to be more proactive in obtaining resources, while pursuing the development it desires. In 1989, when the POPC was given legal powers to unify all projects, the Government was also almost pushed into building this management system, as development aid ballooned to the point where the country's aid dependency exceeded 20% of its GDP, as previously noted. After the Helleiner Report, the mechanisms that were built were more donor-driven than anything else.

However, the Government studied the donors' concepts and approaches during the process of establishing the Strategy for Tanzania with donors. The Ministry of Finance gradually began to claim ownership of the process and exerted pressure to construct more proactive mechanisms. During this period, frameworks were constructed in which the Ministry of Finance centrally managed all aid projects. Later, when the Planning Commission was moved under the President's Office in 2008, the Government chose to build government-driven mechanisms that incorporated new resources, while retaining the previous mechanisms, over the donor-driven architecture of previous mechanisms and frameworks. Thus, we can say that the Tanzanian Government, although it had modified the management system in the past to match donors' development intentions, constructed a management system that can simultaneously maximize resource acquisition and pursue the development it desires more proactively than before, based on the lessons learned while formulating the poverty reduction regime.

In addition, this article demonstrates that Tanzania is a country with significant ability to manage aid and the receipt of development aid resources, despite being considered a passive donor-driven recipient. This result supported the hypothesis presented in section 2 and shows that the Tanzania Government has managed international aid in a recipient-driven manner. This conclusion is important for considering about SDGs because more actors are expected to be engaged and this result shows that recipient countries will potentially manage to acquire future new resources under SDGs.

Finally, this article will conclude with some remarks about possible future studies. This article examined Government behaviours as to how to manage aid in Tanzania through broad interviews and documents. However, there is room for further investigation to substantiate make the thesis posited in this article, though this research method is the all that is available at this moment. Another point is that this article did not examine the actual aid allocation after receiving aid resources. Furthermore, it is not clear that the aid provided by both DAC donors and China has effectively reached people on the ground. This kind of analysis should be considered for future studies.

ACKNOWLEDGEMENTS

I am grateful to those who kindly agreed to be interviewed, especially Benno Ndulu, during the field work in Tanzania and Uganda, and would like to thank the Japan International Cooperation Agency (JICA) Tanzania office, Stefan Leiderer of Deutsches Institut für Entwicklungspolitik (DIE) and the members of the JICA Research Institute's research project, Yasutami Shimomura, Akio Hosono, Naohiro Kitano, Jin Sato, Hisahiro Kondo, Yasunobu Okabe, Takaaki Kobayashi, Hiroaki Shiga and Yukinori Harada, for providing valuable suggestions and information. I am solely responsible for the interpretation of sources and for any errors in this article. The views expressed in this article do not necessarily reflect those of JICA.

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How to cite this article: Furukawa M. Management of the international development aid system: The Case of Tanzania. *Dev Policy Rev*. 2018;36:O270–O284. <https://doi.org/10.1111/dpr.12229>