

# Aid and conditionality

*The role of the bilateral donor:  
A case study of Norwegian–Tanzanian aid relationship*

*July 1999*

Hilde Selbervik

---

A Report submitted to the Norwegian Ministry of Foreign Affairs  
by Chr. Michelsen Institute

The Ministry does not accept any responsibility for the information in this  
report nor the views expressed, which are solely those of CMI



# Table of Contents

<b>EXECUTIVE SUMMARY</b> .....	<b>5</b>
<b>ABBREVIATIONS</b> .....	<b>9</b>
<b>1. INTRODUCTION</b> .....	<b>11</b>
1.1 THEME AND RESEARCH PROBLEM .....	11
1.2 DEFINITIONS AND DELIMITATION OF THE STUDY .....	12
1.3 METHODOLOGY AND SOURCES .....	14
1.4 OUTLINE OF THE STUDY .....	14
<b>2. A CHANGE IN NORWEGIAN AID POLICY?</b> .....	<b>15</b>
2.1 FROM DONORSHIP TO OWNERSHIP, CONDITIONALITY TO PARTNERSHIP? .....	15
2.2 NORWEGIAN POLICY ON CONDITIONALITY .....	17
<b>3. THE TANZANIAN CONTEXT</b> .....	<b>20</b>
3.1 THE NYERERE ERA .....	20
3.2 MAIN TRENDS IN ECONOMIC DEVELOPMENT AND REFORM .....	21
3.3 MAIN TRENDS IN POLITICAL DEVELOPMENT AND REFORM .....	23
3.4 ODA TO TANZANIA .....	26
Goals for Norwegian aid to Tanzania .....	29
<b>4. CONDITIONALITY, A REVERSED MICRO-MACRO PARADOX AND THE SAMARITAN'S DILEMMA</b> .....	<b>30</b>
4.1 INTRODUCTION .....	30
4.2 IN SEARCH OF AN APPROPRIATE ANALYTICAL FRAMEWORK .....	30
The small state in international politics .....	31
4.3 THE SAMARITAN'S DILEMMA .....	32
The donors' conditionality policy towards Tanzania – an illustration of a reversed micro–macro paradox? .....	34
<b>5. DOUBLE-EDGED DIPLOMACY</b> .....	<b>35</b>
5.1 INTRODUCTION .....	35
5.2 FROM ALL-WEATHER FRIENDS TO FAIR-WEATHER FRIENDS ONLY? .....	35
5.3 THE CG MEETING PROCESS .....	36
Getting tougher .....	39
Honeymoon or grace period? .....	44
5.4 THE BILATERAL NEGOTIATION PROCESS .....	47
<b>6. CONCLUSION</b> .....	<b>51</b>
6.1 TYING TOGETHER THE DISCUSSION .....	51
A special Nordic–Tanzanian relationship? .....	55
<b>LITERATURE</b> .....	<b>58</b>
Primary Sources – Official/Published .....	60
Archival material .....	61
Speeches & Lectures .....	63
Interviewees .....	63



## Executive summary

This study gives a presentation of the role of Norway – from a conditionality perspective – in the aid negotiation processes within different forums, mainly the CG meetings and the bilateral annual country consultations between Norway and Tanzania in order to investigate the role of Norway, and in more general terms what has been the role of the bilateral donor in this regard. The report also analyses how Norway has applied its conditionality policy towards Tanzania, and how this has changed over time. Moreover, how the Norwegian policy can be explained is explored.

For Tanzania the 1980s and the 1990s has been a period of economic and political reform. In many of the reform processes both the bilateral and the multi-lateral donors have been heavily involved. The donors have imposed many reforms, and the main instrument to accomplish these aims has been conditionality in different forms.

Norwegian and Nordic policy towards Tanzania has gone through notable changes from the mid-1980s to date. In view of the cordial Nordic–Tanzanian relationship, it might seem like a paradox, therefore, that it was towards Tanzania that Norway for the first time actively supported economic conditionality. The imposition of macro-economic conditions meant a significant departure from previous Norwegian aid policy. In the 1980s and 1990s there has been a gradual change and adjustment to what may be termed as an ‘international conditionality’ regime, which represents a fundamental change from previous principles.

The novelty in the 1980s and the 1990s was the change of attitude towards interference and more explicitly the recipient country’s national policy in the context of aid, concerning national economic policy, good governance, democratisation and human rights.

The policy on how aid can be used as a tool for political reform and human rights promotion and how to react in extreme cases is roughly outlined. The main instrument to achieve these goals has been positive measures. Sanctions should only be applied as a last resort. Aid as an instrument for economic reforms is even less clearly treated in official policy documents. No explicit strategy is elaborated.

In the 1980s and 1990s conditionality has been the most important aid policy instrument to accomplish reforms, and has been described as the most characteristic feature of aid in this period. In recent years the use of conditionality as a tool has been questioned. At

the same time, aid in general has come under increasing attack and scrutiny.

The ‘political correct’ slogans currently are ‘partnership’ and ‘ownership’. From being a word of honour within large parts of the donor community, in the late 1990s conditionality has become more of a swear word within the same donor circles. Paradoxically the donors are still practising conditionality, but with no clear conception of how to apply it.

This study supports the main criticism of conditionality: the donors’ lack of credibility when pursuing a conditionality policy and the lack of ownership at the recipient end, which is indispensable for achieving sustainable results.

If aid is to be used as a mid-wife for reform, conditionality seems needed, but the conditions have to be followed up and to be worked out in real partnership with the recipient. There ought to be fewer conditions, and they should be redefined with stipulated deadlines and benchmarks.

Norway has since the mid-1980s applied so-called cross-conditionality towards Tanzania, which means that Norwegian bilateral aid has been conditional on Tanzania reaching agreements with the IMF and the World Bank. But applying cross-conditionality does not necessarily involve tangible or strict sanctions if the conditions are not met. Threats have often been expressed vaguely and equivocally.

Since the mid-1980s Norway has given full backing to the economic reform programmes initiated by the Bretton Wood institutions. The World Bank is the leading “think tank” on aid questions and sets much of the aid agenda. Both bilateral donors and recipients seem increasingly oriented towards the Bank on aid issues in general and more specifically in the context of conditionality. The role of the bilateral donor has been weakened in recent years, but at the same time the policies of the Bank and Norway have converged. Norwegian policy has moved closer to that of the World Bank, and vice versa.

It has also often been argued that Norway and the Nordic bloc contributed significantly to integrating soft sector issues in the structural adjustment programmes. It is difficult, however, to find documentary evidence to support this claim. Nevertheless, among the informants there seemed to be a general perception that the Nordic countries – particularly through their repre-

sentatives in Washington DC –successfully influenced the Bank in a softer direction.

The group discipline among the donors in the context of the CG meetings seems strong. If one donor raises an issue, most of the other donors follow suit. Informants have stated that if unpopular issues are raised, donors fear isolation. There is a lot of competition and positioning among the donors. Since the CG meetings are closed and more confidential than for example the country negotiation processes, positioning vis-à-vis other countries is judged as more important than reactions from the recipient country and the domestic public. It is striking that there is a wide discrepancy between the various donors' statement and their pledges. The statements are far more critical and do not correspond to the pledges. This supports the argument often advanced in the conditionality literature, that the donors' lack credibility when conditionality is applied.

A game theory model about the Samaritan's dilemma is presented in order to explain Norwegian behaviour. In this model there is only one dominant strategy for the donor, namely that of disbursing aid. It would be unproblematic, therefore, for the recipient to predict the outcome of the donor's behaviour, and few incentives for the recipient to implement unpopular reforms. For most of the period under scrutiny the Samaritan's dilemma serves as an explanation of Norway's behaviour.

One way of solving the Samaritan's dilemma would be for Norway to tie its conditionality policy to the World Bank. This appears to have been part of the Norwegian strategy in applying cross-conditionality, thus tying some of its disbursement to the policy of the multilateral institutions, which may serve as a buffer.

It might be argued that disbursement of aid, independently of the behaviour of the recipient, has been the dominant strategy of the multilateral institutions as well, driven by reward and incentive mechanisms for World Bank staff. Furthermore, there is much prestige attached to the implementation of stabilisation and structural adjustment programmes, so that the IMF and the World Bank have vested interests in their not getting off track. Hence, disbursement will also be the dominant strategy of the IMF and the World Bank.

The hesitant reformers will have few incentives, therefore, to change their behaviour, and aid will thus not serve as effective backing for the pro-reform factions. Hence, piggybacking on the conditionality of the multilaterals may not solve the Samaritan's dilemma. It would be easier to change the incentive structure for the Bank staff than the Samaritan's altruistic motiva-

tions. The motivation for disbursing aid is not entirely altruistic, not even for Norway. Many would probably claim that other motives have been on the increase. In addition, a donor like Norway is also faced with the so-called disbursement imperative, due to a rigid national budgeting system, and the need to get rid of the money by the end of the year. The recipient is aware of this. This only reinforces the general argument that the donor will have one dominant strategy: disbursement.

But there are limits to the Samaritan's willingness to disburse aid irrespective of the recipient's behaviour. In 1994, as a response to allegations of massive corruption, Norway together with many other bilateral donors decided to suspend balance of payment support. At the same time the structural adjustment programme went off track. The paradox of this situation was that the World Bank ended up as the strongest lobbyists on behalf of the Tanzanian government despite the latter's failure to meet the conditions. One reason may have been that once the bilateral donors cut their balance of payment support, it would be even harder to get the structural adjustment and stabilisation programmes back on track. Thus, even if no agreement was reached and the conditions not met, the bilateral donors saw it as crucial to maintain balance of payment support in such a situation. But this situation did not last long, even if the agreed conditions had still not been fulfilled after the election in 1996. Many of the bilateral donors then decided to disburse their balance of payment support, as a sign of goodwill towards the new Mkapa government. This may partly be explained by the so-called honeymoon thesis, but the argument may also have been valid during the 'wedding preparations' in Tanzania.

In the early 1980s the discrepancy was wide between Norwegian bilateral and multilateral conditionality policies. This was due to the fact that different ministries were handling with these issues independently vis-à-vis different institutions, without proper co-ordination. This is not a problem any longer, since general policy is currently better co-ordinated in the Ministry of Foreign Affairs.

The pursuance of Norwegian policy in a CG meeting context as opposed to the bilateral negotiation processes, reveals differences. Norway is far more critical in the CG meetings than in the bilateral annual aid negotiations. In the latter no additional conditions are attached, apart from the cross-conditionalities. There are few specifically Norwegian conditions attached. The Samaritan's dilemma may also serve as a model for explaining why Norway seems to be adopting different policies multilaterally and bilaterally. For the Samaritan it would be easier to leave it to an agent to

pursue a tough policy and tie the implementation of tough conditions to an agent, *in casu* the World Bank. Bilaterally the Samaritan is much softer.

It is more difficult for a bilateral donor to contribute to the political reform process than to the economic reform process. Human rights and democratisation have not explicitly been part of the mandate of the World Bank as a financial institution, albeit indirectly or even directly under the rubric of good governance. It is harder for a bilateral donor to operationalise its conditions and to follow them up with sanctions in this area. The bilateral donor would not have a buffer, and would not in the same way be able to tie difficult decisions to an agent or proxy, which has been done in the economic sphere.

The sources indicate that Norway at first was a bit concerned about being left alone as the only donor imposing sanctions concerning political conditionality as in the case of Zanzibar. Norway had no wish to be in the frontline and to set an example.

In the 1990s human rights and democratisation have been on the agenda of the bilateral annual country negotiation meetings between Norway and Tanzania. This was not welcomed by the Tanzanian side, but the Tanzanians seem more relaxed about it now, even though it is still sensitive. For the Norwegian side, raising these issues sometimes has been somewhat ritualistic, done out of duty to follow the instructions and to appease Norwegian domestic public opinion.

After more than ten years with more or less continuous reform of the Tanzanian economy, the macro-economic indicators are promising, and the GoT has successfully managed to reach the macro-economic benchmarks set by the IMF. Even so, many indicators are still pointing in the wrong direction. The problem of corruption seems to be escalating. As long as Tanzania succeeds in meeting the economic benchmarks the IMF is "satisfied", and to some extent other parts of the donor community as well. This illustrates the problems of measurement.

IMF's macro-economic benchmarks have been more successfully met than the World Bank's conditions for structural adjustment loans. This explains why the IMF has often been more positive in its evaluation of GoT performance than the World Bank and the bilateral donors. The quantitative benchmarks are easier to monitor than qualitative conditions. The conditions for obtaining structural adjustment finance entail deeper changes and are in general more politically sensitive and controversial. This illustrates the problems with the application of political conditionality.

Despite the Nordic change of policy, it seems clear that the Nordic countries still enjoy a particularly close relationship with Tanzania, which is often characterised as less paternalistic and bossy than those of many of the other donors like the US and Great Britain. However, many of the non-Norwegian informants perceive that Norway in recent years has assumed a more hesitant attitude towards Tanzania. Within the Nordic bloc, Sweden seemed by far the most articulate and active donor.





## Abbreviations

BoP	Balance of Payments
BoT	Bank of Tanzania
CCM	<i>Chama Cha Mapinduzi</i> (governing political party in Tanzania)
CG	Consultative Group
CUF	Civic United Front
DAC	Development Assistance Committee of the OECD
DANIDA	Danish Agency for Development Co-operation
EDA	Effective Development Assistance
ERP	Economic Recovery Programme
ESAF	Enhanced Structural Adjustment Facility
ESAP	Economic and Social Action Programme
ESRF	Economic and Social Research Foundation (Dar es Salaam)
EU	European Union
GDP	Gross Domestic Product
GNP	Gross National Product
GoT	Government of Tanzania
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IMF	International Monetary Fund
IPC	Investment Promotion Centre (now: Tanzania Investment Centre)
JEM	Joint Evaluation Mission
KIDEP	Kigoma Integrated Development Programme
MFA	Ministry of Foreign Affairs (Norway)
NCCR-Mageuzi	National Convention for Construction and Reform
NESP	National Economic Survival Programme
NGO	Non-Governmental Organisation
NORAD	Norwegian Agency for Development Co-operation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OTTU	Organisation of Tanzania Trade Unions
Paris Club	Informal group of creditor countries
PFP	Policy Framework Paper
RPFBS	Rolling Plan and Forward Budget
SAP	Structural Adjustment Programme
Sida	Swedish International Development Co-operation Agency
SPA	Special Programme of Assistance for Africa
TRA	Tanzania Revenue Authority
TZS	Tanzanian shilling
UDP	United Democratic Party
UNDP	United Nations Development Programme
USAID	United States Agency for International Development



# 1. Introduction<sup>1</sup>

## 1.1 Theme and research problem

This study looks into experience with the use of bilateral conditionality and the role of the bilateral donor, regarding both the recipient and the international donor community. These aspects will be scrutinised through an analysis of the Norwegian–Tanzanian relationship in the 1980s and 1990s. Tanzania has been one of the most important recipients of Norwegian aid – if not *the* most important one. I will look into the conditions Norway has attached to its aid to Tanzania in this period, and how the Norwegian policy has been received. Have the conditions set by Norway been different from those of other actors, and if so, how? The Norwegian position and influence towards multilateral actors and other bilateral donors will also be investigated.

Recent years have witnessed a growing consensus within the donor community, generally referred to as the “Washington consensus”.<sup>2</sup> Is this a result of increased donor co-ordination, or is it a consequence of the weakened position of bilateral donors? This project will seek to place Norway within a broader aid context, asking whether Norway’s role as a donor has changed over time – towards the recipients, and the donor community at large. In doing so, it explores in more depth the broad themes outlined in a previous study: *Aid as a Tool for Promotion of Human Rights and Democracy: What Can Norway Do?* (Selbervik 1997).

The present study tries to shed light on an important and significant aspect of aid policy in this period. A case study of the Norwegian-Tanzanian aid relationship is highly relevant with regards to this subject, particularly because of the amicable relationship that had evolved between the two countries in the 1960s and 1970s. The Nordic countries continued to support Tanzania from 1979 until 1985 when Tanzania was resisting IMF’s conditionality. At that time, Norway did not agree with the IMF’s policy conditions, and rather emphasised measures, which would cushion the adverse effects of structural adjustments on the Tanzanian economy. Therefore, it was somewhat surprising when Norway changed its position in 1985/86 and became a proponent of conditionality. This was the

first time Norway actively supported economic conditionality. Since the mid-1980s to date, generally speaking, Norway has given full backing to the reform programmes initiated by the Bretton Wood institutions.

*Today, over a decade later, it is appropriate to evaluate this new position in the context of bilateral aid. What is the role of the bilateral donor, at a time when political scientists and ODA bureaucrats are talking about increased interdependence and globalisation, and the pre-eminence of multilateral actors in shaping new aid policies? What role should – or could – bilateralism play? The report of the DAC Expert Group on Evaluation: Evaluation of Programs Promoting Participatory Development and Good Governance (OECD 1997) laments that there are few case studies to draw on. This project intends to make one contribution to that end.*

In recent years, the use of conditionality as a tool has been widely questioned, while indeed development aid in general has come under increasing attack and scrutiny. It is pertinent, therefore, to see what we can learn from experiences with the conditionality tool, in charting a new aid policy. Most previous studies have dealt with multilateral conditionality with highly aggregated figures, whereas little has been done focusing on bilateral actors. Furthermore, there are few case studies to draw on. For Norway, the case of Tanzania seems especially relevant: if Norway could ever be said to be in a position to influence a country it would have to be Tanzania, due to various factors which will be discussed below (see also Selbervik 1997).

Even though many countries have reduced their aid to Tanzania – Norway among them – the current Minister for International Development and Human Rights, Hilde Frafjord Johnson, has declared that Norway will not turn its back on Tanzania in this difficult period (Johnson 1998). Tanzania represents a very interesting case with regard to experiences with both economic and political conditionality, not least the highly pertinent question of the limits and potentials of bilateral conditionality. The role of Norway must be seen in comparison with that of other donors, taking cognisance of what power Norway has in relation to these actors.

2 The Washington consensus concerns fiscal discipline, political expenditure priorities, tax reform, financial liberalisation, a unified exchange rate, trade liberalisation, privatisation, deregulation, and property rights (Williamson 1994:26–28).

1 *Note of acknowledgement.* The Norwegian Ministry of Foreign Affairs has commissioned this study. I am grateful to all interviewees for their forthcoming attitude and for generously giving so much of their valuable time. Special thanks go to the Embassy staff in Dar es Salaam for sharing their insights and for facilitating my stay. Thanks to Arne Tostensen for valuable comments, and to Arne Disch for useful input. Any errors, whether of omission or commission, are my responsibility.

How can one understand the role of the bilateral donor within a broader aid context? What can the bilateral donor expect to achieve in diplomatic bargaining? Is there any point in focusing exclusively on the bilateral donor, when its achievements and influences are so difficult to isolate from those of other actors and factors? Studying the role of the bilateral donor involves considerable methodological challenges, and investigating Norwegian influences on the economic and political reform process in Tanzania is no exception.

In order to analyse the Norwegian influences on the Tanzanian reform process it is necessary to investigate how Norwegian conditionality policy was operationalised in various arenas. This study will focus particularly on the bargaining processes. Of particular interest will be bilateral country negotiations, where the point of departure will be the conditions laid down in the annual negotiations. Is there any discrepancy between the outcome of the negotiations and the instructions elaborated in Oslo beforehand? What were the recipient's responses to these conditions? Were they followed up? When did Norway start attaching strings to its aid to Tanzania? And how did the change in Norwegian policy influence Norwegian–Tanzanian relations?

Another arena of investigation is the Consultative Group (CG) meetings. In recent years most bilateral donors have applied “cross-conditionality”, which means that the donor makes its bilateral aid conditional on the outcome of negotiations between the recipient and the multilateral institutions (Killick 1998). Has Norway made use of cross-conditionality towards Tanzania? If so, when and how has this policy been implemented, and how has this new policy been received on the recipient end? What role has Norway played in the CG meetings? Has Norway joined the rest of the donor community? Were the Norwegian conditions different – softer or stronger? Is there any discrepancy between the policy of Norway on the bilateral scene and that pursued on the multilateral scene? If so, how can this discrepancy be understood and explained?

## 1.2 Definitions and delimitation of the study

*Conditionality is an ugly recent addition to the English language with which government officials in indebted countries have become all too familiar (Tony Killick in Zormelo 1996:3).*

What is aid conditionality? What have been the arguments and motives for conditioning aid? Has the content of the concept changed over time? The literature on the topic is vast. Conditionality has been one of the big aid slogans of the 1980s and 1990s. Development researchers, especially those of an applied orientation,

have produced numerous papers, articles and books on the topic, and often offered their own definition of the concept.<sup>3</sup> Multilateral institutions like the World Bank and the IMF have made extensive use of the concept and the strategy, whereas bilateral donors have generally been more hesitant.

Aid has always been conditional, but according to Johannesen and Leraand (1997):

*conditionality in its classical form was an expression of the donor's strategic and/or economic interest in addition to claims/conditions to ensure that the aid would be channelled to achieve stated goals. From the 1980s the content of the concept has been broadened and partly changed, among other things, on the basis of the economic crisis in many developing countries. Agreements between the International Monetary Fund (IMF), often in co-operation with the World Bank, and the indebted countries about loans, debt relief, balance of payments support, became increasingly linked to economic stability and economic and structural reforms, the so-called structural adjustment programmes. [Author's translation]*

According to *The Concise Oxford Dictionary* (1976:211) a condition is a “Stipulation, thing upon the fulfilment of which depends that of another”. In modern aid terminology, conditionality is not so much a single strategy, but a set of strategies that the donor can employ to induce political and economic changes in recipient countries (Nelson and Englington 1992). This report will use Kahler's definition: conditionality as an exchange of policy changes for external resources (Kahler 1992:89), or, alternatively, trying to buy reform with aid (World Bank 1998a).

The essentially coercive nature of conditionality is underlined in these definitions. A main element is that the donor is seeking to induce the recipient to pursue certain goals and to adopt certain policies, set by the donor, to which the recipient would otherwise not have given equally high priority.

In the aid literature a distinction is often drawn between *two generations of conditionality*. The *first generation* refers to economic conditionality, introduced by the World Bank and the IMF in the early 1980s. Balance of payments (BoP) and big sector loans were explicitly linked to the adoption of certain economic policies on the recipient side.

<sup>3</sup> For a broader and more thorough discussion of the different meanings of the concept, see Selbervik 1997.

Economic conditionality was soon extended to include political conditionality. This *second generation* of conditionality, also known as the new conditionality, emerged in the 1990s. Political conditionality made development aid conditional on the implementation of political reforms in the recipient countries. Demands related to the second generation of conditionality centred on the promotion and fulfilment of human rights, democracy and good governance objectives.

Conditionality or conditionalities can be applied *ex ante* or *ex post* – also referred to as *ex status quo* and *ex post facto* conditionality (see Stolz et al. 1996:36). *Ex ante* conditionality means that the donor sets the pursuit of certain objectives (human rights, democracy and good governance) as a condition before an aid relationship can be established. *Ex post* conditionality is really a contradiction in terms because conditions, strictly speaking, can only be imposed in advance. What it does mean is that a donor expresses beforehand, but vaguely and implicitly, that there is an expectation that certain conditions will be met, and that the donor will consider afterwards what reaction to make if these conditions are not met.

The donor's response to the recipient's meeting/failing to meet the demands can be either negative or positive. *Negative conditionality* means that the donor threatens to terminate, suspend or reduce aid flows, or actually does so, if pre-set conditions are not met by the recipient. In the view of many scholars, the concept of "conditionality" covers only negative conditionality (see e.g. Stokke 1995:12). When the mass media write of conditionality, what is generally meant and understood is this kind of negative conditionality.

Others also include the carrot in addition to the stick. This may be termed *positive conditionality*: the donor promises additional aid as a reward for "good behaviour", for the adoption of given policies or the achievement of certain goals set by the donor (see Waller 1995:111; Ball 1992; Nelson and Eglington 1992). For example, additional aid resources can be earmarked for democracy and human rights measures, or given as a direct reward to a government, by increasing the general volume of aid or BoP support and debt relief.

Withholding BoP support and debt relief is the most common form of donor sanction when negative conditionality is applied. This choice of reaction is based on the argument that sanctions at that macro level would "hurt" or affect the government more directly than would, for example, withdrawing project support. The latter would present the donor with the "double penalty" dilemma whereby also "innocent" recipients would be adversely affected.

Positive and negative conditionality can be seen as two sides of the same coin: a negative or a positive reaction from the donor, depending on whether the conditions are met or not – a kind of punishment or reward. Negative and positive conditionality can be used separately or in conjunction. A donor may use conditionality as a reward for "good behaviour" and then try to support and accelerate a positive trend or ongoing process in a particular country by taking positive measures. This does not necessarily mean that the same country will be punished if certain conditions are not met.

Applying positive conditionality will involve certain technical and budgetary problems. If the overall level of the aid budget is normally stable from year to year and then additional aid is to be given so as to reward a recipient country for positive development, that can cause budgetary strains. In recent years, aid budgets have not been increasing – they have been stagnant if not decreasing. In the likely scenario that overall aid budgets will not increase in the near future, rewarding one country in line with the positive conditionality logic would entail reduced aid flows elsewhere. By implication, negative conditionality would thus have to be applied to other countries (leading to reduced volumes elsewhere) if the terms of positive conditionality are to be fulfilled towards those who perform well. A further operational complication would present itself to a donor if a positive trend is discernible in one area and a negative trend in another, within the same country. Applying combined conditionalities involves many dilemmas, difficult judgements and trade-offs (Selbervik 1997).

Although conditionality can be applied at various levels, a broad distinction can be drawn between macro and micro levels. This study will deal mainly with macro conditionality. Some scholars have distinguished between four levels of conditionality: 1) systemic and national level; 2) sectoral level; 3) project and programme level; 4) administrative level (see Selbervik 1997; Stolz 1996; Stokke 1995). That distinction is based on degree of political interference, and the argument that intervention at a lower level is less "serious" than intervention at a higher level. The trend in recent years has been towards a higher degree of political interference, but also towards an increasing number of strings attached at lower levels. This study will deal first and foremost with conditionality as applied at levels one and two.

As noted, aid has never been unconditional. Long before the conditionality concept and *problematique* became part of the aid vocabulary, conditions were applied, particularly at what is referred to above as levels three and four. The overall trend in recent years has been towards intervention at higher levels and an esca-

lation in the number of conditions applied at all levels, also at lower levels. This has occurred in response to growing demands for greater effectiveness, improvement in quality, and procedures to be observed in projects and programmes.

The increasing number of conditions may well come in conflict with new objectives such as “ownership” and “recipient responsibility”, perhaps acting to undermine them. Having more and more strings attached and more stringent follow-up routines may mean increasingly complex management of detail by the donor and the recipient alike, when simplification was in fact the objective. At worst, donors may end up steering projects and programmes in detail. This can be tantamount to a take-over, and certainly makes a mockery of recipient responsibility. This line of reasoning will not be taken further here; suffice is to note that the content and effects of conditionality are many-faceted and sometimes contradictory (Selbervik 1997).

### 1.3 Methodology and sources

This study employs wide range of primary and secondary sources, both qualitative and quantitative. In addition to secondary literature on aid questions, relevant journals and magazines have been consulted. The study is based on four main categories of primary sources: 1) official documents, such as White Papers and official statistics, 2) newspaper articles, 3) archival material, 4) oral sources.

Particularly important have been documents from the annual Norwegian–Tanzanian country programme negotiations and from the Consultative Group (CG) meetings. At the latter between 20 and 30 different actors are represented.<sup>4</sup>

It must be noted, however, that fora like the CG meetings may seem a bit like a semantic exercise. The general statements of the various donors have been prepared in advance, so that there is little actual discussion. Also donor pledges are largely prepared and written beforehand. A donor’s general statement conveys an impression of the view and positions of that particular country or institution on important issues.

<sup>4</sup> In for example 1995, in addition to the Tanzanian delegation, fourteen donor countries, ten banks or other organisations and two with observer status were present: Canada, Denmark, Finland, France, the Federal Republic of Germany, Ireland, Italy, Japan, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, the United States, the African Development Bank, the Arab Bank for Economic Development in Africa, the Commission of European Communities, the European Investment Bank, the International Fund for Agricultural Development, the International Monetary Fund, the Saudi Fund for Development, the Kuwait Fund for Economic Development and the United Nations Development Programme. Observers were Belgium and the Development Assistance Committee of the OECD.

CG meetings are organised in such a way that the first statement is longer and more detailed than the subsequent ones. More important for tracing the underlying currents and motivations is the informal dialogue. This is available in the general reports from the meetings, and in the preparatory discussions.

In 1997, there was a change in the setting of the CG meetings. For the first time the meeting was held in Dar es Salaam, not in Paris as previously, and the discussion was far less based on prepared statements. This resulted in a much freer discussion and greater participation from the Tanzanian side. The meeting also got more publicity in the Tanzanian media. There was no CG meeting in 1998; one was held in May 1999 – but again in Paris. From time to time, informal CG meetings are also held. Documents from other meetings like the Nordic–Tanzanian high-level meeting and DAC meetings have been consulted for the purpose of this study.

