

DSA Annual Conference 2009: Contemporary Crises and New Opportunities

Missing the Point: Accountability and aid effectiveness in Tanzania, 2000-2009

Panel 15: The Future of Development Management - Making development management more effective: dream or possibility?

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Acknowledgements

This research was enabled by fieldwork grants from the University of London Central Research Fund; the British Institute in East Africa; and the School of Oriental and African Studies.

I would like to thank my supervisor, Professor Jane Harrigan, for her continued support and feedback. My fieldwork experience was greatly enriched by stimulating discussions with Dr Brian Cooksey and Mr Rene van Nes. I would also like to thank Hon. Zitto Kabwe for opening doors during the Parliamentary session in Dodoma. Finally, my research would not have been possible without the many interviewees in Tanzania who generously gave their time and openly shared their views and experiences.

This paper has benefitted from comments by Jane Harrigan, Hazel Gray, Peter Bofin and Brian Cooksey. Any limitations, mistakes and omissions in the paper are entirely those of the author.

Abstract

This paper presents a critical analysis of the aid effectiveness agenda for development management, specifically considering the interface with domestic accountability. A political economy framework is used to outline the process of domestic policy formulation in a neo-patrimonial state, drawing on examples from Tanzania which include emerging PhD fieldwork findings. It argues that donors miss the point in understanding accountability as they look through the wrong lens and underestimate the political constraints to development. It concludes with policy implications that discuss how benefits can be gained from looking through a relational accountability lens.

This paper applies the concepts of *procedural* and *relational* accountability:

Procedural accountability focuses on the contractual mechanisms for regulating behaviour between autonomous parties who are either principals or agents. It is impersonal and embedded within institutions.

Relational accountability is complex, highly personalised and based on clientelistic political and social relations, underpinned by implicit and informal rules.

These concepts of accountability are applied to the budget process; conditionality in budget support; and cases of conflict between donors and government. The increasingly formalised aid dialogue structure has advantages for government - it reduces transaction costs but most importantly it is used to retain policy space to be able to respond to key domestic interests.

Keywords

Tanzania, accountability, aid, conditionality, politics, patronage, clientelism, budget

1. Introduction

High levels of aid in Tanzania have been sustained since the early 1990s, with aid currently financing more than 40 percent of the budget. There is a background of strong partnership and a well established dialogue between donors and government. Over the last ten years there has been an increase in both the amount of aid provided through the budget support modality and the number of donors providing general budget support (GBS). There have been sustained reforms directed towards issues of accountability, including public financial management (PFM) and governance reforms. However, this picture hides a different reality in which the different approaches of donors and government to accountability, and in turn socio-political and socio-economic relations, have resulted in instances of conflict and an ex-post negotiation of policy space by government to be able to respond to key domestic interests.

Whilst there are many different definitions of accountability in the literature, this paper presents and applies the concepts of *procedural* and *relational* accountability in the context of Tanzania¹. Procedural accountability focuses on the contractual mechanisms for regulating behaviour between autonomous parties who are either principals or agents and is assumed to be measurable in terms of financial and governance indicators. It is embedded within institutions and is impersonal in nature. In contrast, relational accountability considers the complex, highly personalised, and often contradictory political and social relations, which are clientelistic in nature and are based on implicit, informal and accidental rules². Relational accountability captures the complex interrelationships between institutions at the local level and the interplay of the different currents influencing accountability including religion, ujamaa socialism, the cash economy, and democracy

¹ These are adapted from Eyben's (2007) concepts of substantialism and relationalism.

(Kelsall, Lange *et al.*, 2005: 98). This reflects the flexibility in responses and roles and the often apparent contradiction in the way that people behave and the reality on the ground which does not easily fit into the developed country notion of accountability, i.e. procedural accountability.

The aid and development environment can only be properly understood with reference to relational accountability. It will be argued that the relations between those involved in the delivery of aid and the recipient are underpinned by power and accountability and are of central importance in determining outcomes. Whilst the donor is ultimately accountable to their taxpayers, the recipient is in turn accountable to domestic interests. To maintain political power the recipient state must retain and expand the network or web of support of the elite (Lindemann & Putzel, 2008; North, Wallis *et al.*, 2007).

In this paper it will be argued that the understanding of foreign aid and accountability is limited by the dominance of the procedural accountability framework in international aid, and that this results in the influences of relational accountability being overlooked. Therefore benefits can be gained from applying a relational accountability understanding. This will be illustrated through applying these concepts of accountability to the budget process, considering the domestic influences upon the budget, conditionality in budget support and cases of conflict in dialogue between donors and government.

Some caveats should be noted at this stage. Firstly, the paper applies to the Tanzanian mainland only, formerly known as Tanganyika prior to unity with the Isles of Zanzibar in 1964. This focus has been adopted as the political economy in the Isles differs significantly

² This draws upon Terray's (1986: 38) cited in Kelsall (2002: 598) notion of "patrimonial share-outs" in the personalised politics of pre-reform Africa.

from the mainland and would require separate and in-depth consideration. Secondly, donors are also diverse, yet this paper has not been afforded the space to examine their differences in approach. Thirdly, the term donor is applied at an institutional level and is used in preference to development partner, as the focus of this paper is the influence of financing and conditionalities upon their relationship with the recipient government. Finally, whilst the time frame applied in the analysis is broadly from 2000 until 2009, some references are made to earlier periods to add depth to the discussion.

Section 2 will outline the political economy analytical framework and the context for domestic accountability in Tanzania and it is through this viewfinder that donors should look. It will then discuss the relationships involved in the delivery of aid and the transition towards a more formal dialogue structure and the subsequent reduced quality of interactions between government and donors. The periscope view above the surface differs from the policy space that is negotiated through ex-post manoeuvring below the surface. Section 3 presents an analysis of the budget preparation process and conditionality in budget support. It shows how policy space is created, despite conditionalities, and how this complements the domestic accountability