Interviews have provided an important supplement to the written material. They have been conducted with central actors in Oslo, but also with Norwegian aid officials at the field mission in Tanzania, with other donor aid officials, academics, and with representatives from the Tanzanian side.

### 1.4 Outline of the study

In Chapter 2 the declared aid policy changes from conditionality to partnership will be discussed and questioned, and Norway’s policy of conditionality in the 1980s and 1990s will be outlined. In Chapter 3 the Tanzanian context will be sketched out. The main trends in political and economic development since the early 1980s to date, and the most important political and economic reforms will be highlighted. Trends in aid flow to Tanzania will be summed up, with particular reference to Norwegian aid. To serve as a guide through the empirical data, some theoretical perspectives will be drawn up in Chapter 4. How can we understand the behaviour of the bilateral actor within a broader aid context? Have the motivations of Norwegian aid changed during the period of investigation? Has Norwegian aid become more pragmatic and less idealistic – or perhaps simply more realistic? In order to explain and understand Norwegian behaviour within different contexts the Samaritan’s dilemma is used as an illustration. Chapter 5 provides an empirical analysis of the role of Norway in the negotiation processes, bilaterally and multilaterally, from a conditionality perspective. The final chapter seeks to link the empirical findings to the theoretical perspectives presented in Chapter 4.

## 2. A change in Norwegian aid policy?

It was the two international financial institutions, the World Bank and the International Monetary Fund (IMF), that in the early 1980s paved the way for policy-based lending and conditionality – as the concept of conditionality is mostly used and understood today. The backdrop to this was the crisis in nearly all African economies. Economic conditionality was first and foremost connected to the stabilisation programmes and structural adjustment programmes of the IMF and the World Bank, respectively. At the time, Norway was somewhat resistant to close ranks with these multilateral institutions in supporting structural adjustment programmes. However, in the mid-1980s Norway, together with Sweden and other like-minded donors, abandoned this position and came to accept the necessity of macro-economic stabilisation and structural adjustment.

Norwegian development co-operation policy has traditionally put a high value on solidarity, compassion and disinterestedness – at least as far as policy rhetoric is concerned. As a matter of principle – in policy statements referred to as *recipient orientation* – aid was to be extended on the terms of the recipients, in accordance with their plans and priorities. These were central elements of Norwegian aid policy throughout the 1960s and 1970s. Later on, recipient orientation was replaced by *recipient responsibility*. Making aid conditional on political and economic policies defined by the donors was seen as objectionable and was hence resisted. With no colonial past, Norway adhered to the principle of non-interference in the internal affairs of the newly independent states.<sup>5</sup>

Various arguments have been cited, such as security interests, but solidarity has been the main justification given for Norwegian aid. “A South policy based on solidarity” was also the main message of the Minister for International Development and Human Rights, Hilde Frafjord Johnson, when she presented the new government’s policy on development co-operation to the Storting on 5 May 1998. A recent study by Alberto Alesina and David Dollar (1998) concludes, “foreign aid is dictated by political and strategic considerations, much more than by the economic needs and policy performance of the recipients”. That same study also notes that there are significant differences among donors: “Certainly donors (notably the Nordic countries) seem to respond more to the ‘correct’ incentives,

namely income levels, good institutions of the receiving countries, and openness” (Alesina and Dollar 1998:1).

This stance has placed Norway in the group of “like-minded” countries, consisting of Denmark, Sweden, Canada and the Netherlands.<sup>6</sup> Their aid policies have traditionally differed from those of other OECD countries by being persistently more sympathetic to the recipients than to state self-interest and domestic pressure groups. By contrast, the policies of the bigger donors like the United States, Great Britain, France, and Germany have to a far greater degree been driven by strategic and economic considerations. Norway came as a reluctant latecomer to the conditionality era. Both the Nordic bloc and the European Union had been reluctant to adopt a policy of conditionality. It marked a significant change of attitude, therefore, when Norway eventually did change its position.

Later, conditionality spread beyond the economic sphere to include political conditionality, which became amplified by the end of the Cold War. In the 1990s, donors started increasingly to focus on political conditions for providing aid. Human rights performance and democratisation were formally brought into programme negotiations with recipient countries (NORAD 1990). Thus, Norway became part of an emerging consensus within the international donor community, whereby conditionality was seen as both legitimate and desirable (White Paper no. 19, 1995–96).

### 2.1 From donorship to ownership, conditionality to partnership?

For most African countries the 1980s and 1990s have been a period of economic and political reform – an era of structural adjustment and political liberalisation. In many of the reform processes both bilateral and multilateral donors have been heavily involved. Donors have imposed many reforms, and the main instrument to accomplish these aims has been conditionality in varying forms.

Roger Riddell (1995) has called “the introduction, the extension and the widening of conditionality” one of the most characteristic features of aid policy in the 1980s and 1990s. So extensive and pervasive has the use of conditionality been that Tony Killick (1998) has characterised it as “an explosion”.

<sup>5</sup> Underlying motives for disbursing aid will not here be debated. At the one extreme are those who argue that providing aid is mere self-interest in order to pursue political and security interests. At the other extreme are those who hold that aid is sheer idealism. Needless to say, neither of these perspectives can give an adequate picture.

<sup>6</sup> Today, Ireland and Switzerland should perhaps also be included in the group.

Studies on the effect of conditionality in the reform process have not been very positive in their conclusions (see for example Killick 1997 and 1998; Collier 1997; Mosely 1991).<sup>7</sup> Why were the anticipated results not forthcoming? Was there something wrong with the goals or with the instruments to achieve them? According to Killick (1998), whether a country goes through a reform process or not is not strongly related to donor conditionalities. Paul Collier and Paul Mosely, however, are negative not to the use of conditionality as an instrument *per se*, but more towards the way in which it has been used. Mosley (1991) focuses on the donors' lack of credibility as the main obstacle to policy success. Collier (1997) argues that conditionality has been a disaster because donors have failed to punish and reward recipients according to whether the conditions were met or not. "Business as usual" does not give recipients strong incentives to accomplish reforms which they resisted in the first place. Therefore, Collier argues in favour of a different approach towards conditionality, one which implies greater selectivity concerning the countries that are to receive aid. This could also be seen as just another form of conditionality. Nevertheless, a recent World Bank report concludes that "conditionality is not likely to bring about lasting changes if there is no strong domestic movement for change" (1998:18).

From being a term of honour within large parts of the donor community, in the late 1990s conditionality has become more of a swear word within the same donor circles. "More ownership and less donorship" was one of the main messages in DAC's 1996 annual report (OECD 1996). "Ownership" was introduced as an aid concept in the early 1990s, and has been used extensively in the aid policy and debate in recent years. It is based on the acknowledgement that the recipient country must "own its country's development" to achieve sustainable changes.

The politically correct slogan today is "partnership", which has been highlighted as the DAC countries' main strategy for the 21<sup>st</sup> century (OECD 1996b).<sup>8</sup> Partnership was also crucial in the presentation of the new government's aid policy by the Norwegian Minister for International Development and Human Rights, Hilde Frafjord Johnson (Johnson 1998). In fact, "partnership" is hardly a new idea: it was a key concept in the Pearson Report of 1969.

7 However a World Bank report states that before 1990 only one-third of the adjustment loans had failed (World Bank 1998a:59).

8 See for example the British White Paper, *Eliminating World Poverty: A Challenge for the 21<sup>st</sup> Century* (1997); the Swedish Ministry of Foreign Affairs (1997), *Partnership with Africa. Proposals for a New Swedish Policy towards Sub-Saharan Africa*.

Critics hold that the change from "conditionality to partnership" has merely been a rhetorical shift: it has not led to fundamental changes, and is really just another kind of conditionality. Kayizzi-Mugerwa (1998) argues that the "new partnership" contains at least as many and strict conditions as earlier, unilaterally decided by the donor, and that partnership in an aid relationship is an illusion. Informants within the DAC system confirm that conditionality is more in use than ever.

Joan Nelson (1996) suggests that there will be a decrease in the use of conditionality in the coming years, and greater selectivity. This is due to the changing context of aid in recent years, and to increasing access to additional resources, like private investments. She also states that the World Bank's use of conditionality has been reduced in the latter half of the 1990s. But in a recent study Tony Killick (1998) claims that whereas this might be the case for Asia and Latin America, it seems less relevant to Africa, where only a few countries have enjoyed increased private investment. Very few African countries have been in a position to choose between aid and private resources. The poorest and most aid-dependent countries also seem more willing to accept conditionality, because they are not in a position to replace the loss of aid capital through other channels. In a time of aid fatigue, generally shrinking aid budgets, in addition to what seems to be broad donor consensus that a "good policy environment" is vital for effective aid, it does not seem very likely that donors will provide unconditional aid.

Some donors are now arguing that they will only maintain an aid relationship with those governments who wish to reform and those who want to adopt a "good and sound policy". Such an approach is underpinned by the recent World Bank study, *Assessing Aid* (1998a). Hence, in the years to come there will be greater selectivity in favour of "good governments", which might lead to many of the poorest African countries becoming losers – again.

Elliot Berg (1997) characterises this as one of the greatest dilemmas the donor community is facing. Despite their purported focus on partnership, the donors continue practising conditionality. Nevertheless, because of the changing context of aid, broadly speaking, it is likely that this also will influence aid policies and their operationalisation. In a recent paper Nicolas van de Walle (1998) suggests that various budgetary pressures and the weakening aid impulses are likely to result in both smaller and a much less altruistic resource flow.

Because of the meagre results of aid in general, the very existence of aid has come under increasing attack



and scrutiny. A recent large cross-country study found no correlation between aid and economic growth (Boone 1994 and 1996). In addition, few cross-country studies have shown a robust effect of aid and growth: “The picture changes, however, if countries are distinguished according to their economic management” (World Bank 1998a:14; see also Burnside and Dollar 1997). According to the latter authors, the outcome is completely different for countries with poor management: for these countries growth is minuscule or even negative, whatever the amount of aid.

The conclusion of these studies is that financial aid *can* work – in a sound policy environment. Donors should therefore start evaluating their aid as to what extent the financial resources have contributed to a sound policy environment, and move away from an “approval and disbursement culture” (World Bank 1998a:6). But how is this crucial concept of “sound management” defined? This is not specified in the World Bank report. It might be difficult to provide a clear definition, but we can draw on an index offered by Burnside and Dollar, who hold that sound management consists of good fiscal, monetary and trade policies, involving low inflation, fiscal balance, a liberalised trade regime, rule of law, an efficient public bureaucracy and little corruption (1997:30). On the other hand, the World Bank also notes that the “definition of ‘good management’ emerges from the actual experiences of developing countries” (World Bank 1998a:12).

According to the World Bank study, Tanzania would fall in the category of a poor management regime (World Bank 1998a:33). But the study goes on to note, poor management can be changed quickly if society and the government are committed to reforms (1998:40). Other studies have concluded that policy reforms resulting from conditionality are rarely successful unless the government is genuinely convinced that reforms have to be implemented and that the reforms belong to the government. This means that conditionality is not likely to bring about lasting reforms where there is no strong domestic movement for change. According to the World Bank report, the solution for the donors would not be inaction, since “aid can nurture reform in even the most distorted environments – but it requires patience and focus on ideas, not money” (1998:4). Yet, there are pitfalls, because in such circumstances donors may try to find something to finance: “Surely it must be a good thing to finance primary health care or basic education? The evidence, however, is that aid is often fungible, so that what you see is not what you get” (World Bank 1998a:5). Nevertheless, it is argued that conditionality still has a role to play “to allow government [*sic*] to commit to reform and to signal the seriousness of

reform – but to be effective in this it must focus on a small number of truly important measures” (World Bank 1998a:19).

The World Bank study emphasises, however, that there is no value in providing large amounts of money to countries with poor policy, even “if it technically commits to the conditions of a reform program. Providing adjustments loans to governments not serious about reforms has been a major recent problem of foreign aid” (World Bank 1998a:58). The focus has to be on supporting reform, not on disbursing money. That disbursement for its own sake has been a dominant feature of aid will also be argued in this study.

## 2.2 Norwegian policy on conditionality

It should be unnecessary to repeat: aid has never been given unconditionally. The major difference with today’s new conditionalities is their scope and extension, and the way in which they intrude into domestic policy-making. For the like-minded countries the adoption of this new conditionality policy meant a shift from the basic principles that had guided their aid policy. It represented a less dramatic shift for those powers that had been driven primarily by strategic interests (Stokke 1995:163).

Norwegian aid policy seems characterised by continuity from White Paper no. 36 (1984–85) via White Paper no. 34 (1986–87), Recommendation no. 186 (1986–87), White Paper no. 51 (1991–92), White Paper no. 19 (1995–96) to the presentation of the new government’s aid policy by Hilde Frafjord Johnson.<sup>9</sup> The main goals and strategies for Norwegian aid have been reiterated in these policy documents. Both the previous Labour government and the current centrist coalition government emphasise human rights, democratisation, good governance and economic reform as main objective and integral parts of Norway’s aid policy. Nevertheless, with the 1980s and 1990s there came a gradual change and adjustment to an “international conditionality regime”, which in a longer time perspective represents a fundamental departure from earlier policy principles.

What was new in the 1980s and in the 1990s was the change of attitude towards explicit interference in the internal affairs of recipient countries in terms of national economic policy, good governance, democratisation and human rights (White Paper no. 51 1991–92:184). While the 1984 White Paper abandoned the position from 1971,<sup>10</sup> it nevertheless demonstrated

<sup>9</sup> Statement to the Norwegian Parliament, 5 May 1998. The new government has not issued a new White Paper on foreign aid, but has largely followed the main lines in White Paper no. 19 (1995–96).

<sup>10</sup> See White Paper no. 29 (1971/72).

reluctance towards unnecessary interference in a partner country's domestic affairs. By 1992 (White Paper no. 51 1991–92:50) this reluctance was replaced by an acceptance of the weakening of the principle of non-interference in internal affairs, and the increasing salience of conditionality.<sup>11</sup>

As early as in 1984, the promotion of civil and political, as well as economic, social and cultural human rights had been made one of five main goals for Norwegian aid (White Paper no. 36 1984–85). Human rights observance and democracy were viewed as prerequisites for economic and social development (White Paper no. 19 1995–96:6). In the late 1980s, after the end of the Cold War, a series of policy statements were made by different donors, stressing human rights and democracy as main goals in development co-operation. Continued aid flows were made more dependent on the human rights record and the democratisation process at the recipient end.

The stronger emphasis on human rights and democratisation was expressed in White Paper no. 19 (1995–96:11), and even more so by the current government.<sup>12</sup> There has been a broad consensus among the political parties to give these issues a prominent position in Norwegian development assistance. Positive measures have been the main instrument for achieving these goals. Already in 1985 (White Paper no. 36 1984–85) support in the form of positive measures was outlined as the main strategy. In 1991 (White Paper no. 51 1991–92:214) this was reiterated:

*[...] the government will continue to put the main emphasis on positive measures to promote human rights and democracy, both bilaterally and multilaterally. Aid should be designed in such a way that it contributes to supporting and stimulating the further strengthening of the human rights system, the rule of law and democratic institutions. Development co-operation within this field should also be characterised by comprehensiveness and a long-term policy [author's translation].*

Norwegian policy documents have underscored that aid must not be used as an instrument for “rewarding” some governments and “punishing” others (White Paper no. 36 1984–85:118). It has been stressed that development objectives and strategies have to be formulated in a policy *dialogue* between donor and recipient. The current government has reconfirmed this

position, in its efforts to strengthen human rights and democratisation “through persuasion and practical measures” rather than “sanctions and penalties”.<sup>13</sup>

Nevertheless, even back in 1984 there were openings for exceptions, though confined to extreme cases: only in certain serious circumstances could the Norwegian government, *as a last resort*, terminate, reduce, or modify its aid. This would be when

*a government of a country takes part in, tolerates or directly perpetrates violations of human rights; when these violations are systematic; when government efforts to end the abuse and bring the perpetrators to justice are lacking; and when the violations are gross and extensive (White Paper no. 36 1985–84:118, author's translation).*

This has also been the attitude of the current centrist government. It has, however, opened up for a slightly different approach in “extreme cases”: applying positive measures, and reserving negative conditionality as a final alternative:

*Unfortunately, however, we occasionally have reason to react against violations of civil and political rights in a partner country. One example is the Palestinian areas, where we have repeatedly raised the issue of human rights violations. In such situations we first consider increasing the amount of assistance for human rights measures. This will also serve as a signal to the recipient country. If this is not possible, we must consider other measures such as shifting the focus of or reducing the total amount of assistance to the country, withholding part of the assistance or, in extreme cases, discontinuing co-operation altogether. This is, of course, a response that we wish to avoid. It is therefore important to make our views clear to the recipient country, and to maintain a continuous dialogue.<sup>14</sup>*

The Norwegian policy on economic reform and conditionality is even more haphazardly treated in official policy documents and is not seen in connection with political reforms. Even though economic conditionality is often labelled “the first generation of conditionality”, it seems more appropriate to see it as the second

11 This seems to be the only place in the White Papers the word “conditionality” has been used explicitly, albeit in brackets.

12 Minister of International Development and Human Rights, Hilde Frafjord Johnson, statement to the Storting on Human Rights, 22 January 1998, and statement to the Storting on development co-operation policy, 5 May 1998.

13 Minister of International Development and Human Rights, Hilde Frafjord Johnson, statement to the Storting on development co-operation policy, 5 May 1998.

14 Minister of International Development and Human Rights, Hilde Frafjord Johnson, “The government's efforts to promote human rights”, statement to the Storting on Human Rights, 22 January 1998.

generation of conditionality in the Norwegian context, as least as far as operationalisation is concerned.

Despite the change of Norwegian policy towards Tanzania in the mid-1980s, which had wide implications of principle, the issue was not discussed in the 1984 White Paper. In White Paper no. 36 (1984–85) no mention is made of the change of the Norwegian position on economic reforms and conditionality. However, it was stated that Norwegian aid could be a means to support the crisis-ridden economies, through support to balance of payments and imports. It was underscored, however, that regardless of the nature of the measure used, the aim would still be to help the recipient government to implement its national programme and to support the country's foreign currency supply (White Paper no. 36 1984–85:113).

The initial Norwegian scepticism towards structural adjustment programmes had definitely changed by the early 1990s: “ [...] there is in the beginning of the 1990s considerable agreement between Norwegian policy and the international conditions attached to aid”<sup>15</sup> (White Paper no. 51 1991–91:185). The World Bank's crucial role as co-ordinator of structural adjustment programmes and donor support for their implementation was stressed particularly, and the CG

---

15 Author's translation.

meetings were given a prominent role in this regard (White Paper no. 51 1991–91:186). A general policy of support to the World Bank and IMF “conditionality regime” was mentioned, but not discussed in depth in Norwegian policy papers. The difficult trade-off between different conditions was not dealt with, nor that there might be cases where Norway would not be in line with the prescriptions of the World Bank and the IMF. It was noted that contributing to the implementation of structural adjustment programmes was important, and that Norway would work actively to ameliorate the adverse effects on the social sectors during the reform process (White Paper no. 51 1991–92:196,201). Potential sanctions in the form of withdrawal or aid freeze were not discussed at all. It was only stated that the choice was not between adjustment or no adjustment, but of being with or without the support of the IMF and the World Bank (White Paper no. 51 1991–92:49). The new government has continued this line. Frafjord Johnson has stated that we must impose conditions and be critical in the choice of partner countries and forms of co-operation, but the recipient countries must be in the lead.<sup>16</sup> This statement illustrates very well the bilateral donor's dilemma (cf. discussion above).

---

16 Minister of International Development and Human Rights, Hilde Frafjord Johnson, “Bistand – makt eller avmakt? Bidrar vi til varig forandring?”, speech made at a regional aid conference in Stavanger, 18 February 1999.

### 3. The Tanzanian context

#### 3.1 The Nyerere era

In contrast to most African countries, Tanzania had comparative advantages, or as Gilbert Rist (1997:127) calls them: “two trump cards”. Firstly, at independence Tanzania was a country of relative social homogeneity, in the sense that more than 80 per cent of the population lived in the countryside. None of the 120 different ethnic groups dominated the others, and with Kiswahili as the predominant language of communication – a *lingua franca* – it was possible to build a common Tanzanian identity. Secondly, in President Julius Nyerere, who had led Tanzania to independence, the country had a widely respected leader – not only in Tanzania but also among donors and generally on the international scene. He was respectfully referred to as *Mwalimu* – “the teacher”. Even people in the World Bank and its former leader, Robert McNamara, were among his admirers, and actively supported Nyerere’s initial policy. Tanzania was by many seen as a laboratory for testing an original idea that ought to be given generous backing.

In the 1960s the predominant development paradigm embraced economic growth and investment in a rather narrow sense. Economic growth and development – viewed as more or less identical phenomena – were seen as a mere question of technical expertise and knowledge. Advice on matters of capital accumulation and investment was expected to produce the well-known trickle-down effect.

In this regard, Nyerere was ahead of his time. In Nyerere’s philosophy, the point was not to reach the stage of mass consumption in Rostow’s theory of the stages of economic growth, which was a dominant theory at the time. Instead, Nyerere subscribed to a form of “willing austerity based upon discipline at work and equality of distribution” (Rist 1997:131). He did focus on economic growth, but based his development strategy on self-reliance and redistribution, making clear his commitment to a war against poverty. He was also very early aware of the danger of being too dependent on aid, which he emphasised in the famous Arusha Declaration of 5 February 1967:

*[...] but it is obvious that in the past we have chosen the wrong weapons for our struggle, because we chose money as our weapon. We are trying to overcome our economic weakness by using the weapons of the economically strong – weapons which in fact we do not possess. It is therefore a complete illusion to think that money will solve the problems, for the simple reason*

*that it is not available; it comes from taxes, and these cannot be increased.*

Nyerere went on to say that he did not believe that foreign assistance could solve Tanzania’s problems: “It is stupid to imagine that we shall rid ourselves of our poverty through foreign financial assistance rather than our own financial resources” (Arusha Declaration).

In the Arusha Declaration he also stressed that “[f]oreign aid is a danger to independence ... even if it were possible for us to get enough money for our needs from external resources, is this what we really want? Independence means self-reliance”. Nyerere further asserted that “there is no country in the world which is prepared to give us gifts and loans, or establish industries, to the extent that we would be able to achieve all our development targets”.

However, Tanzania’s development goals have not been achieved. The average Tanzanian today has the same standard of living as in 1965 (Paldam 1997:95). Nyerere had underestimated international willingness to support his country. The disbursement of aid from various donor countries has been generous. Few African countries have received as much development assistance as Tanzania. And yet, in 1998 Tanzania was ranked as the third poorest country in the world (Human Development Report 1998).

Tanzania’s first development plan for the period 1960–65 relied on nearly 80 per cent donor funding, almost half of it from Britain: a new form of domination through giving (Rist 1997:126, 134). In 1977, Tanzania’s development budget was funded by international aid to the tune of 60 per cent. According to Gilbert Rist, in the end, “it was the sympathy evoked by the Tanzanian experience which helped to bring about its downfall” (Rist 1997:133). In 1990–91 Tanzania was second only to Mozambique in its dependence on aid from DAC countries (EIU 1997:28). Today, the admirers of Tanzania are fewer and the money flow in terms of aid has decreased, due to poor economic results in Tanzania and the generally shrinking aid budgets in many donor countries. In 1997, the OECD countries reached their lowest aid/GDP ratio since the 1950s; it would now take an approximately 50 per cent increase just to return to the 1991 level (World Bank 1998a:2).

What went wrong? Was it due to aid, too much aid, bad aid, wrong strategies, bad implementation – or was it not related to aid at all? Was the problem bad

governance, or was it a case of *force majeure*, and therefore beyond the control of both the Tanzanian government and the donor countries? Or perhaps it was a combination of all these factors which placed Tanzania in this unfortunate position? In view of how much effort the donor countries have contributed in terms of money and expertise, many have been tempted to characterise the development efforts in Tanzania as one of the greatest aid fiascos in Africa. That is, of course, a counter-factual question: one is faced with a “chicken and egg problematique” in judging how Tanzania would have fared without aid. It might well be that Tanzania would have been even worse off.

### 3.2 Main trends in economic development and reform

In the 1980s and 1990s Tanzania has been in a process of more or less continuous economic reform (EIU 1997:13). Economic decline and the severe macro-economic imbalance of the late 1970s and early 1980s triggered a process of reform process. In comparison with the period 1970–76, when the annual growth rate was 5.1 per cent, the growth rate dropped to 1.2 per cent during 1980–85. There was also a decline in the annual growth rate in per capita income from 1.9 per cent to –1.0 per cent during the same period. By 1984 the inflation rate had reached 44 per cent, in addition to rising external and international deficits (Bagachwa et al. 1997:169). But, as Michael Chege puts it, in contrast to many other countries in the region, in Tanzania the development efforts have “been paved with the best of intention” (Chege 1994:266). Intellectual and politicians have disagreed as to what were the decisive factors leading to the crisis, but the gravity of the “mistakes” has been admitted (Lofchie 1989).

In the early 1980s the Government of Tanzania (GoT) took some hesitant steps towards reform (Chege 1994:273). Aimed at mobilising domestic resources, the National Economic Survival Programme (NESP) was implemented in 1981–82. In 1982–85 a Structural Adjustment Programme (SAP) was adopted; this involved internal and external trade liberalisation, budget and investment cuts and a limited devaluation. But these efforts were too weak to trigger any economic turnabout. Only 35 per cent of the expected foreign aid support to the SAP was forthcoming (Bagachwa 1997:170; Chege 1994). Donors were sceptical about the GoT’s willingness to address the real problems, and reduced their aid sharply in the early 1980s (see figure 5).

The failure of NESP and SAP, further economic deterioration, growing discontent among the general public, and pressure from the donor community all led to

Nyerere’s resignation as President in 1985. This in turn made concessions to market-driven solutions possible. Many donors, also those that had supported Tanzania when the country did not have an agreement with the IMF, confronted Tanzania in the mid-1980s with an ultimatum: continued aid would be conditional on concluding such an agreement.

In 1986 the GoT signed an agreement with the World Bank and IMF, and the Economic Recovery Programme (ERP) was adopted, fully supported by the new President, Ali Hassan Mwinyi. Within the government there was no consensus on the need to move to a more liberal, market-based economy. But according to Darius Mans (1994:354) these first reform programmes helped “jumpstart the stagnant economy, [and] the role of more reform-minded technocrats increased significantly by the late 1980s” (Mans 1994:354).

The main objective of the reform programme was to design a macro-economic framework for gradual growth recovery in real income. This programme included further devaluation of the Tanzanian shilling, monetary restraint, reform of the foreign exchange allocation system, price control, parastatal reform, financial sector reform, liberalisation of agricultural marketing, and civil service reform (Bagachwa et al. 1997:170). This led to increased bilateral and multilateral aid, as shown in figure 5 below, and debt rescheduling. Aid flows to Tanzania have been strongly influenced by concerns in the donor community. In 1986 IMF gave a stand-by credit and the World Bank supported the ERP. In 1989–92, the Economic and Social Action Programme (ESAP or ERP II) was adopted, in order to consolidate ERP and to seek to mitigate the negative social impact of the reforms. A three-year Rolling Plan and Forward Budget (RPF) replaced ESAP in 1992. The RPF was intended to hasten the pace of the reform process, but also to “realign the government with its basic role of maintaining law and order and providing social services” (Bagachwa 1997:170).

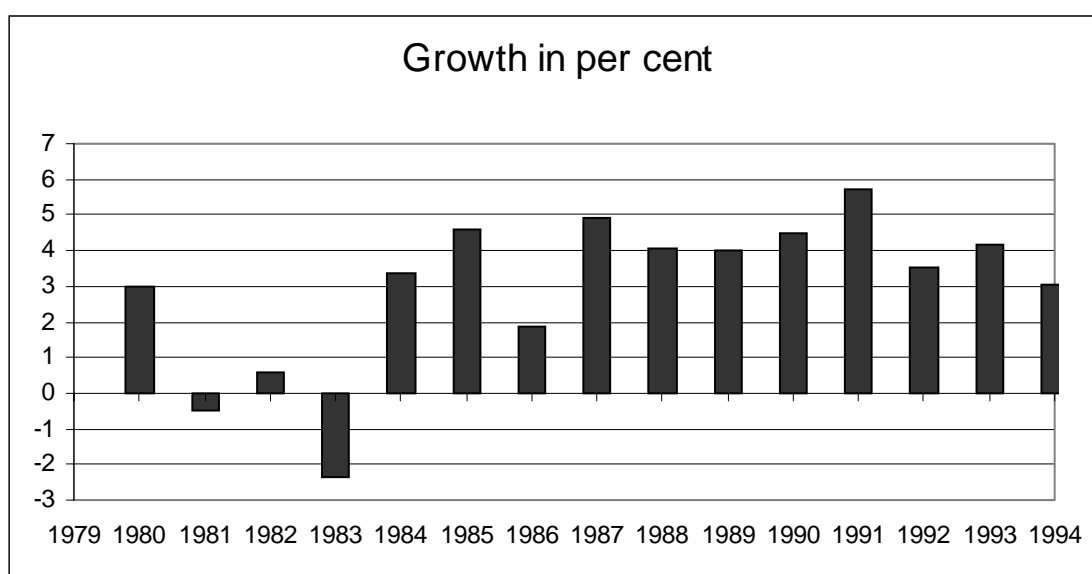
The relationship with the IMF has often been strained. In 1994 renewed IMF support was put on hold, as the 1994/95 budget had veered off course and the scandal of dubious tax exemptions emerged in late 1994. An IMF Enhanced Structural Adjustment Facility (ESAF) credit that expired in June 1994 was only half used and later withdrawn. A new ESAF credit was not granted until November 1996. Protesting against corruption in the form of tax exemptions on a scale with apparent macro-economic significance, many bilateral donors suspended some of their aid (cf. discussion in Chapter 5).

In January 1996 the GoT established a Shadow Programme, which was a reform programme but without the financial support of IMF. Because of the government's budgetary overruns, which had thwarted the Bank of Tanzania's control of monetary aggregates and inflation, a cash-budget system was adopted: the amounts released depended on revenue collection in the previous month.

In the 1997 the GoT announced that the number of civil servants would be reduced and public-sector hiring frozen. These decisions were unpopular with the Tanzanian public, but due to the perennial BoP prob-

lem, there seemed few credible alternatives to the IMF-backed reforms (EIU 1997:13). Even though Tanzania still faces many problems, Mans (1994:355) states that the reform programme has, nevertheless, dramatically turned the country's economic performance. Tanzania is better off now than at the onset of the crisis, but has not yet recovered from the crisis of the late 1970s. The growth rate has improved since the early 1980s, as illustrated in figure 1 below. In 1998 average real growth was 3.8 per cent; and according to EIU's forecast this figure will increase in 1999 and 2000, depending on the weather conditions (EIU 1998:3)

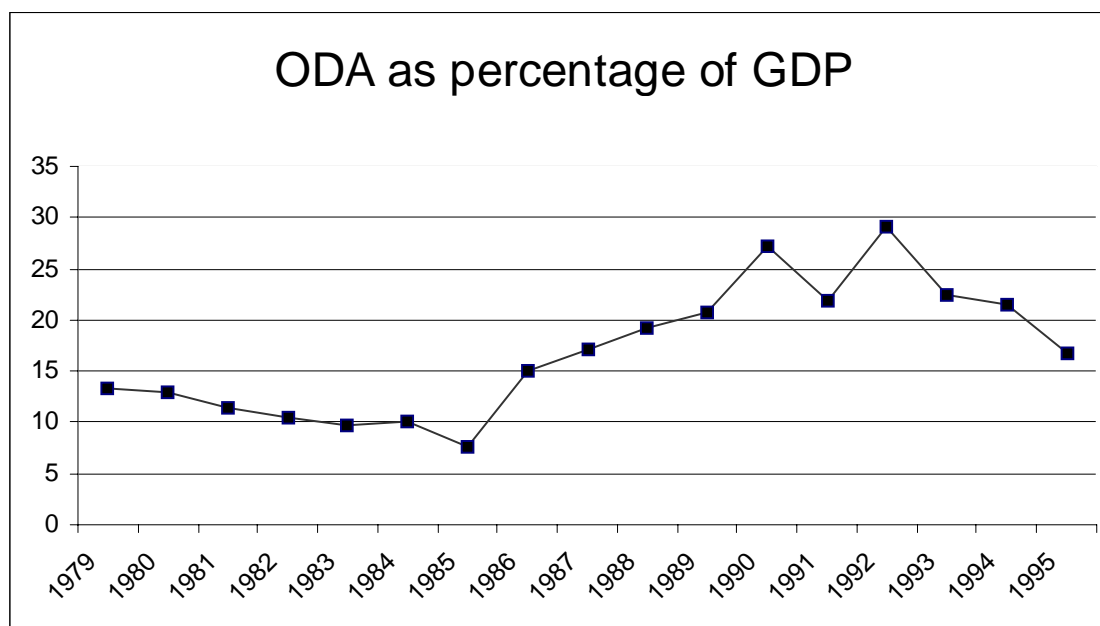
Figure 1<sup>17</sup>



The reform process has not made Tanzania less dependent on aid. Many donor reports conclude that Tanzania appears more dependent on aid than ever before. One of the long-term goals of the GoT has been to reduce Tanzania's dependence on foreign aid. This is partly driven by an awareness that the aid flows from some countries are decreasing. The figures below indicate, however, that aid dependence is still high.

In 1992 the share of aid in Tanzania's GDP was nearly 30 per cent. The percentage seems to have dropped slightly in 1996, but in the last two years it has been increasing again. In 1995 net disbursement of official development assistance amounted to 24 per cent of GDP (EIU 1997:28).

17 The statistical data used in this report, and all the figures in this chapter, are based on data from various editions of IMF's *International Financial Flows* and OECD's annual reports, *Geographical Distribution to Developing Countries*, when nothing else is specified. The figures for GDP and GDP growth are based on the author's own calculations, due to lack of comparable statistics for such a long period. It might have been preferable to also make use of official Tanzanian statistics, in order to compare various sources, but because different and comparable figures were needed over a relatively long time-frame, and the fact that Tanzanian data are based on fiscal and not calendar years, the two sources mentioned above were chosen. Another possible source of error is that some IMF figures are given in shillings and some in dollars. All the figures have been converted into dollars here.

Figure 2<sup>18</sup>

Tanzania's debt burden is still heavy, despite an agreement in 1997 with the Paris Club to write off US\$1bn of the debt due for repayment in the three years up to November 1999, and to reschedule the remainder for servicing over a 23-year period. According to the World Bank's *Global Development Finance*, Tanzania's external debt in 1995 was equivalent to 207 per cent of its GNP and 585 per cent of its exports of goods and services (EIU 1997:28).

During the reform period the development of economic and social infrastructure has been neglected, as well as investment in human capital. For example, primary school enrolment fell from 98 per cent in 1981 to 76 per cent in 1988 (Chege 1994:274).

*This was followed by the adoption of the current economic recovery program with its market-based production priorities, which have been achieved at the expense of increasing income inequalities and the virtual collapse of the government-provided social services – especially health and education – introduced in the 1960s. (Chege 1994: 273)*

In the 1990s increased attention has been given to these issues. Reform within in the public sector has been given special attention, as well as socio-economic issues.

According to Darius Mans (1994:412) the most important lesson learned from the reform process in Tanzania has been that the country must focus on adjustment and not only on economic recovery. Mans states that Tanzania needs significant structural changes, including in public institutions, such as the civil service and parastatals. Another important lesson, according to Mans, is that the reform process should have focussed more on social sectors. The social sectors are in crisis: "Tanzania's experience shows the limits of macroeconomic policy reforms aimed at stabilisation and price reforms if the necessary microeconomic foundations are not in place" (Mans 1994:413).

### 3.3 Main trends in political development and reform

The transition period after Nyerere's resignation was smooth and peaceful. The selection of Mwinyi as his successor was regarded as a compromise between Rashidi Kawawa, the powerful Secretary General of the ruling party *Chama Cha Mapinduzi* (CCM) and the then Prime Minister, Salim Ahmed Salim. Despite increasing disrest on Zanzibar since the early 1980s – largely due to what has been seen as excessive control exercised by the mainland over the island's affairs, and growing dissatisfaction among ordinary people caused by economic decline – the political atmosphere in Tanzania has been calm compared to most other African

18 When aid is referred to in this report, aid is defined as ODA: this refers to financial flows comprising grants plus concessional loans that have at least a 25 percent grant component from the governments of developed countries and multilateral agencies to the developing world (World Bank 1998:6). It might be argued that other financial flows also should be included, but this share is so minimal that it seems unnecessary to have a separate graph for such flows (see *International Financial Statistics*). A recent paper by Charles Chang et al. (1998) questions conventionally used measures of aid such as ODA, which lump together grants and loans, and then present it as reflecting true aid flows. Chang et al. propose a new measure for aid: "Effective Development Assistance", which measures official aid as the sum of grants and the grant equivalents of official loans. EDA for Tanzania has not been available, but the discrepancy between ODA and EDA in general is much smaller for Africa than Latin America and Asia. For Africa in general EDA is 10% less than ODA (ibid).

countries. The country has had a fairly independent judiciary and a relatively good human rights record. Nevertheless, the US Department of State (1996) reports that the police commit human rights abuses regularly. It is also reported that arbitrary arrest and prolonged detention continues, and that the judicial system is inefficient and corrupt.

In April 1990, a Presidential Commission started its work of eliciting public opinion on the return to a multiparty system. This was in response to external pressure and the general winds of change. Despite the pro-reform pressure group, the National Committee for Constitutional Reform, there was no credible opposition to the CCM on the mainland. The conclusion of the Nyalali Report, named after the Commission's chairman, Chief Justice Francis Nyalali, was overwhelmingly supportive of the status quo. B.U Mwansasu (1996:71) explains this by the fact that Tanzania has had a long tradition of one-party dominance, "where the very notion of organised opposition was considered treacherous and, therefore, something no patriotic citizen could associate with". Nevertheless, political reforms were effected, and the single-party era came to an end in June 1992. A multiplicity of opposition groups emerged, but there was little evidence of any real threat to the CCM's position, except on Zanzibar.

From time to time the political peace has been stirred a little, as when a group of parliamentarians forced through a motion calling for the establishment of a separate mainland government in 1993. Nyerere intervened and the CCM dropped the initiative. In 1994 the labour movement, Tanzania Trade Unions (OTTO), for the first time showed signs of being an independent political force, when a brief general strike was organised over minimum wage legislation.

Mwinyi's Presidency was regarded as weak and accused of mushrooming corruption. Nyerere condemned him for incompetence and also criticised the economic reform process under his rule as an "unplanned retreat from socialism" (EIU 1995:7). The final term of Mwinyi was riddled with political scandals. The GoT was also condemned by donors for "irregular activities" by the Ministry of Finance (EIU 1997:7).

Also after the multiparty election in 1995, Tanzania and Zanzibar remained under the rule of the CCM. In the presidential election the CCM candidate, Benjamin Mkapa, was backed by Nyerere; he was elected and given the mandate to appoint the "third-phase" government.<sup>19</sup> Mkapa won the elections with a comfortable margin, garnering 63 per cent of the vote, while

Augustine Mreme mustered 27.8 per cent, Ibrahim Lipumba 6.4 per cent and John Cheyo 4 per cent.

The elections were characterised as dubious, and voting in Dar es Salaam was postponed three weeks. When the election results in seven constituencies in Dar es Salaam were cancelled, the opposition refused to repeat the poll. An unsuccessful petition to nullify the election results was delivered to the High Court. But, according to most sources, there seems little doubt that Mkapa was desired by a majority of voting Tanzanians. However, the other political parties contested on very unequal terms. The CCM enjoyed privileged access to state radio as well as having the advantage of incumbency.

In recent years, the ties which hold the Tanzanian state together seem to have loosened. In the process of political liberalisation, divisions have emerged in Tanzania as in many other African countries. There has been increasing division between the mainland and the islands; between Muslims and Christians; between the indigenous groups and Asians; and between Zanzibaris of African and of Arab ancestry.

The CCM has declared its intention to transform itself into a political mass party. It has also embraced market-based economic reforms and a multiparty political system, but the slogans of socialism and self-reliance from the Nyerere era seem to be alive and well, and large factions within the party appear unconvinced of the blessings of liberalising reforms.

Even though more than a dozen new political parties have been registered they have failed to form a united front capable of challenging the CCM hegemony (Mwansasu 1996:67). Most parties seem driven by personal political ambitions or led by old-breed CCM politicians – or "yesterday people" as Mwansasu (*ibid.*) calls them. Nevertheless, a few half-hearted unification initiatives have been taken. The opposition groups do not seem to have achieved nation-wide support, with perhaps a few exceptions. The National Convention for Construction and Reform (NCCR-Mageuzi) has since 1995 been led by the former deputy Prime Minister, Augustine Mreme. The other parties are the Kamati ya Mageuzi Huru, United Democratic Party (UDP), which enjoys support particularly from Tanzania's largest ethnic group, the Sukuma.<sup>20</sup> The Civic United Front (CUF) has been characterised as an unhappy marriage of convenience between the mainland-based Chama Cha Wananchi and the powerful Zanzibari opposition.

<sup>19</sup> Mkapa's "third phase" government followed Mwinyi's "second phase" and Nyerere's "first phase" government.

<sup>20</sup> Nevertheless, the Sukuma constitute less than one fourth of the population.



The political situation on Zanzibar has perhaps been the hottest political issue in recent years. The 1995 elections on Zanzibar were heavily criticised. International observers found serious irregularities in the polling process, and questioned the re-election of the then CCM president on Zanzibar, Salmin Amour Juma (US Department of State 1996). The Zanzibari government has also been accused of harassing the opposition. Thus, the elected CUF MPs decided to boycott the parliament.

After the flawed elections, large sections of the donor community responded by adopting negative conditionality. Norway decided not to assist new projects on Zanzibar until a solution was found to the political problem on the island. This has been a most difficult case, not only for the Union Government, but also for the donor community, which has applied a kind of partial conditionality towards the island while maintaining a normal aid relationship with the mainland. The situation has changed little since the 1995 elections. There seems to have been a tacit understanding between the donor community and the GoT to refrain from exerting too much pressure on the Union Government to take action. The Union Government does not seem to have the power to pressurise the Zanzibari government into compliance. If it tried, the existing fissures between Zanzibar and the mainland might widen, secessionist forces on Zanzibar would be strengthened, and the future of the Union would be put in jeopardy. Since the CUF accepted the CCM's main demand of recognising Amour's presidency, it has been up to the CCM to make the next move. Amour has sought to make constitutional changes so that he can run again for the presidency in 2000. Such changes would be possible only if the boycott of the parliament by CUF MPs were prolonged. However, the bulk of the donor community made it clear that aid flows would be resumed only if there were full political reconciliation.

In 1998 eighteen members of the CUF were accused of staging an external plot to destabilise Zanzibar, but the prosecution has failed to establish concrete evidence against the detainees. Amour's intransigence in proceeding with the trial has irritated the donor community. Finland, the only Nordic country which maintained a bilateral aid programme on the island after the 1995 elections, decided in spring 1999 to withhold further aid to Zanzibar until the conflict between the CUF and the CCM was resolved.

However, the impasse on the archipelagos appeared to be escalating in the beginning of 1999; leaders of the CUF and the United Democratic Party (UDP) accused president Makapa of exacerbating the conflict, failing to meet the opposition while visiting Pemba, one of

the Zanzibari Islands, in March 1999. Nevertheless, less than two months later, on 4 May, the two parties signed a preliminary 15-point agreement brokered by Dr. Moses Anafu, a special envoy of the Commonwealth Secretary-General Emeka Anyaoku. It was expected that a final agreement would be signed later that month. As early as September 1998 Anafu had drafted an agreement, which was accepted by the CUF. A committee appointed by the CCM had continued to work on the agreement and proposed several changes to its content. Thus, in spring 1999 Anafu thought that the parties had moved so much closer that it was worthwhile to resume mediation. The result was an agreed memorandum between the CCM and the CUF, where it was stated that the parties had realised that if the impasse was allowed to continue, it would exacerbate social divisions, retard the orderly socio-economic development of Zanzibar, and undermine the nascent democracy:

*CCM and CUF have therefore agreed to put the past behind them and in the higher interest of Zanzibar; to work together in a spirit of national reconciliation to consolidate democracy in Zanzibar; promote human rights and good governance and ensure that the elections scheduled for the year 2000 and all other subsequent elections are free of controversy and in which the will of the electorate will be respected.<sup>21</sup>*

The agreement proscribed that the CUF endorsed President Salmin Amour as the winner of the 1995 elections and ended its boycott of the Zanzibar House of Representatives (*East African* 12 May 1999). A presidentially appointed assessor is to implement the agreement, and to judge the validity of the claims and advice on the nature and scope of redress. It has also been agreed to scrap the current Zanzibar Electoral Commission and replace it with an independent body with members of both parties. Many disputes remain to be solved. The 18 opposition members of the CUF are still in jail; their release was not part of the agreement. The critical point will be the implementation phase. This agreement should be greeted with guarded optimism.

Another hot political potato has been the allegation of corruption. In his election campaign Mkapa promised a crusade against high-level corruption. In January 1996 a former Prime Minister, Joseph Warioba, was appointed to chair a presidential commission of enquiry into official corruption. The Warioba Report concluded that corruption was widespread. In December 1996 the Minister of Finance, Simon Mbilinyi, resigned and so did the Minister of Housing, Juma

<sup>21</sup> Agreed Memorandum Between Chama Cha Mapinduzi (CCM) and the Civic United Front (CUF).

Ngasongwa. The problem of corruption has been more or less constantly on the political agenda in recent years. Lately it has been extensively covered in a more critical and open Tanzanian press. But the government's commitment to abolish corruption from public life seems to be faltering (World Bank 1998). Many are disappointed that Mkapa has not proven tougher in dealing with corruption. However, others seem to think that he has gone as far as he can in the circumstances, which has been to survey the extent of the problem. Still others think that he should have been much harder, because his position would not be threatened. In 1998, the GoT launched a renewed campaign against corruption, but the recommendations from the Warioba Report of 1997 have yet to be implemented. When in 1998 Mkapa reshuffled his cabinet, many saw this as an opportunity to get rid of some politicians with a dubious reputation. But the shake-up seemed rather to be "preservation and even enhancement of the position of ethnic and regional parties in the upper echelons of the government" (EIU 1998:3). Government critics have pronounced it a tactical move to secure Mkapa's re-election in 2000.

Another politically sensitive issue has been President Mkapa's elusiveness on the question of constitutional reform. He has insisted on grassroots participation in the reform process, but the opposition accuses him of trying to create a quasi-dictatorial neo-socialist state. Even former President Nyerere has articulated concern about the reforms.

### 3.4 ODA to Tanzania

Nyerere's *ujamaa* philosophy met with great enthusiasm and admiration among the Nordic countries. Samuel Mushi (1995:226) characterises the Nordic admiration as "Tanzaphilia", which has been reciprocated by "Nordiphilia" in Tanzania. Norwegian development assistance to Tanzania commenced in 1962, but an extensive country programme was elaborated only later. The first bilateral agreement was signed in 1966 and was limited to Norwegian economic support for a vaccination programme in Mbulu, in the Arusha

region (*Tanzania Country Study and Aid Review* 1988:200). In 1968 a more extensive agreement was signed. From the 1960s to 1983 there was a substantial increase in total bilateral aid to Tanzania. In 1984–85 there was a decrease in total bilateral aid, until the volume started to rise again after Tanzania reached an agreement with the IMF in 1986 (*Tanzania Country Study and Aid Review* 1988:201).

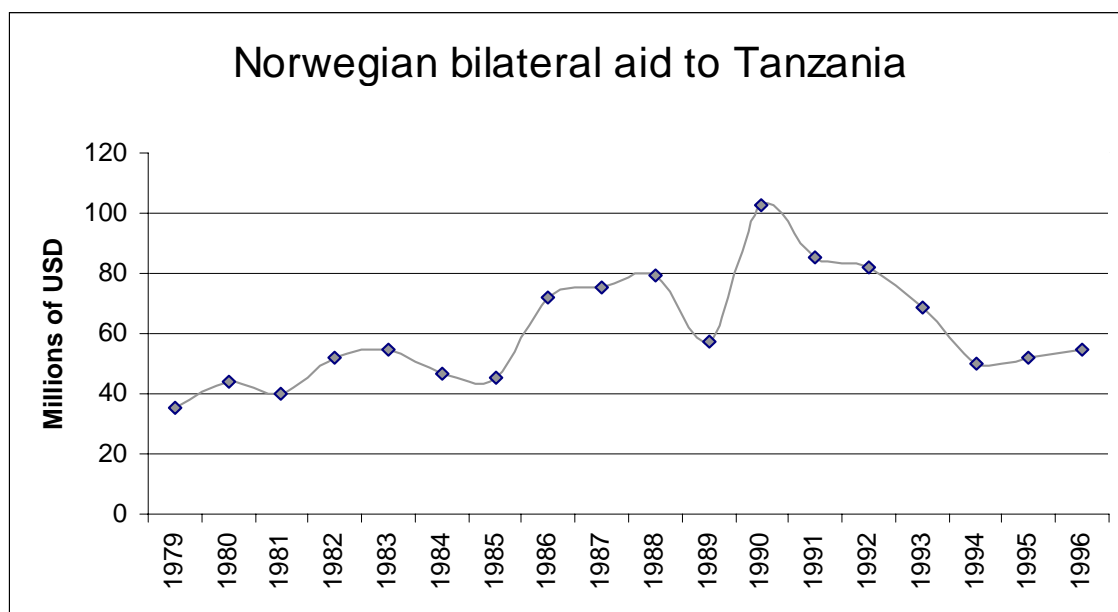
Tanzania has been a major recipient of Norwegian aid. From 1962–1970 Tanzania's share in total Norwegian bilateral aid constituted only 6.5 per cent, but from 1973 Tanzania became the largest single recipient of Norwegian development assistance. In 1972 Tanzania's share in Norwegian bilateral aid accounted for 11.3 per cent, and reached 17.4 per cent in 1983 (*Tanzania Country Study and Aid Review* 1988:201). In 1990 Tanzania received as much as 20 per cent of total Norwegian bilateral aid.

In 1987, the Norwegian researcher Tore Linné Eriksen wrote:

*Tanzania's time as a popular co-operation country seems definitely to be gone. Instead, "aid fatigue" is discernible, and seems to be noticeable among politicians and the administrative leadership of the Ministry of Development Co-operation. Those who are first and foremost preoccupied with the "effectiveness" of aid do not have so many projects to refer to. For the private sector Tanzania is not very attractive, and the more radical part of public opinion is more concerned with southern Africa and Latin America. In sum, this has resulted in Tanzania having lost its special place in Norwegian development co-operation (Eriksen 1987:132, author's translation).*

But even if the Norwegian Tanzania enthusiasts may have become disillusioned, and Tanzania's share in total Norwegian bilateral aid decreased somewhat in the 1990s, Tanzania remains one of the biggest and most important recipients of Norwegian aid. Volumes of Norwegian aid to Tanzania from 1979 to 1996 are shown in figure 3 below.

Figure 3



There was an increase in the flow of Norwegian aid to Tanzania in 1997 and 1998, but there will probably be a slight reduction in 1999 (Cf. NORAD's Plan of Operation in Tanzania for 1999).

Trends in the volume of Norwegian aid to Tanzania in this period have largely followed the trends in the aid volume from the Nordic bloc as a whole. In the period under study, Sweden has been the largest single donor to Tanzania. From 1979 to 1994, except for the years 1980, 1987 and 1992, Sweden ranked as the biggest bilateral donor to Tanzania. Since 1994 Japan has occupied this position. The scaling down of Swedish aid has been particularly dramatic, especially in view of the fact that Swedish aid for more than 20 years has accounted for more half of total Nordic aid.

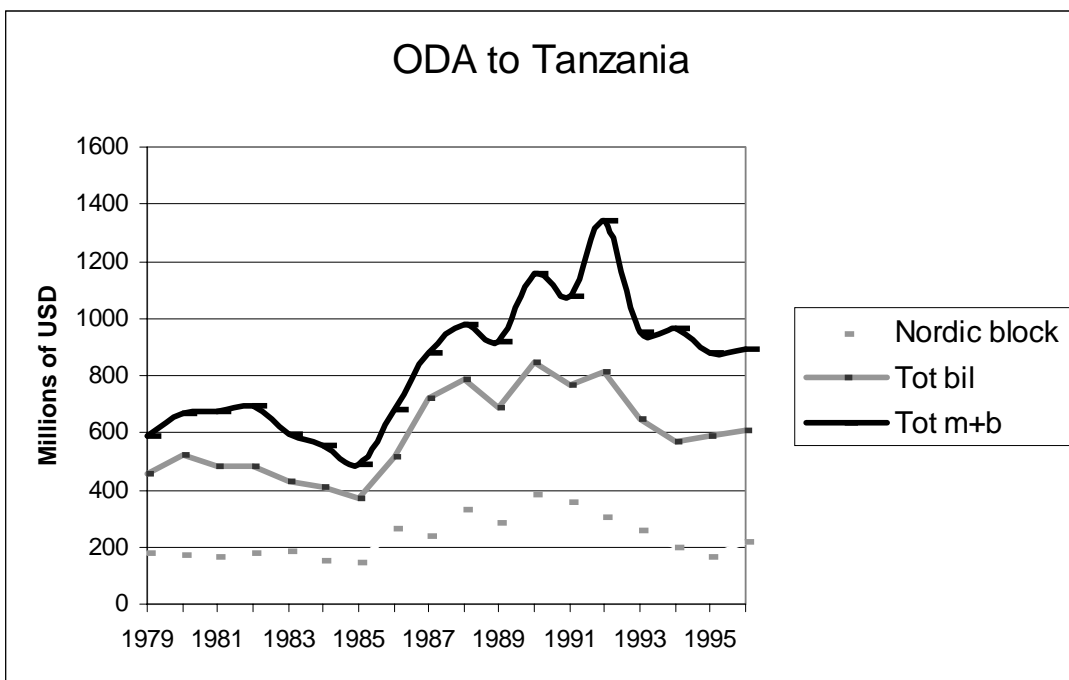
Apart from in 1989, Norway was the second or third largest donor to Tanzania from 1983 to 1991. But in 1996 Norway had dropped to seventh place. From 1979 to 1996 the Norwegian share in total bilateral aid to Tanzania has fluctuated between 7.67 and 13.96 per cent. In 1996 this figure was down to 9 per cent. However, if the multilateral aid component is added, the Norwegian share in Tanzania's total aid has been 5 per

cent in the period 1995–98 (NORAD's Plan of Operation in Tanzania for 1999).

In 1986 the Nordic bloc was responsible for as much as 50.95 per cent of total bilateral aid to Tanzania. After 1986 the Nordic bloc's share in total aid to Tanzania was reduced. In 1980 and in 1985 the Nordic share in total bilateral aid receipts was 32.91 and 39 per cent, respectively. In 1987 the figure was not more than 32 per cent, but climbed in 1991 to a peak of 46.91 per cent, dropping to 28.38 per cent in 1995, and then rising to 36.31 per cent in 1996.

If the figure for Nordic aid is compared to total bilateral and multilateral aid, the Nordic countries have largely followed a similar pattern, but the fluctuations have not been as dramatic. In the early 1980s the Nordic countries maintained their aid levels; when the total aid volume to Tanzania peaked in 1992 at US \$1343 mill., the Nordic countries decreased their aid volume. The top year for the Nordic bloc was 1990 with US \$382 mill., and from then on the level decreased in 1991 to US \$358.3 mill. and to a mere US \$166 mill. in 1995.

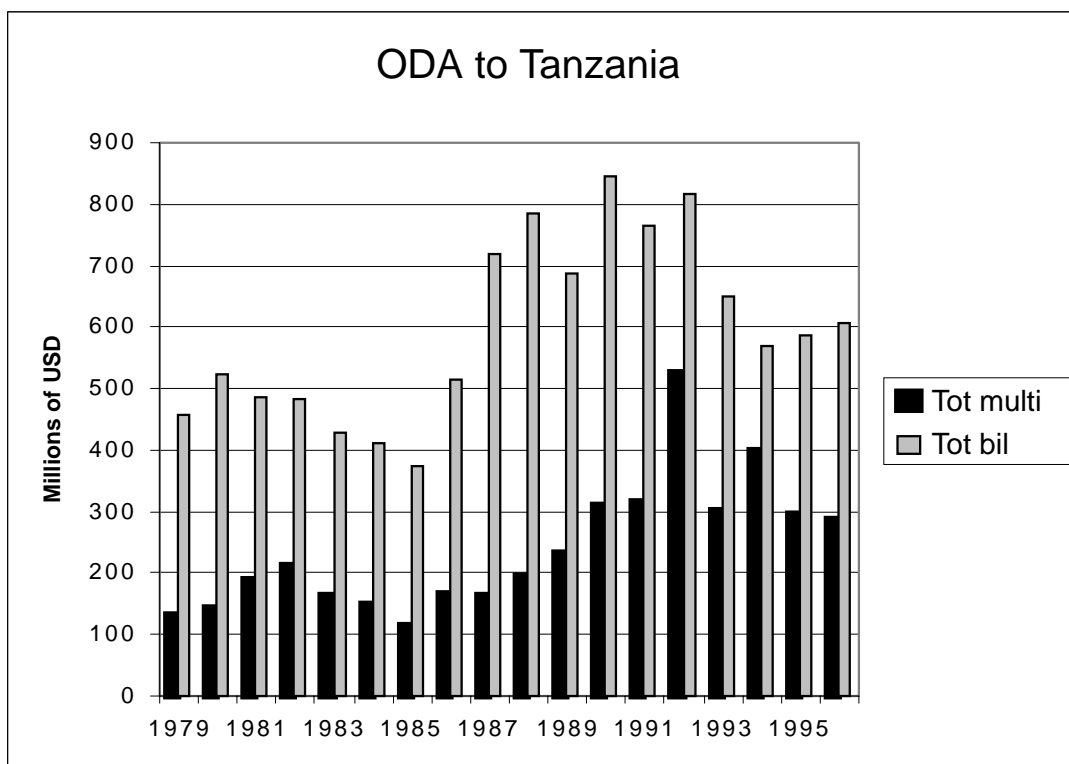
Figure 4



Bilateral donors have contributed the largest share of aid to Tanzania even if the multilateral aid has increased in recent years. In 1996 the contribution from bilateral donors was double that of the multilateral-

als, as illustrated in figure 5 below. But even though aid from bilateral donors represents a large proportion of all aid to Tanzania, the World Bank and the IMF seem to have much more clout regarding the GoT.

Figure 5



### Goals for Norwegian aid to Tanzania

In the 1970s Norwegian assistance was predominantly channelled to individual projects. It was a guiding principle that support should be allocated to areas where Norway had special competence, so Norwegian assistance concentrated on coastal transport, fisheries and hydropower development. In the 1980s the nature of Norwegian assistance changed in response to the economic crisis. Commodity Assistance Support was introduced in order to increase Tanzania's capacity to import raw materials to support agriculture and other key sectors (*Tanzania Country Study and Norwegian Aid Review* 1988:204). In the 1980s Norway gave low priority to social sectors, whereas productive sectors and physical infrastructure were given high priority (*ibid*: 205). In the 1980s aid also spread to new areas. Despite increased attention to human rights in the 1980s, there was no particular focus on political and civil rights, with the exception of the rights of women. An action plan for women-oriented co-operation was formulated in February 1987.

Since the late 1980s the overriding objectives have been economic reconstruction, safeguarding a basic level of social services, and contributing to responsible management of resources (MFA 1994:20; White Paper no. 8 1994–95:68–69). According to NORAD's strategy there has been a gradual reorientation from programme aid to sector aid (NORAD 1992:28).

Since a new country strategy has not yet been completed, the country strategy for 1994–97 is still the basis for Norwegian aid activities in Tanzania. Priority is given to seven main sectors: political reforms, administrative development, economic development, education, environment and natural resources, infrastructure, and AIDS prevention. Political reform and democratisation are seen as prerequisites and key factors for sustainable development. Hence, political reform is considered vital and one of the main areas of concentration in the aid co-operation between Tanzania and Norway (MFA 1994:33–37). In the plan of operation for 1997 democratisation is identified as a priority area.

## 4. Conditionality, a reversed micro-macro paradox and the Samaritan's dilemma

### 4.1 Introduction

Before entering the presentation and discussion of the role of Norway in the aid negotiation processes some theoretical approaches and perspectives will be drawn up to serve as a guide through the empirical material. The ambition is not to solve theoretical problems but to see how theory can help in shedding some light on a number of questions. What role is the bilateral donor playing in the broader aid context? What can a bilateral donor realistically hope to achieve in aid negotiations? How can the role of the bilateral donor be understood and explained in the context of conditionality? What role can Norway play towards a country like Tanzania in a conditionality context, and how can one understand the changes in Norwegian policy towards Tanzania? Does Norway play the same role and behave consistently in different fora, and if not, how can this be explained?

Scholars refer to increasing consensus in the donor community (see e.g. Nelson 1996; Killick 1997 and 1998; Hewitt & Killick 1996). But is this a real consensus, or has the framework for aid changed so much that there is less room for independent policy positions on the part of bilateral donors? Is the international aid agenda and policy to a larger extent determined by the World Bank? (cf. Killick 1998). If so, perhaps Norway finds itself in the same position as Canada, as Black and Therien (1996) have argued. They assert that Canadian aid policy, particularly towards Africa, is increasingly defined at the systemic level by the international aid regime. According to Black and Therien (1996:259) this "illustrate[s] the growing intensity and coherence of global governance in this area". These issues will be discussed in this chapter.

### 4.2 In search of an appropriate analytical framework

The discourse within international relations has often been stylised and oversimplified in two broad and differing systemic perspectives: the realist and the internationalist. In the former perspective, international relations is a question of self-interest and power, as "the concept of interests is defined in the terms power" (Morgenthau 1948). Some base this in human nature, others in the anarchic structure of the international system, also labelled neo-realism (e.g. Waltz 1979). That self-interest matters more and takes priority over a value-based, more ethical foreign policy is based on the systemic compulsion of how the international system works. Contrasted to this is the internationalist

perspective, which is also a many-faceted school of thought. Here the state is not seen as the principal actor. In recognition of international interdependence, peaceful conflict resolution and co-operation are what are sought.

How can aid be understood as a policy arena? Is aid a discrete area disconnected from other foreign policy concerns, driven by humanitarian and moral concerns alone? Within the aid discourse we find both the realist and the internationalist perspectives. At the one extreme, some argue that aid is just self-interest (e.g. Griffin 1991), whereas at the other pole there are those who argue that aid policy is driven by humanitarian concerns and idealism (Lumsdaine 1993). However, although an internationalist like David Lumsdaine admits that economic and political interests do influence the shaping of a country's foreign policy, he claims that, when it comes to aid, these interests have been of minor importance compared to a humanitarian conviction. He argues strongly that it was a humanitarian concern which shaped aid and forms the basis of foreign aid:

*Aid cannot be accounted for on the basis of economic and political interests alone; the essential causes lay in the humanitarian and the egalitarian principles of the donor countries (Lumsdaine 1996:30).<sup>22</sup>*

Both these perspectives are stylised and inadequate for grasping the changes in the aid regimes or understanding the behaviour of bilateral donors. The aid policy of most countries contains elements of both self-interest and altruism, although the "mix" will vary from one set of circumstances to another, and also over time. These perspectives have often characterised the somewhat polarised Norwegian aid debate, with a strong normative bent.

Recent research reveals that the aid allocations of bilateral donors can best be explained by political factors. Economic and strategic interests are important in bilateral aid policy, whereas multilateral aid is not so much influenced by such considerations. Significant differences have been found between donors. Economic and strategic considerations were not important for a handful of countries: Norway, Sweden, Finland,

<sup>22</sup> Lumsdaine's study is thorough and goes through an enormous amount of data, but his findings are not convincing. His analysis ends in 1989, at which point the real changes started.

Denmark, the Netherlands and Canada (Alesina and Dollar 1998; Burnside and Dollar 1997; World Bank 1998a:42). Do these middle-sized and small countries have particular characteristics which can help to explain their position in international politics?

### The small state in international politics

Many studies of Norwegian foreign policy start by characterising Norway as a “small state”. But is size at all a relevant analytical concept in the study of international politics? And what *is* a small state in international politics? In academic studies size often refer to states’ capabilities in terms of resources (see e.g. Keohane 1969; Elman 1995). Thus, even if Norway is a “big” donor in terms of aid as a percentage of GNP – indeed, it is often ranked at the top – Norway is still a small donor in terms of money flows in absolute volumes.

Realist historians and realist political scientists often argue that the foreign policy of small states is merely a reflection of the power relations between the superpowers to which they are allied. According to this perspective Norway does not have an independent foreign policy; it follows in the tracks of the great powers and adapts to their policies. If we accept this argument, then any change in Norwegian aid policy is just a reflection of changes in the aid policy of the bigger donors.

However, this perspective seems insufficient. How can we explain that Norway as part of the Nordic bloc prior to 1984 with regard to Tanzania did not follow suit with the other major bilateral and multilateral donors (the World Bank and the IMF)? The Nordic bloc continued to support Nyerere in defiance of the multilateral institutions. Is this not an example of small states taking an independent stand? Or is it perhaps confirmation of the realist argument: taken together, the Nordic countries were a big donor at that point in time (see figure 4 in the previous chapter), by virtue of which they exercised their power. Has Norway on its own, or jointly with Nordic bloc, lost influence after the volumes of aid have been reduced?

Might there be some areas of foreign policy where power relations are manifested in different ways? There are, according to former Norwegian Deputy Minister of Foreign Affairs, Jan Egeland. In 1988 he published the book *Impotent Superpower – Potent Small State*, in which he argued that in the field of human rights, power relations are turned upside down. He then concluded that a small state like Norway can have far greater influence than the superpowers.<sup>23</sup>

*On the bilateral and multilateral arena the small state emerges as a more uncontradicted and*

*approved human rights activist than perhaps any other (Egeland 1988:73).*

Egeland explains this with reference to Norway’s smallness, its good human rights record and non-colonial past, and that Norway was a dedicated advocate of the de-colonisation process. Norway’s “good behaviour” has given it moral authority. Norway can use its moral authority to induce bigger states to follow suit. According to Egeland, the superpowers are constrained by overriding strategic and security considerations, because of their military and economic strength. The small state is free from such considerations.

If there were any truth in Egeland’s argument, surely it would also be applicable to the area of aid and conditionality. Norway, together with the like-minded group, is among the few countries to have reached the UN disbursement target of 0.7 per cent of GNP as ODA. Norwegian aid has also traditionally been less tied than that of most other countries. Untied aid is estimated to increase the output on average by 20 per cent (World Bank 1998a). The Nordic countries seem to respond more to the “correct” parameters, e.g. income levels (Burnside and Dollar 1997). Canadian, Dutch and Nordic assistance has been shown to be singularly targeted to poor countries (Alesina and Dollar 1998). For instance, half of Swedish aid has gone to the 12 poorest countries in the world, weighted by per capita income. These findings were also supported in a recent World Bank report (1998:16):

*In the Nordic countries, strategic variables – such as colonial past or United Nations voting patterns – play almost no part in allocations. Nordic aid is targeted to the poorest countries, favouring open economies, and democracy.*

In terms of Egeland’s argument, Norway’s commendable aid record should thus translate into moral authority in the aid policy field.

Norway has not only been a relatively big donor to Tanzania. The Nordic bloc as a whole has been a big donor in absolute terms. The Nordic distribution was particularly substantial in the 1980s. 1986 was the peak year of Nordic bilateral aid to Tanzania – contributing as much as 50.95 per cent. From 1985–87 Norway was the second biggest bilateral donor to Tanzania after Sweden.<sup>24</sup> Thus, its “clean aid record” together with a substantial aid contribution would be

<sup>23</sup> It should be noted that it was not until in 1998 that Norway started work on internalising international human rights conventions to Norwegian law; only when this is completed will international human rights have priority over Norwegian law.

<sup>24</sup> From 1979 to 1994 Sweden was the biggest bilateral donor to Tanzania except for the years 1980, 1987 and 1992, when the Netherlands, Italy and United Kingdom, respectively, topped the list.

expected to give Norway moral authority and power to influence policy in Tanzania.

In a previous study, linkage diplomacy was used as an analytical approach to the investigation of different strategies Norway could use with aid as the principal tool for promoting human rights and democracy (Selbervik 1997). Linkage diplomacy is a technique of influence, whereby one state tries to induce changes in the behaviour of another state. This is basically the same mechanism that is found when a donor sues aid as a tool to influence the policy or behaviour of another country. The analysis revealed that, regardless of the nature of the issues involved, the linkage strategy was most effective if the target country – the recipient – wished to identify itself with the initiator state – the donor – in terms of values or ideology. Between Tanzania and the Nordic countries there has been a particularly cordial relationship. Nyerere characterised the Nordic countries as its “all-weather friends”. Therefore, applying the argument to the Norway–Tanzania aid relationship, Norway’s probability of success in influencing Tanzania should be high on two accounts. Although a small donor in general, Norway is a relatively big donor to Tanzania, particularly when seen together with the other Nordic countries. Second, Tanzania and Norway are perceived to share values to a large extent, at least traditionally; thus Tanzania would be more likely to identify with the position of Norway. Together with the “nice guy” argument, there are many good reasons why Norway would be able to exert influence on Tanzania.

However, the aid volume of the Nordic bloc has been dramatically reduced in recent years (see figure 4), although Norwegian aid has not been reduced as dramatically as that of Sweden. Can it be convincingly argued that Norway’s influence has been reduced because of diminishing aid? Has Norway’s influence been further reduced after the Nordics “changed sides” in favour of an agreement with the IMF? Perhaps it was easier for the Nordic countries to persuade Tanzania that the economy had to be reformed since Norway and the other Nordic countries were social democratic countries, and “nice guys” could hardly be suspected of harbouring ulterior motives.<sup>25</sup>

Are these perspective adequate to understand international bargaining processes, and to explain why Norway seems to behave differently within a multilateral setting, e.g. in the CG meeting context, than in bilateral aid negotiation processes? Newer research on international bargaining processes has found that most conventional perspectives are insufficient. Scholars are abandoning the conception of the state as a monolithic

actor, through which international and domestic theories of international bargaining are seen as integrated (see e.g. Moravcsik 1993:5). The two-level game approach differs from previous theories by projecting itself as a theory of international bargaining processes (see Putnam 1988). Andrew Moravcsik (1993:4) argues that to understand international negotiation and diplomatic history “the statesmen involved simultaneously calculate the domestic and international implications of their actions”, and are trying to balance international and domestic concerns in a process of “double edge” diplomacy. This can help explain why donor behaviour may vary in different settings. Despite many good arguments to support the small state influence thesis, Norway is facing dilemmas in balancing different concerns, and will lack credibility in pursuing its conditionality policy.

### 4.3 The Samaritan’s dilemma

The Norwegian conditionality policy towards Tanzania may be illustrated by the “Samaritan’s dilemma”, based on simple game theory. This may also help explain why Norway as a bilateral donor may pursue a different policy or/and behave differently in a CG setting than e.g. in bilateral negotiations. The model may also help shed some light on the donors’ credibility problem in pursuing their conditionality policies.<sup>26</sup>

This theory and argument derive from James M. Buchanan’s article from 1975, on social problems within the welfare state. Buchanan applies his hypothesis to certain aspects of current policy discussions on welfare reform, but adds that it “is only one among many applications, and by no means the most important one” (Buchanan 1975:74).<sup>27</sup> According to Buchanan, the “Samaritan’s dilemma” is caused partly by economic and income growth; actors have increasingly found themselves able to take soft options (ibid.:75), for example as in our case of aid provision:

*Stated in the most general terms possible, the hypothesis is that modern man has become incapable of making the choices that are required to prevent his exploitation by predators of his own species, whether the predation be conscious or unconscious. The weakness here may be imbedded in man’s utility functions. The term “dilemma” seems appropriate because the pro-*

25 This argument draws on the study by Cukierman and Tommasi (1998): “When does it take a Nixon to go to China?”

26 It should be noted, perhaps, that the “Samaritan’s” dilemma is only a theoretical construction – a condensed expression – or a pair of glasses worn when interpreting the empirical data. Therefore, an exhaustive picture of the mechanisms or incentive structures influencing the Norwegian–Tanzanian aid relationship will not be given. Rather an aspect of crucial importance will be pointed out, in order to grasp some of the dilemmas a bilateral donor such as Norway may be facing.

27 The Samaritan’s dilemma has also been applied on aid issues, see e.g. Pedersen 1996 and Sevansson 1995.



*blem may not be one that reflects irrational behaviour on any of the standard interpretations. Origins of the dilemma are, in part, economic, and these are found in the increasing affluence of choice-makers. Analysis here lends substance to the cliché that modern man has “gone soft”. His income-wealth position, along with his preference order, allows him to secure options that were previously unavailable (Buchanan 1975: 74–75).*

This study will not consider Buchanan's model in detail, but try to adapt his argument to the case study at hand. Buchanan's model and argument is transferred to the donor-recipient relationship as illustrated in figure 6. This model might be particularly fruitful in explaining the behaviour of a group of small and middle-sized donor countries – the like-minded countries – whose policies are more altruistically motivated than those of most other donor countries (Alesina and Dollar 1998; Burnside and Dollar 1997; World Bank 1998a).<sup>28</sup> It will be hypothesised here that, perhaps precisely because of their altruism, they are facing a dilemma as described in the model. Their unwillingness to inflict utility loss in a short-term perspective is likely to prevent the achievement of their real long-term goals.

Note that it will not be discussed whether it is “right” – or ethically defensible – to adopt a policy of conditionality. The intention is to shed light on the dilemmas that a bilateral donor like Norway may be facing in pursuing its conditionality policy towards Tanzania, and how Norway has tried to overcome these dilemmas.<sup>29</sup>

		Recipient	
		Reform 1	No Reform 2
Donor	Aid Sanctions 1	<b>A</b> (2,2)	<b>B</b> (1,1)
	Aid 2	<b>C</b> (4,3)	<b>D</b> (3,4)

**Figure 6.** *A Samaritan's Dilemma*

28 Small and middle-sized donors are not inherently more altruistic than other donors. However, an empirical regularity seems to be that a group of a countries with some common characteristics, such as contributing a relatively high percentage of their GNP as ODA, a non-colonial past (the Netherlands excepted), limited commercial interests in recipient countries etc., in general have been more altruistic than other donors (see also Ege-land 1988; Stokke (ed.) 1989; Pratt (ed.) 1989).

29 There are also many other problems, perhaps more important ones, like the well-known disbursement imperative, which both bilaterals and multilaterals seem to be facing.

Figure 6 shows a simple two-by-two payoff matrix confronting two players – in this case a donor and a recipient. The donor can choose between rows 1 and 2, and the recipient between columns 1 and 2. The utility indicators are the payoffs, arranged in ordinal sequence. As indicated in the figure, row two will be the dominant strategy of the donor, regardless what the recipient does or is predicted to do. According to this model, cells A and B provide no real alternatives for the Samaritan, because, even if reforms are carried out, the “Samaritan suffers by its own inability to provide charity” (Buchanan 1975:76). The recipient will not be in the same position; his behaviour will depend on the donor's action. If the donor chooses row two – disbursement of aid – the recipient will choose column two. Since the donor has a dominant strategy, the recipient can predict the donor's behaviour. The solution to this game – equilibrium – will be cell D.

Vague threats to cut off charity in the absence of reforms, i.e. if the conditions are not met, remain empty “unless there is demonstrated willingness to carry out such threats” (Buchanan 1975:76). If arguing along the lines suggested by Buchanan and actually carrying out these threats, the Samaritan – the donor – will suffer disutility: “He may find himself seriously injured” (Buchanan 1975:76). But for this strategy to be effective, credibility must be established: the Samaritan “must accept the prospect of personal injury” (Buchanan 1975:76).

For the Samaritan an ideal solution to the game would be cell C. The Samaritan would wish to help as long as there is need. Ending up ultimately in cell A would make the donor redundant. That is part of the Samaritan's dilemma, since he will suffer because of his inability to provide charity. Anyhow, for the Samaritan to establish credibility he must be willing to go through temporary suffering.

This may explain why it is so difficult for bilateral donors to impose sanctions, and if sanctions are actually applied, this is only temporarily as long as its charity is required. Following Buchanan's argument, one way to overcome the dilemma would be “to delegate the power of decision in particular choice situations to an agent, one who is instructed to act in accordance with the strategic norms that are selected in advance” (Buchanan 1975: 77–78). This might in this case be the World Bank, whose policy is the outcome of the sum of bilateral decisions. The recipient country would then be more likely to believe that the agent would behave in accordance with its stated policy, and the World Bank would not be facing the same Samaritan's dilemma. One way of solving the dilemma would be for Norway to tie its conditionality policy – by adopting cross-conditionality – to the

World Bank, which may serve as a buffer the prospect of short-term disutility. Perhaps this can explain why Norway's position bilaterally seems to be much softer than that taken within a multilateral setting, such as a CG meeting context. Within a bilateral setting – with no cushion – it would be difficult and not credible for the Samaritan pretending to be a “hardliner”.

It might then be rational for the bilateral donor to transfer all politically difficult decisions to multilateral institutions. But then again, the bilateral donor may suffer by not being able to offer with concrete action. As a consequence of the reform process, the Samaritan may be facing yet another dilemma.

### **The donors' conditionality policy towards Tanzania – an illustration of a reversed micro–macro paradox?**

A major criticism of the structural adjustment programmes and the donors' macro-economic conditionality has been the social cost of these programmes. Tanzania's achievements in basic health services and primary education, at least at the lowest levels, were substantial during the early Nyerere era. At many CG meetings Tanzanian representatives have expressed fear that these achievements might be jeopardised by a process of structural adjustment (see Chapter 5). The negative social consequences of the reform process have also been a growing concern in the donor community.

In recent years the Tanzanian government has largely managed to stabilise the economy and to meet the economic benchmark set by the IMF. The argument of the most “pro-reform oriented” has been that the social sectors will also benefit in the long run. Furthermore, there is a widespread impression in the donor community that the general standards of living have improved in recent years.<sup>30</sup> But while there has been a clear improvement at the macro-level, other indicators seem to suggest a growing discrepancy between the achievements at macro and micro levels, as will be discussed later in this study.

In the wake of increased aid fatigue and budgetary constraints in many donor countries, the debate on the effectiveness of aid has intensified (cf. Chapter 2). Whereas some positive effects of aid have been recorded at the micro level, the results at the macro level have generally been much poorer.<sup>31</sup> Economists have termed this phenomenon the micro–macro paradox of aid.<sup>32</sup> According to Karl R. Pedersen (1997),

studies of the effectiveness of Norwegian aid have focused on the micro effects, while neglecting the macro-economic consequences of aid. According to Pedersen this gives a misleading picture of the total aid effect. He further asserts that questions relating to conditionality have not been taken seriously by researchers and aid bureaucrats, and that the macro-economic consequences of aid are critically related to the conditions set towards a country's national economic policy (Pedersen 1997:229).

But in Tanzania – as indicated previously – there seems to be a discrepancy between poor results at a micro level and reasonably good macro-economic results in recent years: the reverse situation of the micro–macro paradox. It may be justified, therefore, to ask whether aid to Tanzania has contributed to a reversal of the micro–macro paradox – at least in a short-term perspective? Perhaps it is attributable precisely to the donors' “conditionality regime” and a somewhat narrow focus on macro-economic benchmarks?

If such a hypothesis can be substantiated, it is likely that it will aggravate the “Samaritan's dilemma”. It will be even harder to go for tough options at the micro level, where people are visibly suffering, even if they might be better off in a longer time perspective. This will reinforce the Samaritan's dominant disbursement strategy, and a potential conditionality policy will crumble.

It will also be more difficult for donors to legitimise a conditionality policy towards their “constituency Samaritans” if poverty alleviation is the stated aid objective while they fail to increase disbursement to social sectors at the micro level where the pro-poor impact is greatest.

Lately there has been increasing recognition of the need to “get the budgets right”, to improve donor coordination, to reduce project assistance, and, at least in rhetoric, let the initiative remain with the recipient. Taking cognisance of these needs could, in turn, have a number of invidious consequences for the allocation of future aid, and could create further dilemmas.

The result could be a return to more traditional forms of aid. Interviews with donors and the minutes from the CG meetings indicate that this may become a new trend. How Norway will respond to these challenges and dilemmas is, however, difficult to judge from the material available for this study.

30 Interviews with several representatives of the donor community in Dar es Salaam in December 1998.

31 However, the considerable methodological problems in measuring the effectiveness of aid should be noted.

32 See Paldam 1997:109–132.

## 5. Double-Edged Diplomacy

### 5.1 Introduction

This chapter will focus on the aid negotiation processes and the aid dialogue, particularly the role played by Norway in different forums. It will be shown in the discussion that Norway is trying to balance different concerns in a kind of double-edged diplomacy.

### 5.2 From all-weather friends to fair-weather friends only?

Until 1984 Norway supported Tanzania's own structural adjustment efforts, short of an agreement with the IMF. The summary *Agreed Minutes* from the annual Norwegian–Tanzanian development co-operation consultations express the Tanzanian delegation's warm appreciation of Norwegian support in this difficult period for the Tanzanian economy (cf. *Agreed Minutes* 1980–83). Relatively large proportions of Norwegian assistance were made available for commodity assistance and BoP support, in order to buttress the reform programmes directly. The indicative planning figures for 1983–86 allocated 50 per cent of total Norwegian allocations for such purposes (*Agreed Minutes* 1982). No reference was made to the fact that Tanzania had not concluded an agreement with IMF. This changed in 1984, however.

During the annual Norwegian–Tanzanian development co-operation consultations in March 1984, Norway expressed great concern about the absence of an agreement with the IMF, which was regarded as “seriously impeding the Structural Adjustment Programme” (*Agreed Minutes* 1984:1). Even if Norway were ready to continue disbursement of BoP in 1984, future disbursement would not be made unconditionally:

*Norway has decided to defer a decision on allocations for balance-of-payments support for the planning period 1985–88. A decision regarding this will take into consideration the development of Tanzania's economy and the progress made in the negotiation with IMF and the World Bank (ibid: 2).*

According to the Norwegian delegation it was difficult for Tanzania to obtain the foreign currency needed to overcome Tanzania's economic problems. Later in the same document, it was stated that “further assistance in this form will have to be assessed by Norway in the light of the progress made in Tanzania's negotiations with the IMF and the World Bank” (ibid:7). Norway did not stipulate any strict or ultimate conditions at this stage, but the position was made very clear – a major shift from Norway's erstwhile position. In

November 1984 a Nordic–Tanzanian symposium was held in Dar es Salaam in order to discuss Tanzania's precarious economic situation, structural adjustment efforts, and the role of Nordic development co-operation.<sup>33</sup> The change in Norwegian policy had by that time been made even more resolute.

In the terms of reference for the Norwegian delegation participating in the symposium on 16–17 November 1984, representatives were instructed to communicate the new Norwegian position. It was also emphasised in the instructions that no signals be given to commit future aid.<sup>34</sup>

The Norwegian main statement heeded the instructions in full. One of the Norwegian delegates stated that a positive attitude towards a real increase in Norwegian aid would be dependent on Tanzania reaching an agreement with IMF. The Norwegian representative further said that it was presumed that such an agreement would be followed by a general “moratorium” on foreign debt. Early visible “proof” of strengthening of administration and management on various levels was seen as crucial.<sup>35</sup> It was added that it was hoped that the uncertainties and anxieties, which to some extent had marked the relationship between the Nordic countries and Tanzanian authorities over the past years, would now be “dispelled”.<sup>36</sup>

All the Nordic countries stressed the need to come to an agreement with the IMF and the World Bank. The World Bank representative in Dar es Salaam had confirmed that this would most likely happen in early 1985. Nonetheless, Finland and Denmark stated that Tanzania could not expect any aid increase. Sweden and Norway, on the other hand (notwithstanding the Norwegian instructions to the contrary, noted above), indicated that any aid increase would be conditional on an agreement having been concluded between the GoT and the IMF.<sup>37</sup> Most donor statements were very critical of Tanzania's intransigent stand in the negotiations with the IMF. Tanzania was told in unequivocal terms that no extra assistance would be forthcoming from the Nordic countries unless an agreement could be reached with the IMF – which was tantamount to an ultimatum. In fact, the Nordic countries had expected the symposium to take place “very shortly after conclusion of an agreement between Government of Tan-

33 333.1-Tan, Press release.

34 331.1-Tan, “Mandat for DUHs deltagelse i Nordisk/Tanzaniansk symposium Dar es Salaam 16.–17. november 1984.”

35 331.1-Tan. 84/13166-3.

36 331.1-Tan. 84/13166-3.

37 333.1-Tanzania, “Notits”, 22. Nov. 1984.

zania and IMF".<sup>38</sup> According to the Swedish statement the Nordic countries had agreed to hold the symposium, even though an agreement with the Fund had not been reached.<sup>39</sup> Nevertheless, the Nordic message at the symposium could hardly be misunderstood: in order to receive Nordic aid, Tanzania would have to come to an agreement with the IMF shortly. But how this was perceived on the Tanzanian side at this point in time remained to be seen.

Prior to the symposium, there had been many consultations among the Nordic countries. Sources suggest Sweden as the most eager to change the Nordic position, pushing the other Nordic countries to adopt the Swedish line. Within the Norwegian camp there was deep disagreement on the issue. Likewise, there seemed to be discord among high-ranking Norwegian representatives in Dar es Salaam at the time. In the end, however, the position in favour of Norway's continued support to Tanzania on previous terms lost out. The fact that Norway and the other Nordic countries continued to support Tanzania for so long against the Bretton Woods institutions may relate to many factors. Strong personalities seemed to play a crucial role.

According to a former Norwegian Ambassador to Tanzania, Gunnar Garbo, the change in policy was not debated in the Norwegian Storting, but only briefly mentioned in the White Paper on development cooperation one year later.<sup>40</sup> The World Bank's negative image, particularly among leftist politicians and academics, was not as visible at that time; it became evident only later. In fact, up until the 1980s the World Bank had been providing project support and massive support to Nyerere and his socialist experiment.

By 1985 an agreement with the IMF was not yet in place, and Norway reiterated during the annual consultations that, despite some positive signs in the Tanzanian economy, successful reform would depend on an agreement with the IMF. The Norwegian delegation believed that such an agreement would result in substantial inflow of foreign exchange, and pave the way for increased loans and grants from other donors and the World Bank (*Agreed Minutes* 1985:2). Norway reconfirmed its position, and stated its intention to review the country programme by the second half of 1985, in case an agreement between the IMF and Tanzania was not been reached (*ibid*).

In the following year's annual consultations, Norway reiterated its concern about the economic situation and

the importance of agreeing on an IMF package, and tempted with a carrot if the negotiations succeeded:

*if such programme [IMF package] is established, Norway will consider granting additional funds within a co-ordinated support framework with other donors and international financial institutions (Agreed Minutes 1986:4).*

The head of the Tanzanian delegation responded that the Tanzanian government was preparing a more comprehensive recovery programme, which would include both macro and micro measures to improve the economy, and expressed hope that this would attract more external resources (*Agreed Minutes* 1986:3). By 1986, the Tanzanian government had to give in and accept the IMF conditions.

### 5.3 The CG meeting process

In 1986 the first Consultative Group (CG) meeting since 1977 was held in Paris between Tanzanian representatives and the donors. The reason for this long hiatus was the inability of the Tanzanian government to design a comprehensive reform programme "relevant to the country's problems", as seen by the donor community.<sup>41</sup> When the CG meeting was held in June 1986 no agreement between the GoT and IMF was yet in place; it was to be signed later that year.

Tanzania's compliance with the IMF conditions was a result of a tug of war within the government and the CCM. The government had long had a faction of pragmatic politicians who were trying to push Nyerere – who by then had resigned as President but was still the leader of the CCM – to come to an agreement with the IMF. At that point Nyerere was taking a position of wait and see. President Mwinyi had adopted a pro-reform position, in line with a market-based economy as suggested and pushed by the IMF. The Prime Minister, Warioba, assumed a kind of middle position.

As the donor community was pressurising the Tanzanian government, this was considered a politically risky exercise. Prior to the CG meeting, the Norwegian embassy in Tanzania had expressed great concern about the economic situation in Tanzania, particularly its potential political ramifications. This concern had also been expressed in a meeting between representatives of the GoT and the donor community. Norway was quite self-critical and stated that the big donors shared the responsibility for the current economic plight of Tanzania.

38 333.1-Tan, "Swedish introductory statement at TAN-NORDIC Symposium".

39 333.1-Tan, "Swedish introductory statement at TAN-NORDIC Symposium".

40 Interview, Gunnar Garbo, 14 October 1998.

41 37-IBRD-Tanzania-konsortium, "Executive Directors' Meeting – June 23, 1986."

Norway also assumed responsibility, together with the rest of the Nordic bloc and the remaining Western donor countries, for pushing Tanzania in the direction of reforms along the same lines as the IMF credit conditions. Great concern was expressed about the political consequences if the economic recovery programme did not succeed, and if donor support failed. Due to the gravity of the situation, calls were made for co-operation and goodwill by all parties concerned. Even if Norway did not have the resources to contribute with substantial funds, it was seen as crucial that the financial gap be filled.

Many other donors were also distressed about the political consequences of the reform process. If the whole exercise failed, a backlash effect was feared: return to status quo and maybe even further back to the situation before the GoT started its economic recovery programme in the early 1980s. It was feared that influential people within the CCM could neutralise or squeeze out the more reform-oriented politicians from government. It was seen as crucial, therefore, that Tanzania be given the economic backing needed for maintaining a stable political situation.

In IMF's statement at the 1986 CG meeting it was made clear that their contribution would be made available proportional to the level of aid disbursed by the bilateral donors. This put substantial pressure on the bilateral donors.

The different bilateral donors' position that Tanzania had to reach an agreement with the IMF if their aid levels would be sustained or increased seemed uncontroversial.<sup>42</sup> Canada was perhaps most explicit, stating that the alternative to an IMF agreement would be a substantial cut in Canadian aid to Tanzania.<sup>43</sup>

The conclusion of the joint Nordic statement was also clear on the point that there seemed no alternative to an agreement with the IMF:

*To this end the Nordic countries believe that at present there exists no realistic alternative for Tanzania to an agreement with IMF, and a joint action by the Government of Tanzania and the donor community.*<sup>44</sup>

Many actors made pledges of extra funding if an agreement were reached, including the World Bank, Sweden, Norway, Canada, the Netherlands, and the Saudi Fund. Finland also appeared with a smaller pledging statement.

According to Tore Linné Eriksen (1987:132) Norway did not in fact contribute extra funding to Tanzania in 1987 as pledged, except for debt relief on a loan from 1977 and a NOK 9 million increase in 1986. This did not seem to be due to lack of political will, but rather to a difficult budget situation in Norway in that fiscal year.<sup>45</sup> Instead, NOK 40 million was reallocated from project assistance to import support. In total Norwegian direct and indirect contribution to the Recovery Programme amounted to NOK 65 million in 1986. It should be noted that Norwegian aid to Tanzania in real terms increased from US\$ 45.4 million in 1985 to US\$ 71.8 million in 1986. This level was sustained, even with a slight increase in 1987 to US\$ 75.2 million, and rose further in 1988 to US\$ 79.1 million.<sup>46</sup>

At the CG meeting in 1987 Norway stated that there was no room for increased aid to Tanzania, since Norwegian aid to Tanzania had made a big jump in 1986, and aid to Tanzania accounted for almost 16 per cent of Norway's total bilateral aid. Nevertheless, it was reconfirmed that Norway would maintain the previous year's aid level, despite the strained economic situation in Norway. However, the Norwegian delegate said that Norway would try to persuade other donors to contribute with a more "fair" share of the total aid flow to Tanzania.<sup>47</sup>

Norway gave its full support to the IMF-initiated reform process and confirmed that "the main objective of Norway's co-operation for the next few years will be support to the ERP".<sup>48</sup> Nearly 50 per cent or NOK 180–190 million of the annual country programme was allocated to commodity assistance/import support.<sup>49</sup>

By 1987 there seemed to be general satisfaction among the donors about the way in which the Economic Recovery Programme was being implemented, and the Tanzanian authorities received praise for their efforts. From the documentation available for this study, it is hard to judge to what extent it was the economic reforms or the good climatic conditions that year which produced the most significant improvements in Tanzania, especially in the agricultural sector.

The 1987 CG meeting dwelled more on the social sectors than that of the previous year. Many of the speakers, including the World Bank representative, although not that of the IMF, focused on the social costs of ERP. According to the World Bank these costs were mainly a result of the economic recession; in the longer run the ERP would have a positive impact on social sectors

42 37-IBRD-Tanzania-konsortie, 86/9441-1.

43 37-IBRD-Tanzania-konsortie, 86/9441-1.

44 37-IBRD-Tanzania-konsortie, 86/9441-1.

45 37-IBRD-Tanzania-konsortie, 86/9441-1

46 OECD 1990; see also figure 3 in Chapter 2.

47 37-IBRD-Tanzania-konsortier, General statement (Norway).

48 37-IBRD-Tanzania-konsortier, General statement (Norway).

49 37-IBRD-Tanzania-konsortier, Pledging statement (Norway).

as well. Furthermore, the World Bank conceded that social services and the education sector had deteriorated in the past year. Many of the representatives emphasised, therefore, the need to balance the ERP better, and to give higher priority to the social sectors.<sup>50</sup> The Tanzanian Minister of Finance also regretted that the country's substantial results in health and education was threatened by the ERP. But according to the World Bank, this would improve:

*If it continues to be implemented with vigour, and is supported with adequate amounts and appropriate kinds of external resources, the recovery that is now beginning can be strengthened and sustained (World Bank 1987:1).*

It was believed that even though no dramatic turnabout had occurred and much of the country's infrastructure continued to deteriorate, there was evidence that the policy was beginning to have a positive impact.

The CG meeting in July 1988 also exhibited broad donor consensus about progress of the ERP, although "great enthusiasm" was not in evidence.<sup>51</sup> Canada and Switzerland warned about the dangers if the IMF and the World Bank wanted "too much, too fast".<sup>52</sup> Compared to previous CG meetings, criticism against the public and administrative sector increased, pointing to lack of efficiency. In a self-critical vein the Tanzanian representatives also pointed to these aspects.

Also in 1988 the consequences of the ERP on "soft sectors" like health and education were highlighted by many bilateral donors. A representative of the World Bank repeated the gist of the statement made by the Tanzanian Minister of Finance at the CG meeting in 1987, that Tanzania's achievements in this area were in danger. Nevertheless, despite the donors' strong signals of general belief in the ERP and Tanzania's ability in economic reconstruction, critical points were raised. Some speakers asked whether there was sufficient political will on the Tanzanian side to implement the ERP. For example, the political will to close down unprofitable businesses was questioned. Doubts were also voiced as to whether the government's five-year plan and the party's fifteen-year plan appreciated the need for economic restructuring. The Tanzanian Minister of Finance, Msuya, responded by confirming that it was GoT official policy to shut down unprofitable parastatals, and stated that the government's five-year plan did contain the elements embodied in the ERP. He

was not willing, however, to comment on the party programme.<sup>53</sup>

In nearly all donor statements, pledges were made conditional on progress in the negotiations between the IMF and Tanzania. Nothing dramatically new of a negative or positive nature was brought onto the table. The meeting seemed rather like a repetition of the previous annual meeting, regarding actors as well as statements.<sup>54</sup>

Norway joined the rest of the donor community, and gave Tanzania credit for the positive developments in the implementation of the ERP. Norway's general statement confirmed that Norway had committed additional funds to Tanzania, and that total Norwegian aid to Tanzania in 1987 exceeded the estimated amount, totalling NOK 546 mill. It was expected that total disbursement for 1988 would make another jump to NOK 640 mill.<sup>55</sup> This considerable increase was a reflection of the Norwegian government's encouragement to and confidence in continued vigorous implementation of the rehabilitation programme.<sup>56</sup>

*Tanzania has over the last three years received between 25–30% of Norway's total bilateral assistance to Africa. This year nearly 30%. On top of this, Tanzania has certainly enjoyed her share of Norway's considerable multilateral assistance. I hope it will be appreciated that it may be difficult for my Government to maintain its assistance to Tanzania at such a high level over a longer period, regardless of how successful Tanzania may be in her implementation of the ERP. Having stood by Tanzania for a long time, we hope that other donors who may have been lagging behind in previous years, will shoulder more responsibility, both with regard to aid volume and by giving aid on more concessional terms.<sup>57</sup>*

The main objective of Norwegian assistance to Tanzania in this period was stated very clearly as "support to the Economic Recovery Programme".<sup>58</sup> As regards the composition and terms of assistance to Tanzania, the view presented by the World Bank was fully sup-

50 37-IBRD-Tanzania-konsortier, "Den konsultative gruppe for Tanzania" (Minutes, 17 July 1987).

51 37-IBRD-Tanzania-konsortier, Konsultativ gruppe for Tanzania (Minutes 12–13 July 1988).

52 37-IBRD-Tanzania-konsortier, Konsultativ gruppe for Tanzania (Minutes 12–13 July 1988).

53 37-IBRD-Tanzania-konsortier, Konsultativ gruppe for Tanzania (Minutes 12–13 July 1988).

54 37-IBRD-Tanzania-konsortier, Konsultativ gruppe for Tanzania (Minutes 12–13 July 1988).

55 Figure 3 shows total disbursement below this figure. The same is the case for 1989; this is not due to conditionality or any political motivated hold back off aid, but due to pipeline problems. Much of the pipeline was disbursed in 1990, which explain a major jump in the Norwegian aid volume to Tanzania that year.

56 37-IBRD-Tanzania-konsortier, Pledging Statement (Norway), 12–13 July 1988.

57 Ibid.

58 Ibid.

ported, and was “by and large adopted with regard to Norway’s assistance to Tanzania.”<sup>59</sup>

The scheduled 1989 CG meeting was postponed twice, because IMF/GoT agreement had not been reached concerning the further economic restructuring programme as a basis for restructuring loans. But after an agreement was concluded in late 1990, scheduled for discussions in the leading organs of the IMF and the World Bank, it was decided to hold the meeting. The main theme was the economic situation after three years’ implementation of the ERP, as well as the strategy for further reconstruction, as expressed in the Economic and Social Action Programme (ESAP) for the subsequent three-year period.

The main conclusion was that implementation of the ERP had been successful thus far, although many problems remained. Despite growth in GNP, it was another question whether the standard of living for the average Tanzanian had improved. From 1986–89 GNP increased by 3.5–4 per cent. This was lower than expected, but still higher than the population growth rate. It was an immense improvement compared to the 1980–85 period, when the average growth rate was a meagre 1 per cent.<sup>60</sup>

The data material does not suggest that the Nordic countries or other countries within the like-minded group had given particular emphasis to “soft sector” issues thus far. The UNICEF representative was the only one to raise such issues. During the CG meeting in 1989 the UNICEF representative also insisted on the inclusion of a gender dimension in ESAP, and a heightened general awareness on these issues. Sweden, Denmark, the Netherlands and Norway supported the remarks made by the UNICEF representative. However, these issues remained marginal in the ensuing discussion, and were not mentioned in the press release after the meeting.<sup>61</sup>

However, ESAP, which was the follow-up to ERP, was meant to give more attention to the social sectors. During the three-year period of ERP the social problems were acknowledged by the GoT and the donors, and repeatedly pointed to by Tanzanian representatives. Also the World Bank was giving increased attention to these issues. But the argument was that, once the economy recovered, the trickle-down mechanism would improve performance in the social sectors: in other words, in a slightly longer time perspective, the social sectors would also benefit. Still, it seemed to be

acknowledged that too little direct attention had been given to these issues in the reform process.

It has often been stated that Norway, together with the rest of the Nordic bloc, has contributed to the strengthening of the social dimension in the economic reform programmes. From the available material it is difficult to substantiate such a claim, even though this was a major source of concern by the Nordic countries already in 1984 during the Nordic–Tanzanian summit. There is no indication in the material that Norway has played a prominent role in that regard, particularly not in the context of the CG meetings. There seems to have been a general understanding among the Nordic donors that it was better to try to influence the policy of the World Bank through their representatives at headquarters in Washington DC.<sup>62</sup> But again, this is difficult to document. The Nordic countries, since 1991 including the three Baltic republics as well, constitute only 3 per cent of the vote in the World Bank. All the same, there seems to be a general assumption among the informants that the Nordic countries have contributed to increased attention to social sectors in the World Bank, but there is disagreement as to the extent to which this is the case.

What seems interesting in light of the initial Norwegian resistance to changing its policy is that, once it did change, Norway very loyally toed the line of the multilateral institutions. The somewhat hesitant Norwegian attitude seems to reflect the Nordic disappointment with developments in Tanzania at the time. The Nordic countries were, in fact, accused of delaying the economic reform process by supporting Tanzania with large amounts of aid, in the absence of an agreement with the IMF. In the 1990s this trends seems to be changing slightly.

### Getting tougher

In 1992/93 there seems to have been an explicit shift in the donor community. The donors’ patience was wearing thin. Notwithstanding some improvements in the Tanzanian economy, too many indicators were pointing in the wrong direction. Norway began taking a much tougher stand than earlier, illustrated by the Norwegian statement at the CG meeting in 1992. Even though Tanzania had managed to turn overall economic decline into growth, these achievements were accompanied by disconcerting factors:

*Firstly, when looking at the large increase in financial inflows over the years, the GDP growth rate may seem rather modest [...] Secondly, the macroeconomic stability problems, both in terms of external and internal imbalance, seem to have*

<sup>59</sup> Ibid.

<sup>60</sup> 37-IBRD-Tanzania-konsortier, Notat, “Møte i den konsultative gruppe for Tanzania – Paris 18.–20.12.89.” (Norwegian Minutes of the meeting).

<sup>61</sup> Ibid.

<sup>62</sup> Interviews with Nordic donors in Dar es Salaam, weeks 48 and 49, 1998.

*increased and except for the inflation figures there is little evidence that structural adjustment has yet contributed much to consolidate or improve the key macroeconomic indicators. [...] The balance of this, I am afraid, is that Tanzania seems even more dependent on external aid today than it was when the [sic] program started.*<sup>63</sup>

A Norwegian memo prior to the 1993 CG meeting stated quite frankly that because of increasing aid dependence and escalating corruption, clear political and economic signals should be given at the forthcoming CG meeting. Norway would prefer that the CG meeting resulted in decreased aid to Tanzania, compared to what Tanzania and the World Bank had planned for the fiscal year 1993/94.<sup>64</sup> The memo pointed to the many mechanisms undermining achievements, and stated that it seemed justified to put greater pressure on the Tanzanian government to implement the reforms and to increase the mobilisation of national resources. Nevertheless, no suggestions were made as to how pressure should be increased, or whether Norway would take concrete action.

The change in attitude was reflected in many of the donor statements at the CG meeting in 1993. While the World Bank for some years had been presenting overly optimistic economic growth estimates, its prognoses were now becoming somewhat more realistic, after repeated corrections by many of the bilateral donors. It was clear that many of the bilateral donors were taking a much tougher position than the World Bank. This certainly applied to Norway. The bilateral donors appeared more willing to put power behind their threats than did the World Bank. It is interesting to note that the bilateral donors' behaviour deviates from the model presented in Chapter 3. The disbursement imperative seemed more pressing for the World Bank than for many bilateral donors, even though this was obviously also a problem for the latter. The World Bank was apparently more eager to continue disbursement despite harsh criticism.

This supports one of the main criticisms in the literature against the use of conditionality: donors lack credibility when it comes to withholding or cutting back on their aid pledges if conditions remained unfulfilled. Empty threats give the recipient few incentives to change its behaviour. There may not be anything wrong with the conditions as such, but rather the way in which the donors go about enforcing them. Another argument against the use of conditionality is the lack of ownership on the recipient side when conditions are

imposed. If the reforming country does not feel ownership, it will do as little as possible to implement the agreed course of action, and there will be insufficient political will to make the reform process vigorous and sustainable.

In Tanzania, as in most other reforming countries, there are various factions more or less willing to reform. Reforming the economy may be politically risky, especially since it may have negative consequences for many sectors and adversely affect a large number of people. In such a situation the donor community may work as a supporting factor for the reformist factions and perhaps tip the balance in their favour. Obviously, the opposite effect may result if the donors do not follow through on their conditions.

The main shift in the early 1990s appears to have been a tougher stand on the part of the bilateral donors in their criticism and conditions than that of the World Bank and the IMF. Many of the criticisms expressed by the donors at the CG meetings were often not responded to by the Tanzanian representatives, with reference to lack of progress being caused by external factors and/or lack of resources and foreign capital.

The donors' criticism intensified in 1994, when allegations of massive corruption were made, particularly related to non-collection of customs duties, which implicated senior officials of the Ministry of Finance, including the Minister himself. A meeting was summoned to discuss whether the scheduled CG meeting should be postponed. A letter from the Nordic-Baltic office in the World Bank stated that:

*In view of the serious nature of the corruption charges and the lack of action taken by the Tanzanian authorities so far, the IMF has cancelled a discussion of a new ESAF for Tanzania scheduled to take place on Friday, November 11, and the World Bank is considering whether to cancel/postpone the CG meeting planned for November 17-18 in Paris.*<sup>65</sup>

Preliminary investigations indicated that, on an annual basis, only TZS 8 billion of an estimated TZS 44 billion in custom duties had been collected. The shortfall figure of TZS 32 billion was estimated to be equivalent to around 10 per cent of the government's total annual revenues, or approximately 3 per cent of GDP.<sup>66</sup>

World Bank and IMF staff had established a list of companies which had been granted customs exemptions for reasons that were questionable or clearly in

63 Statement by Norway, CG meeting Tanzania, June 29-30, 1992.

64 37-IBRD-Tanzania, 93/2080-2, "CG-møte for Tanzania".

65 CG-møte 1994, 93/01069-12, "CG-møte for Tanzania. Lokal oppfølging".

66 Ibid.



violation of existing procedures. The Tanzanian President had earlier come to an agreement with the donors that immediate action would be taken and that a press statement be prepared. Several days later, no public announcement had been made.

Tanzania decided to postpone the CG meeting, but that decision appeared to have been caused, in effect, from the resistance expressed by many donors. Several bilateral donors, together with the World Bank and the IMF, were not in favour of holding a meeting, because it could be seen as an ill-judged political signal towards the Tanzanian Government, and as interference in the ongoing investigation of the corruption allegations.<sup>67</sup> The suggestion was made, however, that a meeting be held without the presence of Tanzanian representatives.

In this case Norway took a different position, and found it important to keep up the pressure on the Tanzanian authorities. It was thought that this could best be achieved in the presence of Tanzanian representatives. Hence, Norway suggested that a meeting be held, but without pledging statements. The Norwegian Embassy in Dar es Salaam suggested that conditionality could be applied together with positive measures, e.g. by an expansion of aid and faster implementation of the planned institutional support to the Ministry of Finance.

At the request of many of the bilateral donors, the World Bank called an informal CG meeting in December 1994, where the main item on the agenda was the irregular tax and duty exemptions. The result was that many of the bilateral donors cancelled their BoP support. Norway decided to withhold the committed BoP support amounting to NOK 70 mill., and indicated that other forms of sanction might be considered.<sup>68</sup> These cuts seemed to be met with great surprise on the Tanzanian side.

One week before the 1995 CG meeting the *Business Times* (24.2.1995) announced that the World Bank, the IMF and the Government of Tanzania had finally agreed on the Policy Framework Paper (PFP), which was to be discussed in Paris. However, the tax report required by the donor community would not be ready by the CG meeting. According to an official of the Treasury, the Tanzanian government was required to collect up to 25 per cent of the outstanding revenues, mainly import duties and sales tax, as a condition for credit consideration. Plugging loopholes in the tax exemption facility was also an area of concern, but none of the conditions set by the donors were met

before the scheduled CG meeting took place. Treasury officials consulted by the *Business Times* expressed optimism, nonetheless, and thought that the meeting was likely to be a success for the GoT. The editorial the same day also expressed great optimism and hope that the donors would give Tanzania their blessing:

*The funds are going to be released not because Tanzania has met all the conditions but rather because God is on our side. The God of Tanzanians has softened the hearts of the donors (Business Times 24.2.95).*

Beforehand, considerable interest attached to how far the various donors would go in their criticism of the Tanzanian government with regard to the corruption allegations and the unfulfilled conditions set at the previous CG meeting.

The Norwegian position was unequivocal and surprisingly critical. First a general criticism was expressed:

*Tanzania has for a long time been, and still is, the biggest single recipient of Norwegian development aid. The widespread support in Norway for the high level of assistance to Tanzania has however recently been undermined by the recurrent crises in the country. Norwegian political parties, the press and the taxpayer all want to see more tangible results from nearly 30 years of development assistance. A recent report from a commission reviewing the whole of Norwegian Development Assistance, have urged the Government to phase out unsuccessful development projects and assistance. Tanzania has been singled out as an example where results have not matched expectations. A serious review of the cooperation between Norway and Tanzania will have to be undertaken.<sup>69</sup>*

In the statement regarding external financial requirements, the Norwegian criticism went even further. Serious concern and disappointment were expressed on behalf of the Norwegian Government, particularly as to bad governance in the field of fiscal policy and collection of revenue. The Norwegian government decided, therefore, to withdraw its BoP support as well as unused funds under the country programme for 1994. This added up to NOK 90 mill., which was withheld after the disclosure of the tax evasion scandal in November 1994. Further BoP support in 1995 was made conditional on evidence of serious commitment to eradicate corrupt practices and that the Tanzanian Government implemented the measures of the Aide Memoir from the Joint Evaluation Mission (JEM) and

<sup>67</sup> Ibid.

<sup>68</sup> CG-møte 1994, 93/01069-14, "CG-møte for Tanzania. Lokal oppfølging".

<sup>69</sup> 815.16-Tan-CG, "Consultative group meeting for Tanzania. February 27 and 28, 1995".

the recommendation in the Auditor-General's report.<sup>70</sup> The amount set aside for BoP support from the Norwegian Government for 1995 amounted to approximately NOK 50 mill. This support was to be released at a later stage, possibly in two tranches, but only if the conditions mentioned above were met. A Norwegian memo underlined that implementation of the conditions would be monitored closely.

Prior to the CG meeting Norway had feared being left alone as the harshest critic. The Tanzanian delegation was therefore informed in advance about the Norwegian position. Discussions were also held with other donors. But most donors joined ranks with Norway in its sharp criticism, and expressed great concern about insufficient tax collection, caused by extensive evasion of taxes and duty exemptions through the Investment Promotion Centre (IPC) and the Ministry of Finance. Tax evasion and duty exemption were seen as an expression of growing corruption in Tanzania.

Most of the bilateral donors put as a condition for BoP disbursement that the recommendations from the SPA/JEM (Special Programme of Assistance for Africa/ Joint Evaluation Mission), were followed up. Many donors strongly emphasised the need to tackle the corruption problem. If the suggested measures were not implemented, the whole aid programme would be in jeopardy. Several donors took concrete action. Sweden was not satisfied with the GoT performance, and stated that BoP support would be withheld. Finland and Denmark had not been providing BoP support, but the attitude was that if they had, it would have been

70 The Joint Evaluation Mission (JEM) was appointed at the informal CG meeting in 1994. The Mission visited Tanzania 6–15 February 1995 to review the status of the donor financed import support programme and the Government's programme for reducing tax evasion and strengthening enforcement of trade procedures. This resulted in an Aide Memoire which reflected the donors' serious concern regarding bad governance in the field of fiscal politics and revenue collection. The recommendations/conditions were presented to the Tanzanian government on 14 February 1999. The Aide Memoire contained several measures to secure effective and functioning tax and duty collection and criminal prosecution of the culprits. A SPA/JEM Follow Up Committee, under the auspices of the World Bank office in Dar es Salaam, consisting of donor countries disbursing BoP was later appointed. Nevertheless, deadlines were postponed and most of the conditions not met. The Scandinavian countries in particular have several times communicated to the GoT that the implementation process has been far from adequate. The implementation process was particularly poor in three areas: criminal prosecution of the suspects of tax- and custom evasion; collection of counterpart funds; and insufficient collection of import duties from commodities imported via Zanzibar. Thus, the donors agreed that the Swedish Embassy should formulate a letter to the Tanzanian Ministry of Finance launching a proposal on how the GoT could speed up the implementation process. Nevertheless, as will be discussed below, after a while it seems to be acknowledged that many of the recommendations were unrealistic or too political sensitive. At the time of CG meeting in 1999, the conditions were still unfulfilled, but were not part of the agenda. This case also underlines the many dilemmas in applying multiple conditionalities such as difficult judgements and trade-offs (cf. Chapter 1). As will be illustrated below, donors are faced with difficult decisions when Tanzania quite successfully starts implementing a shadow programme in January 1996, but fails to fulfil the JEM recommendations.

withheld.<sup>71</sup> In a joint Nordic statement prepared by Norway, the need to redefine the conditions from deadlines of reporting to central decision-making was emphasised. The Netherlands also voiced severe criticism, but signalled that its BoP support probably would be paid out in tranches.

Japan made the only positive statement. Together with Great Britain, Japan made its further BoP support conditional exclusively on the conclusion of an agreement for a new ESAF programme between the IMF and Tanzania. They did not link their BoP support to the implementation of the SPA/JEM recommendations.

The World Bank estimated that Tanzania required US\$ 1.13 billion in economic aid in 1995, but the pledges were just under US\$ 1 billion. In other words, there was a substantial decrease in the aid volume, if not a massive cut. However, it was decided to hold an informal donor meeting later in 1995 to consider whether the conditions had been met. The donors' strict conditions and harsh criticism were received with surprise on the Tanzanian side. The conditions would mean continuous pressure on the GoT, and were clearly a disappointment to the GoT, which seemed to have expected that the pressure would wane and the situation normalise after the meeting. Pledges fell far below expectations. Normally, the outcome of the pledges does not reflect the severity of the criticism expressed by the donors. In this perspective the seriousness of the donors seemed to be communicated clearly to the Tanzanian government.<sup>72</sup>

That the criticism from the bilateral donors was so harsh seemed to come as a surprise to the Tanzanian government, which had probably expected that some semantic exercises would be sufficient. What appeared more surprising was the posture of the IMF and the World Bank, which had chosen to soften their criticism. The World Bank was still negotiating the next SAP, and preferred to await its board's report on the previous SAP. For its part, the IMF awaited its board's report on the new ESAF. Prior to the CG meeting the World Bank's vice president for the Africa region, Edward Jaycox, responded very positively to the steps taken by the GoT, and generally to the latest development in Tanzania. The advance signals, Jaycox' gestures, and the statements by the World Bank representatives at the CG meeting were somewhat inconsistent. Paradoxically enough, at the CG meeting the World Bank representatives ended up as the

71 This was also confirmed in an interview in Dar es Salaam, December 1998.

72 Later in 1995 the USAID issued quite a strong statement to Tanzania's Minister of Finance, expressing deep concern about the Tanzanian government's declining economic management performance and signalling negative implications for future USAID funding levels.

strongest lobbyists on behalf of the Tanzanian government, and tried to persuade the bilateral donors to release their BoP support!

Nevertheless, the donor statements expressed overall agreement that the economic reform process in Tanzania had taken a turn in the right direction, even though some aspects gave reason for concern. The Tanzanian government responded by promising to proceed with the economic reform programme. The donors also praised Tanzania's decision to introduce a multiparty system in 1992. It was emphasised, however, that new political parties ought to be given equal access to the media in their election campaigns. The donor community further requested the presence of international election observers, but this met with resistance on the Tanzanian side.

Prior to the informal donor meeting in July 1995, interest was directed to whether the suspended BoP support as a response to the duty and tax evasion crisis would be released. Tanzania's Minister of Finance, Kikwete, announced that the government's efforts since January had improved tax collection. He said that the 1995/96 budget was a "crisis budget", partly because aid volumes were so much lower than expected:

*Due to shortfall in foreign aid, the government had to borrow from the Bank of Tanzania and sell Treasury Bills to bridge the deficit. You will therefore realize, your Excellencies, that the delayed release of pledged foreign aid had a negative impact on our recurrent budget.*<sup>73</sup>

He requested, therefore, the donors' co-operation and quick release of BoP support to avoid a deeper macro-economic crisis and the economy getting out of control. Kikwete's request petitioned the donors not to condition BoP support on a new government being in place after the elections in October 1995.

The IMF was at this point preparing a new ESAF agreement with the GoT. According to the IMF, revenue collection had been quite weak during the first quarter of the fiscal year, but had then begun to improve. On the other hand "expenditure control, which had also been weak during the first quarter, showed no signs of improving".<sup>74</sup> Nonetheless, the IMF encouraged the bilateral donors to release frozen BoP support.

Norway had co-ordinated its policy with the Netherlands, Sweden and the European Commission. Prior to the meeting it had been agreed that the Netherlands and Norway would announce that some of the BoP would be released. Sweden would declare that withheld debt relief fund would be disbursed. In addition, Sweden and the European Commission would advise the meeting that suspended BoP support could be released if Tanzania reached a new ESAF agreement with the IMF, scheduled for August. However, the joint stand collapsed when Commission subsequently announced that no EU country would release BoP support at this point in time. The Norwegian decision to release some of the BoP support was partly based on the joint agreement with the Netherlands, Sweden and the EU.<sup>75</sup> Since the EU changed its policy, Norway announced early at the CG meeting that the Norwegian decision to freeze BoP support would be sustained.

The Norwegian statement at the meeting was quite critical, and Norway kept a high profile in this case. Even if Norway agreed with the Tanzanian Minister of Finance, the World Bank and the IMF that some positive achievements had been accomplished – such as the recovery of illegally exempted taxes – it was believed that the many seatbacks overshadowed the positive signs. According to the Norwegian statement, the Tanzanian government's failure to cut expenses and reallocate funds to prioritised activities undermined macro-economic stability. Norway also responded to the Tanzanian Minister of Finance's insinuation that the donors were to blame for Tanzania's difficult financial situation:

*My delegation is somewhat puzzled that the Tanzanian government tend to blame donors for the unfortunate situation. We are inclined to say that in a situation when highly placed officials in a host country have been involved in authorising tax exemptions leading to misuse of funds, donor governments would fail in their responsibilities, at any rate towards their taxpayers, if they did not take appropriate action including withholding disbursements, until the situation improves.*<sup>76</sup>

The Norwegian statement also asserted that the economic plans for the coming period were overly optimistic, even though the budget was as balanced as could be expected in the prevailing circumstances. However, it was thought that the revenue targets were based on weak foundations. The Norwegian statement disputed whether sufficient measures were being taken to curb corruption, since there would still be little risk

<sup>73</sup> Statement by J.M. Kikwete, Minister of Finance, at donors' briefing meeting on 19 July, 1995.

<sup>74</sup> Statement by the IMF representative at the Informal Consultative Group Meeting for Tanzania, Paris, 25 July 1995.

<sup>75</sup> However, in a note from the Norwegian Embassy prior to the meeting it was suggested that some of the balance of payment support should be disbursed.

<sup>76</sup> Norwegian statement, informal donors' meeting – Tanzania, Paris 25 July 1995.

of sanctions. Tax evasion with effective impunity would be a disincentive to paying tax.<sup>77</sup> Even if there had been improvements in all the areas that had led to suspension of donor funds, Norway would wait and see if measures originally agreed upon would be implemented by Tanzanian authorities. Conditions for further disbursement included prosecution of tax evaders, budgetary transparency, and sound fiscal policies.

Sweden, Great Britain, Switzerland, and the European Commission supported the Norwegian conditions, and linked their further release of BoP support to a new Tanzanian ESAF agreement with the IMF. However, the only condition for further Dutch BoP support was continuance of the negotiations with the IMF. Kikwete responded to the bilateral donors' continued suspension of BoP support by reassuring them that sufficient action was being taken: "there was a crisis, but the crisis is now over". Kikwete was evidently disappointed at the outcome of the meeting.

When the meeting was about to close, the Netherlands made a complete turnabout and announced that, despite its earlier statement, it would nevertheless release BoP support. This reversal took everyone by surprise, including the Tanzanian side, which was well aware of the close donor co-ordination on such issues.

This case shows that co-ordination is difficult – even among the like-minded group – and that donor behaviour can be unpredictable, even if the bilateral donors tend to follow the crowd (cf. Chapter 2). The reason why first EU and then the Netherlands changed their previous positions in this case cannot be traced from the available sources. It is indeed rare that a bilateral donor like the Netherlands makes a complete turnabout at a CG meeting. This shows that, despite the dominant position of the Bretton Woods institutions and the influence they exert on bilateral donors, there may be cases in which bilateral will break ranks and resist pressure from the IMF and the World Bank, even if this may prove short-lived.

Although many of the bilateral donors maintained their sanctions in order to try to induce economic reforms, most donors gave generous pledges in support of the election process. Norway announced that approximately US\$ 2.5 million would be disbursed to planning and administration of the general elections in a co-financing scheme with other donors.<sup>78</sup>

### **Honeymoon or grace period?**

The tone of the 1996 CG meeting changed, best expressed in a USAID minutes from the meeting.

Donor confidence was renewed "but can Tanzania stay the course?" (USAID 1996).

However, in discussions prior to the CG meeting the donors agreed that progress in the follow-up of the SPA/JEM recommendations had been poor. According to a consultancy report, only 10 per cent of the SPA/JEM recommendations had been implemented. As noted, it had been agreed earlier that these recommendations were to be fulfilled by 30 April 1996. This had not materialised. It was discussed, therefore, what consequences this would have at the next CG meeting.

According to USAID, the new Mkapa government had showed great resolve in its efforts to improve the macro-economic situation since the CG meeting in February 1995, by meeting the conditions of the IMF shadow programme. But it was emphasised that the slow pace with respect to addressing the JEM/SPA recommendations continued to cast doubt on the GoT's true commitment to tackling these structural and political problems. The USA was emphatic that something had to be done about the corruption problem. Without progress on governance and tax administration and signing of an ESAF, it would not be possible to continue US assistance at the same or higher levels.<sup>79</sup> Many donors set as a general condition for their aid co-operation that the political and economic reform process should continue. Japan was the only bilateral donor to indicate that new political conditionality should not be placed on the GoT.

Perhaps the hardest critic was Belgium, announcing that no new pledges would be made as long as there were no guarantees of progress on current projects. A mid-term review of Belgium's programme had been undertaken in July 1996, indicating that too much attention was paid to macro-economics and not enough to the SPA/JEM recommendations. Belgium stated that the GoT needed to prove its seriousness by plugging tax evasion loopholes and prosecuting the wrongdoers. Otherwise, Belgium would discontinue its import support programme, and there would be a return to project support based on technical assistance. Belgium was, however, unusually critical.

The Tanzanian Minister of Finance, Simon Mbilinyi, blamed deep-seated structural problems and political campaigning in 1995 for the lack of progress on the JEM/SPA recommendations. He promised that this work would be given top priority and would be started immediately. He also tried to reassure donors that the corruption problem would be dealt with, and that most of the others demands and conditions would be met.

<sup>77</sup> Norwegian statement, informal donors' meeting – Tanzania, Paris 25 July 1995.

<sup>78</sup> *Ibid.*

<sup>79</sup> 018 CG, 96/00846-9, "Tanzania Consultative Group Meeting, Paris, July 18–19, 1996."

However, in one area the attitude of the GoT was different. The Minister of Finance stated that the international community had overreacted with regard to the political situation on Zanzibar, who lacked a sufficient understanding of the political history of the island. He said that a group of impartial academics and politicians was needed to review the situation and to make recommendations on how to address the problem.

Nevertheless, according to the preparatory documents, many donors were quite positive, particularly the World Bank, Denmark, Switzerland and the Netherlands. That the performance of the Tanzanian Government had improved so dramatically is difficult to see from the documentation prepared for the meeting, as well as from hard figures. Nevertheless, 1995 had been a good year for Tanzania, but this seems rather more a result of favourable weather conditions. The donors' satisfaction was largely related to the results of the Shadow Programme, which was meant to be the point of departure for a new ESAF agreement (cf. Chapter 3). Another factor which may have contributed to this change of attitude among donors was their inclination to give the newly elected government a chance. Therefore, they signalled a more positive attitude than there was substantive basis for. According to the Swedish statement, the recent freeze of aid disbursements had the positive effect of creating a growing recognition among Tanzanians that they must begin to take charge of their own destiny. With few exceptions, donors expressed a generally positive attitude, and hope that things would be different this time around:

*That donors stressed almost identical themes in their statements is a positive sign that increased collaboration on key topics can be achieved in the field, especially for policy and legislative reform [...] The impression gained by the end of the meeting was that donors are cautiously optimistic, guarding some hope that things will be different this time around and the GoT will continue steadily on the road to reform without the backsliding, which has unfortunately so often characterised its performance in the past.<sup>80</sup>*

In this regard Norway followed suit. In 1995 NOK 47.5 mill. (USD 7.3) was set aside for BoP support, which was later withheld, pending satisfactory implementation of the recommendation of the SPA/JEM. Later the same year Norway was satisfied that progress had been made, but shortcomings in important areas prevented release of these funds in 1995. Nevertheless, despite Norway's critical pledging statement at the 1996 CG meeting due to the Tanzanian

government's failure to meet the SPA/JEM recommendations, funds were released for BoP support:

*As a sign of goodwill towards the new Government of Tanzania, Norway earlier this year released half of the amount for balance of payment support transferred from 1995.<sup>81</sup>*

In line with the new focus on partnership, the CG meeting in 1997 was for the first time held in Dar es Salaam. According to a World Bank representative, the new format of the CG meeting was an effort to open up for consultation and broader participation within Tanzania, including an NGO forum and a business forum. The initiative was met with enthusiasm on the Tanzanian side.<sup>82</sup> Since the meeting was held in Dar es Salaam there was much broader Tanzanian participation, and the meeting was widely covered in Tanzanian mass media. Instead of long, prepared statements, the meeting was expected to foster real dialogue with shorter statements.

Prior to the meeting much excitement was linked to how much emphasis the donors would put on corruption, but it seemed as if the donors were reluctant to raise the issue. However, in the opening statement by President Mkapa, considerable stress was put on the problem of corruption:

*The war on corruption that my Administration has begun is an extension of our desire for good governance. [...] There have been calls that those people mentioned in the Report of the Warioba Commission on Corruption should be promptly sent to court. I should like to state in response that my war on corruption is not restricted within the covers of the Warioba Report. Anyone mentioned in the Report, or anyone else against whom sufficient evidence that can stand in court is established, will be sent to court – and that is official. I have no intention or reason to protect anyone. Corruption must and will be made a high-risk, low-profit endeavour.<sup>83</sup>*

During the meeting, corruption was a central topic, also among the donors. Mkapa was praised for his government's fight against corruption, even though there were great challenges related to good governance. A particularly controversial issue in 1997 was the Independent Power Tanzania Ltd. project. According to the World Bank, the deal with a Malaysian part-

80 018 CG, 96/00846-9, "Tanzania Consultative Group Meeting, Paris, July 18–19, 1996".

81 815.16-Tan-CG, 96/11249-12, "Norsk innlegg på CG-møte for Tanzania, 18–19 juli 1996".

82 Also confirmed in interviews by high ranking Tanzanian representatives, Dar es Salaam, week 47 and 48 1998.

83 97/00824-16, "Opening statement by President of the United Republic of Tanzania, His Excellency Benjamin William Mkapa".

ner was costly, and the power generated would be much more expensive than the tariff at the time. It was also assumed that high-ranking politician and bureaucrats had been involved in large-scale corruption related to the project (*East Africa*, November 24–30 1997). The former president of the World Bank, Robert McNamara, should presumably have used this as an illustration of the high level corruption in Tanzania. Thus, the World Bank threatened to pull out all support for the government's energy sector if the Independent Tanzania Limited project went ahead. Shortly before the CG meeting Mkapa had chastised the World Bank, arguing that IPTL was the answer to Tanzania's power shortage.

Another central agenda item was implementation of the SPA/JEM recommendations, so critical during the last year's meeting. In 1997 Norway was the only country to raise the issue and ask for a status report. This had been promised by the Tanzanian Minister of Finance during a state visit to Norway in May 1997, but had not yet been received:

*Earlier this year, Tanzania was informed that Norway had decided not to release the last half of the balance of payment support transferred from 1996. This decision was based on lack of documented progress on SPA/JEM actions. The funds have later been allocated for other development purposes. The Ministry of Finance has previously indicated that a SPA/JEM completion report would be submitted shortly. However, so far we have not received any such report, and I would like to ask the Tanzanian Government about the status of this report. We have emphasised this issue in previous meetings as well, as we see a need for continued dialogue and documented progress with regard to the SPA/JEM follow-up actions.<sup>84</sup>*

Notwithstanding the many shortcomings, the bilateral donors, the IMF and the World Bank made generally positive statements concerning macro-economic developments in Tanzania during the past year. The IMF was of course particularly satisfied since Tanzania had reached the economic benchmarks. But, as Norway remarked, there were reasons for qualifications:

*We suspect that the economic forecasts presented at this meeting may be too optimistic, seen against a background of recent climatic problems and difficulties in the power sector.<sup>85</sup>*

It was emphasised, however, that the positive trend ought to benefit the common Tanzanian as well.<sup>86</sup> UNICEF, the Netherlands and Ireland were particularly preoccupied with soft-sector issues. The discrepancy between the positive macro-economic indicators and much poorer result at the micro level were underscored. But here were obvious dilemmas, because increased aid to these sectors presupposed improved planning and implementation capacity on the Tanzanian side.

Zanzibar was also a subject of discussion about which bilateral donors were particularly concerned. In 1996 the Tanzanian government had promised that a commission would be appointed to review the situation on Zanzibar and to offer recommendations for improvement. This had not been done. The countries that had frozen aid to Zanzibar earlier maintained their position. The EU later announced that aid to Zanzibar would be stopped. All in all, then the pressure increased further in 1998.

Also at the CG meeting in May 1999 attention was given to the Zanzibar question. Norway expressed concern about the situation on Zanzibar, and stressed the need for a speedy and fair trial of the members of the opposition who had been charged with treason. It was underscored that their treatment was not in accordance with internationally established human rights. Participants at the meeting were aware that an initial agreement between CUF and CCM had been signed during the talks in Paris. Thus, several donors, among them Norway, opened up for resumption of aid to Zanzibar. Nevertheless, considering statements made by diplomats in Dar es Salaam to the Tanzanian press, any prompt resumption of frozen development aid is highly unlikely. According to James Adams, the World Bank director for Tanzania and Uganda, the bank was watching the situation before it opened dialogue for the resumption of development aid frozen in 1995 (*East African*, 12 May 1999). An European diplomat is quoted in the same newspaper: "The agreement is very positive, but this will still not solve other political and human rights violations taking place on Zanzibar" (*East African*, 12 May 1999).

Recent years have seen a variety of threats that donors would reduce their assistance, despite Tanzania's continued dependence on aid. Most of these threats have not been related to the application of negative conditionality. The most notable announcement came in late 1997, when the Japanese government said that it would reduce its aid budget by 10 per cent and redirect flows towards East and South-East Asia (EIU 1997:28). For Tanzania this could be serious, since

84 97/00824-17, "Giverlandsmøte for Tanzania Dar es Salaam, 10–11. desember 1997".

85 97/00824-17, "Giverlandsmøte for Tanzania Dar es Salaam, 10–11. desember 1997".

86 Ibid.

Japan has been one of the most important bilateral donors in recent years.<sup>87</sup> In 1996 Japan contributed almost one-fifth of Tanzania's total bilateral aid receipts. But other factors might point in the opposite direction. Countries like Finland, Sweden, Great Britain and EU are increasing or planning to increase their aid to Tanzania. Norway has indicated a decrease.

#### 5.4 The bilateral negotiation process

After 1986 Norway did not impose special conditions at the annual bilateral meetings between the two countries, but followed the other donors. Macro-issues were first discussed and presented at the CG meetings, and the Norwegian position was later repeated in the annual bilateral negotiations.

In the 1980s macro-economic or macro-political issues were not given particular attention in these negotiations. Even though the tone in the negotiation process at this level seemed friendlier and calmer than within the CG context, NORAD sometimes put forward tough demands and conditions, but for the most part they related to the micro or project level. At these meetings, the focus was on projects and programmes within the country programme.

In the 1990s democratisation and human rights were put on the agenda of the annual consultations. Political conditionality involving aid cuts or threats of reduction was not imposed, but human rights issues were brought into the aid dialogue. When Norway first raised such issues, this was not welcomed by Tanzania. In 1990 the Norwegian delegation, in accordance with its instructions, brought up the situation of Zanzibar's former Chief Minister – definitely the single case which caused most friction. The leader of the Norwegian delegation expressed concern that the former Chief Minister on Zanzibar had been held in detention for so long, and hoped that he would be brought to trial shortly with the legal assistance provided for under Tanzanian law.

The head of the Tanzanian delegation did not comment on the Norwegian statement, but later added that it would probably be referred to in the minutes and read by people "more competent and better informed than me".<sup>88</sup> The Tanzanian delegation seemed surprised that the issue was raised at all, and declared that aid negotiations was not the right forum for such issues. To this the Norwegian delegation replied that there

was broad consensus in Norway on the close relationship between aid and human rights, and that it formed part of Norwegian aid policy. A Tanzanian delegate then asked why Norway had not raised human rights issues on Zanzibar previously, when the situation was even worse.

The Tanzanian delegation did not accept that reference was made to the Zanzibari case in the agreed minutes, and a compromise resulted:

*The Norwegian Government attach great importance to the human rights issues. Accordingly, Norway commends Tanzania for their reasonable clean records so far in this respect, and trusts that Tanzania would maintain this trend, especially with regard to the trials now going on in Zanzibar (Agreed Minutes 1990).*

Human rights and democratisation were again brought into the country consultations in 1991. It was underscored that the new Norwegian government would give priority to human rights and democratisation; "the strong linkage between a democratic political development and the economic and social development was further emphasised" (*Agreed Minutes 1991*). The Norwegian delegation also noted with appreciation the decision to appoint a commission to review the question of introducing a multiparty system, as well as more open discussions on the issue in the Tanzanian mass media. During the meeting reference was made to the case of Zanzibar, which had been brought up during the previous year's discussion, and great appreciation was expressed that detainees were about to be released (*ibid*).

At this point human rights and democratisation were not given particular practical attention in the Norwegian aid programmes to Tanzania, in the form of direct financial support to these sectors (*cf. Selbervik 1997*). But in the aid dialogue the Norwegian stand on "good governance, including people's right to express their views freely and choose their leaders, and respect for human rights, as prerequisite for development", was stated more frequently (*Agreed Minutes 1992*). During the annual country negotiations in 1992, the Norwegian delegation leader informed the meeting about the recently established Norwegian democracy fund administered by the Ministry of Foreign Affairs in support of preparation and conduct of multiparty elections. Nevertheless, it was underlined that political parties would not be eligible for funding from this source (*Agreed Minutes 1992*). The country programme for the planning period 1993–1996 (NORAD 1992:10) stated that Norwegian support to the democratisation process in Tanzania through e.g. the democracy fund would be considered. Should support be

<sup>87</sup> In 1994, 1995 and 1996 Japan disbursed aid to Tanzania to the amount of US\$ 104.8 m, US\$ 124.3 m, and US\$ 105.7 m respectively. The World Bank through its soft loan window, IDA, was the single biggest multilateral donor in the same period, contributing US\$ 172.3 m, US\$ 147.8 m, US\$ 120.5 m in the same three years (EIU 1998:54; OECD 1997:194).

<sup>88</sup> 311-Tan, 90/1623-1, "Landprogram-forhandlingene Norge-Tanzania 2-4 april 1990".

needed for promoting a multiparty society, Norway would be prepared to consider such support (*Agreed Minutes* 1993).

Together with the other Nordic countries, Norway supported the Constitutional Commission to travel to Nordic countries as well as to other African countries to study multiparty systems. Practical facilitation was supported in connection with a seminar on multipartyism, organised by opposition groups. This kind of support was not welcomed by the Tanzanian authorities.<sup>89</sup>

With the local, parliamentary, and presidential elections in 1994/95 approaching, Norway was enthusiastically assisting these processes. Norway had previously given some support to this area (Cf. 5.3), over the regional allocation for Africa. NORAD now suggested that support for democratisation efforts should be supported through the country programme in dialogue with Tanzanian authorities. This was in line with the proposal for a new country strategy towards Tanzania. At the annual country consultations, Norway suggested that the country frame could also be used in support of the political reform programme, including preparations for the local and national elections to be held in 1994–95 (*Agreed Minutes* 1994). The head of the Norwegian delegation stressed that Norway attached great importance to democracy, political pluralism and good governance as “a basis for the development co-operation between the two countries” (*Agreed Minutes* 1994).

But a bilateral donor is faced with many dilemmas. As mentioned above, Tanzania experienced severe macro-economic imbalances in the early 1980s, including budgetary imbalance, credit expansion beyond programme targets, and monetary imbalance (*Agreed Minutes* 1994). In late 1993, this resulted in suspension of the ESAF programme, and the IMF and the World Bank froze their BoP support. The Tanzanian Government then started to implement the IMF/World Bank-initiated Shadow Programme, which was intended to last until 30 July 1994. For further such support to be released, a number of conditions had to be fulfilled. But both the IMF and the Government of Tanzania feared that bilateral donors would also suspend their BoP support, because it was in a way “included” in the Shadow Programme. It was made dependent on the bilateral donors not following the World Bank and the IMF. This was clearly stated by the head of the Tanzanian delegation. He concluded his statement by appealing for a speedy release of BoP support, since the Shadow Programme critically depended on it. He made it clear that if the programme failed, it could mean a reversion to the economic situa-

tion of the pre-reform days (*Agreed Minutes* 1994). This was obviously a dilemma and undermined the bilateral donors’ credibility.

Norway had earlier decided on a gradual reduction in its BoP support. For 1994 Norway had allocated approximately NOK 70 mill, and had to decide whether those funds should be released or not. Prior to the meeting, NORAD suggested that Norway would express willingness to disburse such support for the first part of 1994 in accordance with earlier plans. Further support would have to be reassessed. Future BoP support would be disbursed on the condition that the bilateral donors agreed on a sufficient joint plan of support, and that it was likely that the reform programme would be on track and be supported by the IMF and the World Bank by 1 August 1994.<sup>90</sup>

By the end of March 1994, Norway had not yet decided whether BoP support would be released. Such assistance was still under consideration, assuming that the economic reform programme continued and that the currency market operated in a transparent way. The final decision concerning volume, timing and form was expected to be made shortly, depending on the following factors: progress in collecting outstanding counterpart funds on earlier support; assessment of the post-OGL system; the attitude of other bilateral donors with regard to BoP support; assessment of the likely success of the Shadow Programme (*Agreed Minutes* 1994). Because of slow progress, BoP support was not disbursed.

In the mid-1990s a change of attitude and much tougher conditions emerged. Norway expressed concern about the most recent economic developments in Tanzania, and announced that the budget deficit seemed to reflect “lack of budgetary discipline” (*Agreed Minutes* 1994:3). On the reduction of the country frame for 1994, it was said that Tanzania still remained by far the country with the largest financial country frame for Norwegian assistance. The immediate background for the reduction was the need to accommodate new priorities within a constant budget, but it also reflected “concern about Tanzania’s ability to mobilise its own resources for development, and thus continued high dependence on aid and concerns for Tanzania’s capacity to make effective use of donor resources” (*Agreed Minutes* 1994:3). The reduction in the level of aid might be viewed as an application of negative conditionality. It was striking that more conditions were imposed at all levels in this period, as reflected in the *Agreed Minutes* from 1994: “From the Norwegian side more focus will be on results and fol-

89 Norwegian Embassy, note of 16 October 1992; Garbo 1995.

90 311-Tan, 94/1380-1, “Tanzania – Landprogramgjennomgang”.



low-up conditions and commitments contained in the projects agreements”.

With reference to the slow progress in collecting outstanding counterpart funds on earlier CIS/OGI schemes, the head of the Norwegian delegation asked to be briefed on actions being taken to speed up the process and have the matter finalised within reasonable time. He also reiterated Norway’s statement from the CG meeting that an amount of NOK 92.5 mill intended for BoP support in 1994 had been withdrawn. As for 1995 the release of the amount (NOK 47.5 mill) set aside for BoP support would depend on concrete action taken by the Tanzanian government on tax matters, exemptions and evasions and implementation of the recommendations made by the SPA mission (*Agreed Minutes* 1995:3–4).

After the election on Zanzibar, Norway decided not to start up new projects on the island until the situation had improved. According to the *Agreed Minutes* (1996) the Tanzanian delegation did not comment on the Norwegian decision. According to a summary from the meeting, the negotiations took place in a friendly and relaxed atmosphere, even though the Norwegian delegation reiterated its concern about the slow implementation of the SPA/JEM recommendations. If these were not implemented it would have consequences for further Norwegian disbursement of BoP support.

The focus and issues have definitely changed in the 1990s. Previously, attention had been on project and programmes. In the annual consultations there were four main issues the Norwegian delegation wanted to discuss: the macro-economic situation; the political situation and democratisation; overall development cooperation; and the Civil Service Reform Programme (*Agreed Minutes* 1996:3)

The head of the Norwegian delegation expressed satisfaction with the economic situation and the fact that Tanzania and the IMF had reached an agreement on a Shadow Programme. He confirmed that Norway had agreed to release NOK 23.7 mill. in the second quarter of 1996, as a sign of goodwill towards the new Government of Tanzania (cf. 4.3). However, Norway shared the concerns of large parts of the donor community on the follow-up on the recommendation by the SPA/Joint Evaluation mission. It was stressed in particular that performance with regard to implementation of the JEM recommendations would be a key factor in Norway’s deliberations to provide further BoP/import support to Tanzania, and debt relief through the 5<sup>th</sup> dimension facility (*Agreed Minutes* 1996:3).

It was further stated that although some logistics problems had been revealed, credit was given to Tanzania for the way the election of the Union president and parliament had been conducted. Nevertheless, the situation that had evolved on Zanzibar following the election was viewed with concern. Norway, together with other major donors, had already stated dissatisfaction with the lack of transparency during the election and the counting of votes. Norway stated that it was not considered possible to assist new development projects on Zanzibar until progress had been made towards a solution of the political problems of the island. In consequence, further consideration of the Phase IV of the electrification programme would be shelved.

The annual bilateral consultations in 1997 were marred by poor preparations on the part of the Tanzanian delegation. This was partly due to the fact that Tanzania had completed the annual consultations with Denmark only on the previous day. This in turn illustrates the general problem of an overburdened Tanzanian administration, which undermines ownership.<sup>91</sup>

The Norwegian delegation praised the general attitude of transparency and self-examination expressed in the Warioba Report on corruption, but also stressed the need for speedy implementation of the recommendations. The Tanzanian delegation responded by pointing to the actions already taken. The Norwegian delegation asked for a status report by the Tanzanian government on the follow-up of the SPA/JEM, and emphasised the need for continuous dialogue on these issues. Tanzania was informed that Norway had decided not to release the remaining BoP support funds of NOK 23.8 million transferred from 1995, due to lack of progress in the implementation of the SPA/JEM recommendations. Tanzania was also advised that BoP support was not under consideration in 1997 (*Agreed Minutes* 1997). Furthermore, Norway would take a tougher conditionality line at lower levels if the contractual obligations were not honoured. Disbursement would be delayed if presentations and accounts were slow. NORAD’s new policy was communicated with reference to the RUDEP programme and the Road Sector Programme; funds unaccounted for would have to be repaid (*Agreed Minutes* 1997). Prior to the annual consultations in 1998 the Embassy in Dar es Salaam had recommended that repayment should not be insisted upon in either of the cases, despite delays. Tanzania should be given a second chance. NORAD supported this view.<sup>92</sup>

91 In 1998 the Nordic countries tried to co-ordinate their annual consultation, to lessen the burden on the Tanzanian administration. The effort initiated by the Swedish Embassy stranded, due to practical impediments on the donor side.

92 NORAD, note of 25 February, 1998.

The head of the Tanzanian delegation thanked for the Norwegian assistance before and during the 1995 general elections and for supporting the democratisation process. The Norwegian delegation brought up the situation on Zanzibar as instructed, and expressed concern about the political deadlock and the urgency of an authentic dialogue. It was stressed that the obligation to find a solution rested not only on the Union and the Zanzibar governments, but also on the opposition. The Tanzanian delegation took note of the Norwegian position that resumption of aid to Zanzibar would be conditional on an agreement between the parties. A section in the press release expressing the Norwegian concern about the situation on Zanzibar was deleted. From the Norwegian point of view, it was more important to be able to formulate a press release that both parties could accept.

The Norwegian position towards Zanzibar did not change in 1998, and was restated during the annual consultations that year (*Agreed Minutes 1998*). Moreover, for the first time, Tanzania agreed to include the Norwegian concern about Zanzibar in addition to human rights and good governance in the joint press release. This may be seen to reflect a more open attitude with respect to the existence of such problems.

Referring to statements of Hilde Frafjord Johnson, the Norwegian Minister of International Development and Human Rights, the Norwegian government saw human rights and development as integrated issues, and that human rights would play a more prominent role in aid

negotiations than previously. It was thus indicated that there might be a change in Norwegian development policy.<sup>93</sup>

Norway thanked for the SPA/JEM report received at the CG meeting, and asked to be kept informed about the follow-up on these issues. Tanzania stated that Tanzania Revenue Authority (TRA) had been instructed to follow up on the collection of arrears, that substantial part of it would be collected in the course of that fiscal year, and that wrongdoers would prosecuted as appropriate (*Agreed Minutes 1998*). Norway also emphasised, with reference to the Norwegian-funded audit of the IPC (Investment Promotion Centre), that irregular exemptions had indeed been granted by the IPC. Norway suggested that the audit report be distributed to the donors that participated in the 1995 SPA/JEM. Tanzania responded by promising that the report would be distributed. To maintain donor confidence the importance of a clear demonstration of true commitment to fighting corruption was emphasised.

The head of the Norwegian delegation advised that the new Government of Norway planned to increase the volume of development assistance to one percent of GDP, but that release of funds would, as a matter of general aid policy, be made conditional on documented quality and efficiency of Norwegian aid.

---

<sup>93</sup> Statement by head of the Norwegian delegation, at the annual consultations, 24–27 March 1998.

## 6. Conclusion

### 6.1 Tying together the discussion

The previous sections have sought to give a presentation of the role of Norway – from a conditionality perspective – in the aid negotiation processes within different forums, mainly the CG meetings and the bilateral annual country consultations between Norway and Tanzania. What has been the role of Norway, and in more general terms, what has been the role of the bilateral donor in this regard? How has Norway applied its conditionality policy towards Tanzania, and has it changed over time? How can the Norwegian policy be explained?

Norwegian and Nordic policy towards Tanzania has undergone notable changes from the mid-1980s to date. In view of the cordial Nordic–Tanzanian relationship, it might seem paradoxical that it was towards Tanzania that Norway for the first time actively supported economic conditionality. The imposition of macro-economic conditions meant a significant departure from previous Norwegian aid policy. According to former Norwegian Ambassador to Tanzania, Gunnar Garbo, it was a great disappointment to many Tanzanians that the Nordic countries “changed sides”.<sup>94</sup>

Since Tanzania reached an agreement with the IMF in 1986, the reform process has been off track several times, but Tanzania has had a clean track record from 1996 up to date. Multilateral and bilateral donors have given substantial support to the various reform programmes in this period. That Tanzania finally reached an agreement with IMF in 1986 was undoubtedly linked to the pressure exerted by the donor community, and here the Nordic countries’ ultimatum-like conditions in 1984 may have contributed to tip the balance. Some will argue, however, that Tanzania would have reformed its economy regardless of international pressure, and that Tanzania had in fact already started to reform the economy at that time (cf. Chapter 3). At any rate, it is clear that the donors contributed to a vital push of the Tanzanian government toward concluding an agreement with the IMF. As mentioned in chapter 2, most studies are quite negative when evaluating the efficacy of conditionality, but argue that in some cases the donor community can contribute to tip the balance, and give support to pro-reform factions (World Bank 1998a; Williamson and Haggard 1994). This seems to have been the case in Tanzania in the mid-1980s, although it is difficult to judge whether the pro-reform factions were “real reformers” or merely opportunistic politicians.

Like most other bilateral donors, Norway has since the mid-1980s applied cross-conditionality, which means that Norwegian bilateral aid has been conditional on Tanzania reaching agreements with the IMF and the World Bank. But applying cross-conditionality does not necessarily involve tangible or very strict sanctions if the conditions are not met. Threats have often been vaguely expressed – for instance, that the level or design of Norwegian aid might be altered if agreements are not reached with the international financial institutions, but without more specific implications being stipulated. Norway has since the mid-1980s, generally speaking, given full backing to the reform programmes initiated by the Bretton Wood institutions.

It might seem surprising that once Norway changed its position after much resistance prior to 1984, it has remained loyal to the line of the World Bank and the IMF. At least, little official opposition towards this policy has been expressed openly. One explanation may be that Norway, together with the Nordic bloc, was disillusioned at the time, since things had not gone very well in Tanzania despite massive Nordic aid. The Nordic countries have often been blamed for aggravating and prolonging the economic crisis in Tanzania, by providing generous support to the Tanzanian government in defiance of the IMF. After 1985–86 it may seem as if Norway, together with the Nordic countries, for some years took a position of “wait and see”. This may have been due to a general feeling of disillusionment among the Nordic countries.

Another explanation of the altered Norwegian position may be that Norwegian aid policy in general changed in the 1980s, becoming more oriented towards market-based solutions. There also seem to be a general perception that the Bretton Wood institutions would manage to help solve the economic crisis in Tanzania. According to a former Nordic executive director of the World Bank, one reason why the World Bank’s structural adjustment efforts were so unsuccessful – particularly in the beginning – was that the Bank lacked the required competence when implementation of these programmes started in the late 1970s and early 1980s.<sup>95</sup> In the late 1980s and early 1990s there was increasing criticism of the structural adjustment programmes in general. Few denied that something had to be done with the many crisis-ridden African economies – that of Tanzania included – it was more a question of how, by whom and how fast.

<sup>94</sup> Interview, Gunnar Garbo, 14 October 1998. According to Garbo, this was a general perception expressed in several discussions he had with Tanzanian politicians.

<sup>95</sup> Interview, Einar Magnussen, 15 October 1998.

Despite little direct opposition among central actors against the new policy, Norway may have tried to influence the Bank's policy through other channels. It has often been argued that Norway and the Nordic bloc contributed significantly to integrating soft sector issues in the structural adjustment programmes. It is difficult, however, to find documentary evidence to support this claim. Nevertheless, among the various informants there seemed to be a general perception that the Nordic countries – particularly through their representatives in Washington – quite successfully influenced the Bank in a softer direction.

Was the growing consensus in the donor community in the latter part of the 1990s a result of increased co-ordination or a weakened position of the bilateral donors relative to that of the Bretton Woods institutions? The answer is equivocal. Particularly in the 1990s, the World Bank's policy has also changed. In many ways it seems justified to state that the policies of the World Bank and Norway have converged. Norwegian policy has moved closer to that of the World Bank, and vice versa.

Undoubtedly, there seems to be broader consensus among the donors when it comes to general policies, but in practical operations in the field there are still big differences. Even so, a situation like the one in the beginning of the 1980s when the Nordic countries persisted with their generous support to Tanzania without an IMF agreement for such a long time, seems totally unrealistic today. According to Einar Magnussen, there have been earlier periods, in the 1970s and 1980s, when the Nordic bloc took a far more radical position in the World Bank, and were blamed for trying to politicise the Bank. This has changed. Gunnar Garbo characterises the current Norwegian position as being much more cowardly than earlier. Others might say more "sensible".

Despite the Nordic change of policy, it seems clear that the Nordic countries still have a particularly close relationship with Tanzania, often characterised as less paternalistic or bossy than those of many of the other donors like the USA and the UK. However, many non-Norwegian informants perceived that Norway in recent years had assumed a more hesitant attitude towards Tanzania. Within the Nordic bloc, Sweden seemed by far the most articulate and active donor.

At the same time, the World Bank has taken on a far more prominent role than in the past, and not only with reference to Tanzania. In general, the World Bank has become a leading "think tank" on aid questions and now sets much of the agenda in this area. Both the other bilateral donors and recipients seem increasingly oriented towards the World Bank on aid issues in gen-

eral and more specifically in the context of conditionality.

How can the role of Norway in the aid negotiation processes be explained? It seems that donors are far more critical at the CG meetings than in the bilateral negotiation processes, a point confirmed by informants who have participated in both types of negotiations. The group discipline among the donors at the CG meetings seems strong. Donors tend to be reluctant to raise controversial issues unless it is known beforehand that other donors will support their stand. If one donor raises an issue, most of the other donors will follow suit. In interviews informants have stated that donor fear isolation if unpopular issues are raised. There also seems to be a lot of competition and positioning among the donors. Since the CG meetings are closed and more confidential than for example the country negotiation processes, positioning towards other countries is judged as more important than reactions from the recipient country and the domestic public.

In the context of the CG meetings it is striking that there seems to be a wide discrepancy between the various donors' statement and their actual pledges: statements are far more critical and do not correspond to the ensuing pledges.<sup>96</sup> This supports the argument, often advanced in the conditionality literature, that donors lack credibility when conditionality is applied.

In Chapter 4 a model based on the Samaritan's dilemma was presented in order to explain Norwegian behaviour. According to this theory there was only one dominant strategy for the donor, namely that of disbursing aid – the donor imperative. This means that it would be unproblematic for the recipient to predict the outcome of the donor's behaviour, and there would be few incentives for the recipient to implement unpopular reforms. For most of the period under study here, the Samaritan's dilemma can serve as an explanation of Norway's behaviour. As mentioned in Chapter 4, one way of solving the dilemma would be for Norway to tie its conditionality policy to the World Bank. This appears to have been part of the Norwegian strategy in applying cross-conditionality, linking some disbursement to the policy of the multilateral institutions, which may serve as a buffer.

It might be argued that disbursement of aid, independent of the behaviour of the recipient, has been the dominant strategy of the multilateral institutions as well, but perhaps for other reasons. However, the disbursement imperative is driven by reward and incentive mechanisms for World Bank staff. Considerable

<sup>96</sup> This paradox was also pointed at by many interviewees.

prestige also attaches to the implementation of these programmes, so that the IMF and the World Bank have vested interests in not getting off track. It can be argued, therefore, that disbursement will be the dominant strategy of the IMF and the World Bank as well.

If this is the case, hesitant reformers will have few incentives to change their behaviour, and aid would not serve as effective backing of the pro-reform factions. In short, it may not be solving the Samaritan's dilemma. Nevertheless, it would be easier to change the incentive structure for the Bank staff than the Samaritan's altruistic motivations. Of course, the motivation for disbursing aid is not entirely altruistic, not even for Norway. Many would probably claim that other motives have been on the increase. In addition, a donor like Norway is faced with the disbursement imperative, due to its rigid national budgeting system, and the need to dispose of the money by the end of the year. The recipient is aware of this. Still, this will not weaken the general argument that the donor will have one dominant strategy: *disbursement*.

As discussed in section 5.3, in 1994 many of the bilateral donors, including Norway, decided to apply sanctions and withheld BoP support. That disbursement had been the dominant strategy previously may be illustrated by the fact that this decision was met with great surprise on the part of Tanzania. A new situation had arisen, which may be illustrated in a game-like situation, as shown in figure 7.

		Recipient	
		Reform 1	No Reform 2
Donor	Aid Sanctions 1	<b>A</b> (4,2)	<b>B</b> (1,1)
	Aid 2	<b>C</b> (2,3)	<b>D</b> (3,4)

Figure 7,<sup>97</sup> A Samaritan's dilemma

This is a situation with two equilibria, so it will be impossible to predict the behaviour of the donor and the recipient. But in sequential games, there may be two possible solutions, depending on who acts first. If the donor decides to impose sanctions, the recipient will implement reforms. If there is no reform by the recipient, the donor will disburse aid all the same. On the other hand, it should be kept in mind that such models are only stylised illustrations of superior or dominant patterns of behaviour.

97 This figure is based on what Buchanan characterises as a passive Samaritan's dilemma, in opposition to the active Samaritan's dilemma shown in figure 6.

Even so, the model above describes very well the situation between Tanzania and the donors in 1994. When some donors applied sanctions and the structural adjustment programmes went off track, the Tanzanian government implemented a shadow programme very successfully. But the paradox of this situation was that the World Bank ended up as the strongest lobbyists on behalf of the Tanzanian government, despite the latter's failure to meet the conditions. How can this be explained? One reason may have been that once the bilateral donors cut their BoP support, it would be even harder to get the structural adjustment and stabilisation programmes back on track. Thus, even if no agreement was reached and the conditions were not met, the bilateral donors saw it as crucial to maintain BoP support in such a situation.

This situation did not last very long, even if the agreed conditions had still not been fulfilled after the election in 1996. Many bilateral donors then decided to disburse their BoP support, as a sign of goodwill towards the new government. This may partly be explained by the "honeymoon thesis", which holds that economic reformers are likely to enjoy greater freedom of political manoeuvre immediately after they have taken office, when problems and mistakes can be blamed on the previous government (Williamson and Haggard 1994). This thesis is most commonly used to explain a government's relationship with the legislature, but it may also be applied to explain the government's room for political manoeuvre towards the donor community – the recipient government's international constituency. It may also be hypothesised that the argument seemed valid during the "wedding preparations" in Tanzania. It will be most interesting to see what happens in the run-up to and after the election in the year 2000. Will the Tanzanian government be blessed both during the wedding preparations and while on honeymoon?

Would the same apply to political and economic conditionality? Has Norway adopted a different policy bilaterally and multilaterally? And if so, how can these differences be explained? In the early 1980s the discrepancy between bilateral and multilateral conditionality policies was so wide that there would appear to be no connection, according to Einar Magnussen.<sup>98</sup> This was closely related to the fact that different ministries in Oslo were dealing independently with these issues towards different institutions, without proper co-ordination. This does not seem to be much of a problem any longer, since general policy in these areas are currently better co-ordinated in the Ministry of Foreign Affairs.

98 Interview, Einar Magnussen, 15 October 1998.

If we look at how Norway has pursued its policy in e.g. a CG meeting context as opposed to the bilateral negotiation processes, there are still differences. Norway seems to be far more critical in the CG meetings than in the bilateral annual aid negotiations. In the latter no additional conditions are attached, apart from the cross-conditionality. There are few specifically Norwegian conditions attached. The Samaritan's dilemma may serve as a model for explaining why Norway seems to be adopting different policies multilaterally and bilaterally. For the Samaritan it would be easier to leave it to an agent to pursue a tough policy and to link the implementation of tough conditions to an agent, *in casu* the World Bank. Bilaterally, the Samaritan would be much softer.

However, it may have been more difficult for a bilateral donor to contribute to the political reform process than to the economic reform process. Human rights and democratisation have not been part of the mandate of the World Bank as a financial institution, although they may enter indirectly under the rubric of good governance. It may be hypothesised that it will be harder for a bilateral donor to operationalise its conditions and to follow them up with sanctions in this area. The bilateral donor would not have a buffer, and would not in the same way be able to tie difficult decisions to an agent or proxy, as has been done in the economic sphere.

Democratisation and human rights have not figured prominently on the agenda at CG meetings. The problems on Zanzibar have been raised repeatedly, but this has rather been the doing of the bilateral donors. There have been few cases where specific political conditions have been attached, partly because of the lack of the same monitoring mechanisms and benchmarks as in with economic reforms. The one exception has been Zanzibar, where Norway together with a group of other bilateral donors decided not to start new projects until the human rights problem had been solved.<sup>99</sup> But since that decision was made, the case has reached a deadlock. Sources also show that Norway at that time was afraid of being left alone as the only donor to impose sanctions. Norway definitely had no wish to be in the frontline and to set an example.

On the other hand, in the 1990s human rights and democratisation have been issues on the agenda of the bilateral annual country negotiation meetings between Norway and Tanzania. This was not welcomed by the Tanzanian side, but the Tanzanians seem more relaxed now about Norway raising human rights issues, even though it has remained sensitive. From the Norwegian side, raising these issues sometimes seems a bit ritual-

istic – something done out of duty, to follow instructions and to appease public opinion at home.

Many bilateral donors, including Norway, now seem to be taking a position of wait and see “whether the government is really serious this time”, as some informants have suggested. But is it likely that there will be fundamental changes in the behaviour of a bilateral donor like Norway in the near future? After more than ten years of ongoing reform of the Tanzanian economy, the macro-economic indicators are promising, and the GoT has successfully managed to reach the macro-economic benchmarks set by the IMF. Even so, many indicators are still pointing in the wrong direction. The problem of corruption seems to be escalating, even though Tanzania is said to be one of the best documented countries in the world when it comes to investigating corruption. It has been documented that corruption is widespread, large-scale and with many high-ranking bureaucrats and politicians involved (World Bank 1998). But despite President Mkapa's repeated statements that something serious will be done about the problem, few concrete steps have been taken (*ibid.*).

As long as Tanzania succeeds in meeting the economic benchmarks, the IMF is “satisfied”, and to some extent other parts of the donor community as well. This illustrates the problems of measurement. What should be done when some conditions are met while others are not? What factors should count the most? IMF's macro-economic benchmarks have been more successfully met than e.g. the World Bank conditions for structural adjustment loans. This explains why the IMF has often been more positive in its evaluation of GoT performance than the World Bank and the bilateral donors. It is easier to monitor quantitative benchmarks than qualitative conditions. The conditions for obtaining structural adjustment finance entail deeper changes and are in general more politically sensitive and controversial. This points up the problems involved in applying political conditionality.

There is another paradox as well. In contrast to macro-economic performance, the socio-economic indicators for Tanzania are not as promising. This is so despite the inclusion of social cushioning elements in more recent reform programmes, in response to criticism.<sup>100</sup> It is interesting, therefore, to compare some socio-economic indicators for Tanzania from the start of the reform process to date.<sup>101</sup> Life expectancy at birth has clearly dropped in this period – from 54 years in 1987 to 50.6 years in 1995. However, this figure is likely to

100 These issues are discussed in greater depth in the UNICEF report, *Adjustment with a Human Face*.

101 The figures are collected from various editions of UNDP's *Human Development Report* and the World Bank report *World Development Indicators 1998*.

99 According to Gunnar Garbo, interview 14 October 1998, this was a disproportionate reaction.

have been influenced by the increasing numbers of AIDS victims and people dying from HIV-related diseases. Adult literacy has also declined dramatically – from 75 per cent in 1985 to 67.8 per cent ten years later. From being far above the average for “all developing countries” in 1985, when the average literacy rate was 62 per cent for all developing countries, Tanzania is now below the average for all developing countries. In 1995 this figure showed 70.4 per cent for this group of countries.<sup>102</sup> Also other indicators such as access to health services and sanitation show a dramatic deterioration in the last 10–15 years (UNDP 1990, 1998).

How can we explain this gap between macro and micro levels? The material for this study is not sufficient to enable firm conclusions, but it is tempting to suggest that the donors’ macro-conditionality has in part resulted in a reversed micro–macro paradox (cf. Chapter 4). It may be argued, of course, that it is not until recently that macro-economic stability has been achieved, and that these macro achievements will ultimately filter down to lower levels. This remains to be seen.

What implications will this have for a bilateral donor like Norway? It is suggested that it will aggravate the Samaritan’s dilemma, and that disbursement will remain the dominant strategy, independent of what the recipient might do. Particularly at a time when the results at the micro level are so weak, it would be difficult for the Samaritan to impose sanctions. It is also likely that many donors will be eager to support the soft sectors. This is likely to occur despite the new idea of partnership, with Tanzania at the helm, that the donors wait for national sources to be mobilised, and that national capacity must match the donors’ disbursement. According to a recent World Bank report (1998a) the only solution to such a situation would be patience, but this will obviously constitute a dilemma for the Samaritan. It is also likely that the national Samaritans – public opinion and parliament – will put pressure on the donor to act. At the same time it is likely that the other Nordic donors will increase their aid to Tanzania in the future, because a large percentage of total aid is earmarked for sub-Saharan Africa. In Tanzania there is no civil war, and aid absorption capacity is better than in most other African countries. The aid has to be disbursed somewhere.

<sup>102</sup> However, the figure for Tanzania is still above the average for the group of least developed countries, where the figures for 1995 and 1985 were 49.2 per cent and 50 per cent respectively. It is thus interesting to note that adult literacy rate has stagnated during the past decade.

### A special Nordic–Tanzanian relationship?

In the late 1990s particularly, discontent and disillusionment among the donors seemed to be growing. After the Tanzanian general elections in 1995, the Nordic countries took an initiative to renew co-operation with Tanzania, and to express support for the ongoing democratisation process. The Nordic countries also wanted to signal to the newly elected government that Nordic support would be sustained at a high level. This initiative also reflected an acknowledgement that huge amounts of aid over a long period of time did not seem to have been reflected in positive developments in Tanzania. The Nordic strategy was now to give Tanzania the leading role in the new *partnership*.

The dialogue started with meetings between the Nordic Embassies in Dar es Salaam and Tanzanian authorities. After a relatively long process, a high-level meeting took place in Dar es Salaam on 12–13 September 1996 between Tanzanian and Nordic representatives. After an initiative from the Nordic Parliamentary Secretaries to their Ministers of Foreign Affairs, a joint Nordic memorandum was prepared, proposing renewed co-operation with Tanzania. The Nordic memo was handed over to the Tanzanian government in December 1996.

The high-level meeting was given relatively good coverage in the Tanzanian press, which at the rhetorical level seemed inspired by slogans from early Nyerere speeches. President Mkapa declared to the Tanzanian press that: “this government would like to strengthen the fundamental principles of self-reliance” (*Daily News* 14.09.96). He further underscored that the new co-operation should place emphasis on Tanzania’s enhanced participation in its own development, thus changing the hitherto existing donor–recipient relationship (*Daily News* 14.09.96). According to statements from the meeting, the new development partnership implied a radical change of rules and roles between the partners, but with Tanzania in charge. Speaking on behalf of the Nordic delegation, Sida’s Director General, Bo Göransson, said that the Nordic countries had contributed significantly to Tanzania’s development since independence in 1961, but the results were limited. He further stated that it was important for Tanzania to look for internal resources, because donor funds were becoming increasingly difficult to obtain (*Daily News* 13.09.1996). From a Norwegian perspective the meeting was judged as very constructive, and an agreed note between the parties was elaborated.

In December 1997 another Nordic high-level meeting was held, but confined to representatives from the Embassies in Dar es Salaam. Despite Nordic enthusi-

asm about the initiative, there was no corresponding enthusiasm from the Tanzanian side. This was confirmed in a Norwegian memo commenting on the meeting, stating that it could unfortunately be seen as a ritual duty, and that it had been impossible to achieve substantial results. This stood in glaring contrast to the Norwegian excitement after the meeting in 1996. It was further said that the Tanzanian delegates had been poorly prepared. The Tanzanian representatives seemed generally resigned and overwhelmed by reform in every sector. To avoid conflicts before the CG meeting, the Nordic countries thus opted to keep a low profile, highlighting positive trends instead.

Prior to the Nordic initiative in 1995, the Danish Ministry of Foreign Affairs and the Danish government had assembled in mid-1994 a group of independent advisers on development co-operation issues between Tanzania and its donors. This group submitted its report – the Helleiner report, after the head of the team – in June 1995 at a time when relations between the GoT and bilateral donors were very strained (cf. previous section).

The group offered a list of recommendations, presented at a meeting in January 1997 between central donors and the GoT. The recommendations implied radical changes in the roles and rules of the relationship between the donors and the GoT, which involved taking partnership and ownership seriously and not just as fashionable aid slogans. These perspectives were also embraced in the 1996 DAC/OECD document *Shaping the 21<sup>st</sup> Century*. This would among other things mean that the GoT should insist on preparing the first draft of all policy documents, and that the donors were willing to withhold or delay aid until the local conditions necessary for ownership were satisfied, rather than merely carrying on business as usual. It was also seen as crucial that a gradual decline in external support for Tanzania was planned (see Helleiner et al. 1995).

The ideas from the Helleiner Report, the Nordic initiative and *Shaping the 21<sup>st</sup> Century* in Tanzania were supposed to be followed up in the Development Co-operation Forum, consisting of Tanzanian representative and a smaller group of donors, participating on a rotation basis. Even though some might prefer business as usual, there seemed general acknowledgement that the donor–recipient relationship ought to change. But when the Nordic countries tended to judge the Nordic initiative as the most important step in the partnership process, some other donors put more emphasis on *Shaping the 21<sup>st</sup> Century*. There seemed to be a certain element of donor competition linked to the partnership initiative. As reflected in the documents, there

seemed to be no corresponding enthusiasm on the Tanzanian side.

There seems to be a difference among donors in their attitude and willingness to implement the partnership idea, and also a slight departure from the most common donor constellations. Norway is still among the most progressive countries, together with Sweden, the Netherlands, and Ireland, followed by a group of slightly less progressive countries such as Denmark, Finland, Switzerland, Belgium and perhaps the UK. Then follow Canada, the USA, and the European Commission. Japan and Germany seem to be rather passive or ignorant about the whole partnership process.

What has been achieved? Among the donors and representative on the Tanzanian side, perceptions differ greatly as to what has actually been achieved, if anything. Some informants said that the whole process had lost its dynamics due to little enthusiasm, while others were slightly more optimistic. Nevertheless, Samuel Wangwe asserts that some positive sign can be traced, such as more local involvement and initiative on the Tanzanian side, but hastens to add that there still is a long way to go.<sup>103</sup>

Some have argued that Tanzania has been infected by aid, and has to be cured. The donor–recipient relationship is also characterised as a relationship between a social client and social security office. To change this relationship, the incentive structure on both sides will have to be transformed. During the OECD/DAC Forum of Development Partners held in Paris in 1998, L.A. Msamichaka described the relationship between the donor and the recipient as of a daddy and son/daughter relationship:

*Son/daughter is rarely asked what s/he wants. And if it happens that the child is asked, then it is done to lure the child that daddy loves her/him or that s/he is grown up. In a more refined form, the same things happen between donors and aid recipient.*<sup>104</sup>

To achieve true partnership, this relationship will have to undergo fundamental changes. In the type of relationship as referred to above, the result tends to be a Samaritan's dilemma, and changed behaviour in direction of reform is not very likely.

Nevertheless, donor perceptions of a new partnership do not appear to be based on a partnership disbursing

<sup>103</sup> Interview, Samuel Wangwe, Dar es Salaam, 30 November 1998.

<sup>104</sup> L. A. Msamichaka, 1998, "Partnership: the reflection for the civil society perspective". Paper presented at OECD/DAC meeting in January 1998.



unconditional aid. Donors emphasise that each side must take the other seriously, but aid must be based on strict conditions. On the other hand, conditionality is very complex, involving an intertwined set of political and economic reforms within different areas. There are also difficult trade-offs in different phases of the

reform process. The economic reform process seems to be much more driven by the donors than is the political reform process. As regards the economic reform process, the bilateral donors have most of the time been “dangling after IMF/IBRD”, as one interviewee put it.

## Literature

- Alesina, Alberto and David Dollar. 1998. *Who Gives Aid to Whom and Why?* Cambridge: NBER Working Paper Series, no 6612.
- Ball, Nicole. 1992. *Pressing for Peace: Can Aid Induce Reform?* Washington DC: Overseas Development Council.
- Bagachwa, Mboya. 1997. "Aid effectiveness in Tanzania" in Carlsson et. al. *Foreign Aid in Africa*. Uppsala: Scandinavian Institute of African Studiesska Afrika Insitutetet.
- Barya, John-Jean B. 1993. "The new political conditionality of aid: an independent view from Africa", *IDS Bulletin*, Vol. 24, No. 1.
- Berg, Elliot J. (ed.). 1993. *Rethinking Technical Cooperation*. New York:
- Berg, Elliot. 1997. "Dilemmas in donor aid strategies", in Catherine Gwin and Joan Nelson (eds). *Perspectives on Aid and Development*. Washington DC: Overseas Development Council.
- Black, David and Jean-Phillipe Thérien. 1996. "Moving with the crowd: Canadian aid to Africa", *International Journal*, No 2, spring 1996.
- Boone, Peter. 1994. *The impact of foreign aid on savings and growth*. London: London School of Economics, 1994.
- Boone, Peter. 1996. "The politics and effectiveness of foreign aid", *European Economic Review*, No 40.
- Buchanan, James. 1975. "The Samaritan's Dilemma" in Edmund Phelps (ed). *Altruism, Morality and Economic Theory*. New York: Russell Sage Foundation.
- Burnside, C. and D. Dollar. 1997. *Aid, Policy and Growth*. Working Paper, no. 1777. Policy Research Department, Macroeconomics and Growth Division Washington DC: World Bank.
- Cassen, Robert & Associates. 1994. *Does Aid Work?* Oxford: Clarendon Press.
- Chang, Charles et al. 1998. *Measuring Aid Flows: A New Approach*. Washington DC: World Bank.
- Chege, Michael. 1994. "Swapping development strategies: Kenya and Tanzania after their founding presidents", in David E. Apter and Carl G. Roseberg, *Political Development and the new Realism in Sub-Saharan Africa*. Charlottesville: University Press of Virginia.
- Collier, Paul. 1997. "The failure of conditionality", in Catherine Gwin and Joan Nelson (eds). *Perspectives on Aid and Development*. Washington DC: Overseas Development Council.
- Cornia, Giovanni Andrea and Richard Jolly, and Frances Stewart (eds.) 1987. *Adjustment with a human face*. Oxford: Clarendon Press.
- Cukierman, A and M. Tommasi. 1998. "When does it take a Nixon to go to China?", *American Economic Review*. Vol. 1899, No. 1.
- Egeland, Jan. 1988. *Impotent Superpower – Potent Small State*. Oslo: Scandinavian University Press.
- Elman, Miriam Fendus. 1995. "The Foreign Policies of Small States: Challenging Neorealism in Its own Backyard". *British Journal of Political Science*, Vol. 25, Apr 1995.
- Eriksen, Tore Linné (ed.). 1987. *Den vanskelige bistanden. Noen trekk ved norsk utviklingshjelps historie*. Oslo: Scandinavian University Press.
- Evans, Peter et al (eds). 1993. *Double-Edged Diplomacy*. Berkeley: University of California Press.
- Friedman, M. 1958. "Foreign Economic Aid: Means and Objective", *Yale Review*, Vol. 47.
- Garbo, Gunnar. 1993. *Makt og bistand. En ambassadørs møte med norsk bistandspolitikk i Afrika*. Oslo: Spartacus.
- Gibbon, Peter. 1993. "The World Bank and the new politics of aid", *European Journal of Development Research*, Vol. 5, No. 1.
- Gillies, David. 1996. *Between Principle and Practice. Human Rights in North–South Relations*. Quebec: McGill-Queen's University Press.
- Gwin, Catherine and Joan Nelson (eds). 1997. *Perspectives on Aid and Development*. Washington DC: Overseas Development Council.
- Haggard, Stephen and John Williamson. 1994. "The political conditions for economic reforms", in John Williamson (ed.). *The Political Economy of Policy Reform*. Washington DC: Institute of International Economics .
- Helleiner, Gerald 1995. *Report of the Group of Independent Advisers on Development Co-operation Issues Between Tanzania and its Aid Donors*.
- Hewitt, Adrian P. and Tony Killick. 1996. "Bilateral aid conditionality and policy leverage", in Stokke, Olav (ed.). 1996. *Foreign Aid Towards the Year 2000: Experiences and Challenges*. London: Frank Cass.
- Hveem, Helge. 1989. "Norway: the hesitant reformer", in Cranford Pratt (ed.), *Internationalism under Strain*. Toronto: University of Toronto Press.
- Jankowitsch, Peter. 1993. "The New Political Conditionalities: The Role of European Parlia-

- ment". Report series 2/92, International Conference, The New Political Conditionalities of Development Assistance: Human Rights, Democracy and Disarmament (Vienna, April 23–25 1992). Vienna: Vienna Institute for Development and Co-operation.
- Jayawardena, Lal. 1993. *The Potential of Development Contracts and Conditionality: Towards Sustainable Development Compacts*. Helsinki: World Institute for Development Economic Research.
- Johannessen, Bjørn and Dag Leraand. 1997. *Bistandsleksikon*. Oslo: Gazette Bok.
- Kayizzi-Mugerwa, Steve. 1998. "Africa and the donor community: from conditionality to partnership", mimeo, London: ODI.
- Keohane, Robert O. 1969. "Lilliputian's Dilemmas: Small States in International Politics", in *International Organization*, Vol. 23.
- Killick, Tony. 1997. "Principal Agents and the Failings of Conditionality", *Journal of International Development*, Vol. 9, No 4.
- Killick, Tony. 1998. *Aid and the Political Economy of Policy Change*. London: Routledge.
- Li, Chien-Pin, 1993. "The effectiveness of sanction linkages: issues and actors". *International Studies Quarterly*, Vol. 37.
- Lofchie, Michael F, 1989. *The Policy factor: agricultural performance in Kenya and Tanzania*. Boulder, Colo.: L. Rienner Publishers.
- Lumsdaine, David Halloran. 1993. *Moral vision in international politics: the foreign aid regime, 1949-1989*. Princeton, N.J.: Princeton University Press.
- Mans, Darius. 1994. "Tanzania: resolute action", in Ishrat Husain and Rashid Faruqee, *Adjustment in Africa*. Washington DC: World Bank.
- Moravcsik, Andrew. 1993. "Introduction – integrating international and domestic theories of international bargaining", in Evans, Peter et al (eds). 1993. *Double-Edged Diplomacy*. Berkeley: University of California Press.
- Mosley, Paul. 1987. *Conditionality as Bargaining Process: Structural-Adjustment Lending, 1980–86*, Essays in international finance, no. 168, Princeton: Princeton University Press.
- Mosley, Paul. 1991. "Kenya", in Jane Harrigan, Paul Mosley and John Toye (eds.), *Aid and Power: The World Bank and Policy-Based Lending*, Volume 2. London: Routledge.
- Mosley, Paul (ed.). 1992. "Development Finance and Policy Reform", *Essays in the Theory and Practice of Conditionality in Less Developed Countries*. Houndmills: Macmillan
- Mosley, Paul et al. 1991. *The World Bank and Policy-Based Lending*, Volume 1. London: Routledge.
- Msambichaka, L. A. 1998, "Partnership: the reflection for the civil society perspective". Paper presented at OECD/DAC meeting in January 1998.
- Mushi, Samuel S. 1995. "Determinants and limitations of aid conditionality: Some examples from Nordic–Tanzanian Co-operation", in Olav Stokke (ed.). 1995. *Aid and Political Conditionality*, London: Frank Cass.
- Nelson, Joan M. and Stephanie J. Eglinton. 1992. *Encouraging Democracy: What role for Aid?*. Washington D. C.: Overseas Development Council.
- Nelson, Joan M. 1996. "Promoting Policy Reforms: The Twilight of Conditionality", *World Development*. Vol. 24, No 9.
- Paldam, Marin. 1997. *Dansk u-landshjælp*. Aarhus: Aarhus Universitetsforlag.
- Persen, Karl, Rolf. 1996. *Aid, Investment and Incentives*. Bergen: Norges handelshøyskole, Institutt for samfunnsøkonomi.
- Persen, Karl, Rolf. 1997. "Norge", in Paldam, Marin. *Dansk u-landshjælp*. Aarhus: Aarhus Universitetsforlag.
- Putnam, Robert. 1988. "Diplomacy and domestic politics. The logic of the two-level game", *International Organization*, vol. 42.
- Riddell, Roger. 1987. *Foreign Aid Reconsidered*. London: Overseas Development Institute.
- Riddell, Roger. 1995. *A New Framework for International Development Cooperation: Towards a Research Agenda*. London: Overseas Development Institute.
- Rist, Gilbert. 1997. *The History of Development*. London: Zed Books.
- Selbervik, Hilde. 1997. *Aid as a Tool for Promotion of Human Rights and Democracy: What can Norway do?* Evaluation Report 7.97. Oslo: Ministry of Foreign Affairs.
- Sevensson, Jakob. 1995. *When is Foreign Aid Credible? Aid Dependence and Conditionality*. Stockholm: Stockholm University, Institute for International Economic Studies.
- Singer, Hans W. 1994. *Aid Conditionality*, IDS Discussion Paper No. 346, Brighton: Institute of Development Studies.
- Spraos, John. 1986. *IMF Conditionality: Ineffectual, Inefficient, Mistargeted*. Princeton: Princeton University Press.
- Stern, H. 1974. "Professor Bauer on Development", *Journal of Development Economics*, No. 1 1974.
- Stevens, Michael. 1993. "The World Bank and the New Political and Economic World Order: The Political Conditionalities". Report series 2/92, International Conference, The New Political Conditionalities of Development

- Assistance: Human Rights. Democracy and Disarmament (Vienna, April 23–25 1992). Vienna: Vienna Institute for Development and Cooperation.
- Stokke, Olav. 1989. *Western Middle Powers and Global Poverty. The Determinants of the Aid Policies of Canada, Denmark, the Netherlands, Norway and Sweden*. Uppsala: Scandinavian Institute of African Studies.
- Stokke, Olav. 1993. "Norsk bistandspolitikk mot år 2000: Veivalg og verdier", *Internasjonal Politikk*, vol. 51, no. 1.
- Stokke, Olav (ed.). 1995. *Aid and Political Conditionality*. London: Frank Cass.
- Stokke, Olav (ed.). 1996. *Foreign Aid Towards the Year 2000: Experiences and Challenges*. London: Frank Cass.
- Stolz, Walter, Anjet Lanting and Neil Middleton. 1996. "Donor Experiences in Support of Human Rights". The Hague: Directorate General for International Co-operation of the Netherlands Ministry of Foreign Affairs, mimeo.
- Streeten, Paul. 1982. "A Cool Look at 'Outward-looking' Strategies for Development". *The World Economy*. September 1982.
- Swamy, Gurushri. 1994. "Kenya: patchy, intermittent commitment", in Ishrat Husain and Rashid Faruquee (eds.). *Adjustment in Africa*. Washington DC: World Bank.
- Sørbo, Gunnar M. 1995. "Norsk bistandspolitikk", in Svein Gjerdåker, Torbjørn L. Knutsen and Gunnar M. Sørbo (eds.). *Norges Utenrikspolitikk*, Oslo: Cappelen.
- Thiis, Øyvind. 1996. "Norwegian development assistance and the right to development", *Human Rights in Developing Countries Yearbook*. The Hague: Kluwer Law International.
- Thomas, V. and J. Nash. 1991. "Reform of trade policy: Recent evidence from theory and practice", *World Bank Research Observer*, Vol. 6, No. 2.
- Tisch, Sarah and Michael Wallace. 1994. *Dilemmas of Development Assistance*. Boulder: Westview Press.
- Tomasevski, Katrina. 1993. *Development Aid and Human Rights Revisited*. London: Pinter Publishers.
- Tvedt, Terje. 1993. "Norske oppfatninger om den ikke-europeiske verden på 1970- og 1980-tallet. Et eksempel på krysskulturell representasjon". PhD thesis. University of Bergen.
- van de Sand, Klemens 1993. "New political criteria: The German concept". Report series 2/92, International Conference, The New Political Conditionalities of Development Assistance: Human Rights. Democracy and Disarmament (Vienna, April 23–25 1992). Vienna: Vienna Institute for Development and Cooperation.
- van de Walle, Nicolas. 1998. "Managing Aid to Africa: The Rise and Decline of the Structural Adjustment Regime". mimeo.
- Vigland, V.C. 1996. *Economic Security for Africa inside Political Conditionality of Aid*. Paper presented at EADI General Conference, 11–14 September 1996. Vienna: EADI.
- Waller, Peter. 1995. "Aid and political conditionality: The case of Germany with particular reference to Kenya", in Olav Stokke (ed.). *Aid and Political Conditionality*. London: Frank Cass.
- Wilhelm, Rolf. 1993. "The new political conditionality: The Swiss situation". Report series 2/92, International Conference, The New Political Conditionalities of Development Assistance: Human Rights. Democracy and Disarmament (Vienna, April 23–25 1992). Vienna: Vienna Institute for Development and Cooperation.
- Williamson, John (ed.). 1994. *The Political Economy of Policy Reform*. Washington DC: Institute of International Economics.
- Winter, A. 1996. *Is Anyone Listening? Communicating Development in Developing Countries*. Geneva: Non-Governmental Liaison Service (NGLS).
- Wohlgemuth, Lennart. 1976. *Bistånd på mottagarens villkor*, Stockholm: Sida.
- Wohlgemuth, Lennart. 1990. *Bistånd på utvecklingens villkor*, Uppsala: Scandinavian Institute of African Studies.
- Zeylstra, Willem Gustaaf. 1975. *Aid or Development. The Relevance of Development Aid to Problems of Developing Countries*. Leyden: A.W. Sijthoff.
- Zormelo, Douglas. 1996. *Is Aid Conditionality Consistent with National Sovereignty?* Working Paper 95, London: ODI.

#### Primary Sources – Official/Published

- AusAID. 1995. *Towards a Sustainable Future*. Canberra: Australian Government Publishing Service.
- CIDA. 1995. *Canada in the World*. Hull: CIDA.
- DAC. 1997a. Final Report of the Ad Hoc Working Group on Participatory Development and Good Governance. Part 1. Paris: OECD.
- DAC. 1997b. Final Report of the Ad Hoc Working Group on Participatory Development and Good Governance. Part 2. Paris: OECD.
- Danish Ministry of Foreign Affairs. 1996. *Danmark deltagelse i det internationale udviklingsarbejde 1995*. Copenhagen: Utenrigsministeriet – Danida.

- DAC. 1997. *Evaluation of Programs Promoting Participatory Development and Good Governance*. Paris: OECD.
- DAC. 1996a. *Survey Report on DAC Members' Bilateral Development Co-operation Activities for the Promotion of Human Rights*. Paris: OECD.
- DAC. 1996c. *Good Government Assessment Methodology*. Paris: OECD.
- DAC. 1996d. *European Community. Co-operation Review Series. No. 12, 1996*. Paris: OECD.
- DAC. 1995b. *Participatory Development and Good Governance*. Paris: OECD.
- DAC. 1994b. *Canada. Development Co-operation Review Series. No. 5, 1994*. Paris: OECD.
- EIU. 1980–1999. *Tanzania/Comoros Country Profile (annual)/Country Report (quarterly)*. Various editions, London: EIU.
- International Monetary Fund. 1980–1998. *International Financial Statistics – Yearbook*. Various editions. Washington DC: IMF.
- Innst. S. no. 229 (1995–96)*. [Recommendation to the Parliament from the Committee on Foreign Affairs].
- NORAD. Agreed Minutes (and instructions) from the annual consultations on Development Co-operation between Tanzania and Norway. For the period 1980–1998.
- NORAD. 1984. Report on Review of Norwegian Financial Assistance to Tanzania. Oslo: NORAD.
- NORAD. 1990. *Strategies for Development Cooperation*. Oslo: NORAD.
- NORAD. 1992. *Bistands-ABC*. Oslo: NORAD.
- NORAD. 1980–1998. *Annual Report*. Various editions, Oslo: NORAD.
- NORAD. 1995. Civil Service Reform in Tanzania. Consultancy to Prepare and Make Recommendations on a Nordic Initiative for Assistance to Civil Service Reforms, restructuring and Institutional Development. Oslo: NORAD.
- Norwegian Ministry of Foreign Affairs. 1996. White Paper no. 19 (1995–96). Oslo: Ministry of Foreign Affairs.
- Norwegian Ministry of Foreign Affairs. 1993. *Support for Democratic Development*. Oslo: Ministry of Foreign Affairs.
- Norwegian Ministry of Foreign Affairs. 1992. White Paper no. 51 (1991–92). Oslo: Ministry of Foreign Affairs.
- Norwegian Ministry of Foreign Affairs. 1985. White Paper no. 36 (1984–85). Oslo: Ministry of Foreign Affairs.
- Norwegian Ministry of Foreign Affairs. 1977. White Paper no. 93 (1976–77). Oslo: Ministry of Foreign Affairs.
- OECD. 1980–97. *Geographical Distribution of Financial Flows*. Various editions. Paris: OECD
- OECD. 1996a. *Evaluation of Programs Promoting Participatory Development and Good Governance*. Paris: OECD.
- OECD. 1996b. *Shaping the 21<sup>st</sup> Century: The Contribution of Development Co-operation*. Paris: OECD.
- OECD. 1997. *Evaluation of Programs Promoting Participatory Development and Good Governance*. Synthesis Report. Paris: OECD.
- Sida. 1997. *Development Cooperation in the 21<sup>st</sup> Century*. Stockholm: Sida.
- UK Government. 1997. *Eliminating World Poverty: A Challenge for the 21<sup>st</sup> Century*. White Paper on International Development. London: HMSO.
- UNDP. 1990–1998. *Human Development Report*. Various editions. Oxford: Oxford University Press.
- United Republic of Tanzania. 1987. *Programme for Recovery*. Report prepared by the Government of Tanzania for the meeting of the Consultative Group for Tanzania. Dar es Salaam June 1987.
- World Bank. 1987. Report to the Consultative Group for Tanzania on the Government's Economic Recovery Program. The World Bank, Africa Region, June 17, 1987.
- World Bank. 1989. *Sub-Saharan Africa. From Crisis to Sustainable Growth: A Long Term Perspective Study*, Washington DC: World Bank.
- World Bank. 1992. *Governance and Development*, Washington DC: World Bank.
- World Bank. 1996. *Poverty Reduction and The World Bank: Progress and Challenges in the 1990s*. Washington DC: World Bank.
- World Bank. 1998a. *Assessing Aid*. Washington DC: World Bank
- World Bank. 1998b. *World Development Indicators*. Washington DC: World Bank

#### Archival material

- 821.1-Tan. 95/1597-1, Instruks for landprogramforhandling, Tanzania 28.-29. mars 1995.
- 821.1-Tan. 95/1597-2, Instruks for landprogramforhandling, Tanzania 28.-29. mars 1995.
- 821.1-Tan. 95/1804-1, Instruks for landprogramforhandling, Tanzania 28.-29. mars 1995.
- 821.1-Tan. 95/1767-1, Instruks for landprogramforhandling, Tanzania 28.-29. mars 1995.
- 821.1-Tan. 95/2483-1, Instruks for landprogramforhandling, Tanzania 28.-29. mars 1995.
- 821.1-Tan. 95/2483-1, Agreed Minutes fra landprogramforhandlingene, Tanzania 30–31. mars 1995.

- 311-Tan, 91/1580, "Samtale med statsminister Malecela om IMF-forhandlinger og partisystem".
- 801.2-Tan, (871.4), "Tanzania. Referat fra bistandsminister Nordheim-Larsens samtale med valgkommissjonene leder, dommer L. Makame i Dar es Salaam, 20. oktober 1994".
- 801.2-Tan, (801.6), "Referat fra møte med Tanzania's høyesterettsjustitiarius F.L. Nyalali 22. september 1994".
- 801.2-Tan, (95/13151), "Tanzania. Presseomtale i f m høynivåmøte New Nordic-Tanzania Partnership i Dar es Salaam 12-13.9.96. (19.09.1996)".
- 333.1-Tan. "Mandat for DUHs delatakere i Nordisk/Tanzaniansk symposium Dar es Salaam 16.-17. november 1984."
- 333.1-Tan. "Nordic symposium - Innlegg vedrørende 'management of foreign exchange'".
- 333.1-Tan, 84/13166-3, "Tanzania/nordisk symposium". (1984).
- 333.1-Tan, "Notits, Symposium vedr. Tanzanias utviklingspolitikk".
- 333.1-Tan, 84/13166-4, "Symposium om Tanzanias økonomiske kris og biståndets roll mellom Norden och Tanzania 16-17 november i Dar es Salaam".
- 333.1-Tan, "The state of the economy, adjustment programme and rehabilitation requirements", Paper prepared by Tanzania for the Nordic-Tanzanian Symposium.
- 333.1-Tan, 84/13166-3, "Tanzania/nordisk symposium". (1984). Press release.
- 333.1-Tan, 84/13166-3, "Tanzania/nordisk symposium". (1984). Swedish introductory statement at TAN-NORDIC Symposium.
- 37-IBRD-Tanzania-konsortier, 86/9441-1, "Referat fra CG i Paris 10.-11.06.86" (25.juni 1986).
- 37-IBRD-Tanzania-konsortier, "Executive Directors' Meeting - June 23, 1986".
- 37-IBRD-Tanzania-konsortier, "List of participants", 6 July 1987.
- 37-IBRD-Tanzania-konsortier, "Verdensbankens konsultative gruppemøte for Tanzania", Paris, 6-7 July 1987, (1.07.87).
- 37-IBRD-Tanzania-konsortier, "Consultative group meeting for Tanzania". Paris. 6-7 July. General Statement (Norway) (30.06.87).
- 37-IBRD-Tanzania-konsortier, Press Release.
- 37-IBRD-Tanzania-konsortier, "Den konsultative gruppe for Tanzania" (Minutes, 17 July 1987).
- 37-IBRD-Tanzania-konsortier, "Current Economic Situation in Tanzania and Policies and Programme for Recovery". Statement by HON. C. D. Msuya, Minister for Finance, Economic Affairs and Planning - Tanzania (July 1987)
- 37-IBRD-Tanzania-konsortier, "Statement by UNDP representative".
- 37-IBRD-Tanzania-konsortier, "Tanzania - IMF staff report for the 1987 article IV consultation and review under stand-by arrangement", IMF document EBS/87/88 of April 28, 1987.
- 37-IBRD-Tanzania-konsortier, "Donor Information Forms for Consultative Group for Tanzania". (1987).
- 37-IBRD-Tanzania-konsortier, "Statement on the Current Economic Situation, World Bank". (1987).
- 37-IBRD-Tanzania-konsortier, "Chairman's Opening Statement" (1987).
- 37-IBRD-Tanzania-konsortier, "Statement by IMF Staff Representative" (1987).
- 37-IBRD-Tanzania-konsortier, "Vedr. Consultative Group for Tanzania", Paris 12.-13. juli 1988", Notat (11.07.1988).
- 37-IBRD-Tanzania-konsortier, Press Release, Consultative Group for Tanzania, Paris, 13 July 1988.
- 37-IBRD-Tanzania-konsortier, "Statement by the Swedish delegation", by Mr. Johan Holmberg, Assistant Director General of SIDA (1988).
- 37-IBRD-Tanzania-konsortier, "Technical Cooperation and External Assistance Requirements", Swedish Statement by Mr. Sten Rylander (1988).
- 37-IBRD-Tanzania-konsortier, "Program and Prospects for Economic Recovery", Statement by Mr. Sten Rylander, Assistant Under-Secretary, Ministry of Foreign Affairs (1988).
- 37-IBRD-Tanzania-konsortier, "Pledging Statement" (Norway), 12-13 July 1988.
- 37-IBRD-Tanzania-konsortier, "General Statement of Norway", 12-13 July 1988.
- 37-IBRD-Tanzania-konsortier, Konsultativ gruppe for Tanzania, (referat) 12-13 July 1988.
- 37-IBRD-Tanzania-konsortier, Notat, "Møte i den konsultative gruppe for Tanzania - Paris 18.-20.12.89. (Norwegian summary from the meeting).
- 37-IBRD-Tanzania-konsortier, Notat, "Møte i den konsultative gruppe for Tanzania - Paris 18.-20.12.89. (Norwegian summary from the meeting).
- 37-IBRD-Tanzania-konsortier, "General Statement Norway", Paris 18. -20.12.1989.
- 37-IBRD-Tanzania-konsortier, "Public expenditure review", public sector management and the priority social action programme (PSAP)", Statement by Hon. K. A. Malima, Minister of State for Planning, Paris 18.-20.12.89.
- 37-IBRD-Tanzania-konsortier, Pledging Statement, Norway, 18,-20.12.1989.

- 37-IBRD–Tanzania-konsortier, Press Release, 18.–20.12.1989.
- 37-IBRD–Tanzania-konsortier, “Statement by the Danish Delegation”, 18.–20.1989.
- 37-IBRD–Tanzania, 93/2080-2, “CG-møte for Tanzania”.
- 37-IBRD–Tanzania, 93/2080-1, “CG-møte for Tanzania”.
- CG-møte 1994, 93/01069-12, “CG-møte for Tanzania”. Lokal oppfølging”.
- CG-møte 1994, 93/01069-14, “CG-møte for Tanzania”. Lokal oppfølging”.
- CG-møte 1994, 93/01069-15, “CG-møte for Tanzania”. Lokal oppfølging”.
- 018-CG meeting, “Tanzania. Uformelt givermøte i Verdensbanken”, Paris 14 December 1994.
- 815.16-Tan-CG, 95/1090-1, The World Bank Group, “Tanzania CG Background Documentation”.
- 815.16-Tan-CG, 95/1100-1, “CG-møte –Tanzania”.
- 815.16-Tan-CG, 95/821-2, “Consultative Group Meeting for Tanzania 27–28 February 1995”.
- 815.16-Tan-CG, 95/1101-2, “CG-Møte for Tanzania”, 27–28 februar 1995. Norske holdninger”.
- 815.16-Tan-CG, 95/1158-1, “CG-møte Tanzania, pledging statement”. (Norway).
- 815.16-Tan-CG, “Consultative group meeting for Tanzania”. 27 and 28 February 1995”.
- 815.16-Tan-CG, “CG-møtet for Tanzania. Norske innlegg”.
- 815.16-Tan-CG, “Tanzania – CG møte i Paris – presseklipp”.
- 815.16-Tan-CG, 95/00200-7, “Referat fra CG-møte for Tanzania”, 27.–28. februar 1995”.
- URT, “Civil Service Reform Programme”, prepared for the Consultative Group Meeting of July 1996, Paris.
- 95/00613-1, “USAID Mission to Tanzania”.
- 815.16-Tan-CG. Instruks for CG-møte for Tanzania, 18–19 juli 1996.
- 815.16-Tan-CG, 96/11249-2, “CG-Meeting”.
- 815.16-Tan-CG, 96/11249-6, “Tanzanias CG-møte 18.–19. juli 1996, vurdering av bakgrunnsinformasjon.”
- 815.16-Tan-CG, 96/11249-7, Var. correspondence.
- 815.16-Tan-CG, 96/11249-10, “Joint Nordic approach to Seeif Sharif Hamad, CUF, Zanzibar”.
- 815.16-Tan-CG, 96/11249-12, “Norsk innlegg på CG-møte for Tanzania, 18.–19. juli 1996”.
- 815.16-Tan-CG, “External Financing Requirements”. World Bank, July 1996.
- 815.16-Tan-CG, “Progress in the Economic Programme”, July 1996.
- 018 CG, 96/00846-9, “Tanzania Consultative Group Meeting, Paris, July 18–19, 1996 (USAID) Renewed donor confidence, but can Tanzania stay the course?”.
- 1996 – Nordic high-level meeting.

- 801.2-Tan, 95/13151-24. “Det nordiska Tanzania-initiativet”.
- 801.2-TZA, 95/13151-29, (01.10.97), “Høynivåmøtet mellom Tanzania og de Nordiske land 12.-13. september 1996. Oppfølgingsmøte”.
- 801.2-TZA. 95/13151-30. (30.9.97), “New development co-operation strategy –rapport fra konsultasjonsmøte mellom Tanzanias myndigheter og giverne”.

### Speeches & Lectures

- Johnson, Hilde Frafjord. “Norway’s Aid Policies and Poverty Alleviation”. Address given at the Overseas Development Institute, London, 19 February, 1998.

### Interviewees

- Baum, Alexander, First Secretary (Economic Adviser), European Union, Delegation of the European Commission, Dar es Salaam, 30 November 1998.
- Bell, David, G, First Secretary (Development), British High Commission, Dar es Salaam, 1 December 1998.
- Finanger, Lornts, Programme Officer (NORAD), Dar es Salaam, 2 December 1998.
- Føreland, Gunnar, Minister Counsellor, Embassy of Norway, Dar es Salaam, 25 November and 3 December 1998.
- Garbo, Gunnar, Norwegian Ambassador to Tanzania, 1987–92, Oslo, 14 October 1998.
- Heide, Morten, Country Economist (NORAD), Dar es Salaam, 25 November 1998.
- Jensen, Mark, Minister Counsellor, Embassy of Denmark, Dar es Salaam, 27 November 1998.
- Jørgensen, Nils-Johan, Norwegian Ambassador to Tanzania, Dar es Salaam, 1 and 2 December 1998.
- Laatu, Riikka, Counsellor, Embassy of Finland, Dar es Salaam, 27 November 1998.
- Magnussen, Einar, Executive Director to the World Bank 1990–91, Oslo, 15 October 1998.
- Mc Nab, Christin, Counsellor, Embassy of Sweden, Dar es Salaam, 27 November 1998.
- Mgonja, G. S, Deputy Permanent Secretary, Ministry of Finance, 2 December 1998.
- Rijn, Frans van, First Secretary Economic Affairs, Dar es Salaam, 1 December 1998.
- Rugumamu, Severine, Director, University Consultancy Bureau, Dar es Salaam, 28 November 1998.
- Rutabanzibwa, Patrick, Permanent Secretary, Ministry of Energy and Minerals, Dar es Salaam, 2 December 1998.
- Valvatne, Lars Sigurd, Counsellor, Embassy of Norway, Oslo, 16 October 1998.

Wangwe, Samuel, Executive Director, Economic and Social Research Foundation, Dar es Salaam, 30 November 1998.

Williams, Cheryl, Programme Officer, USAID, Dar es Salaam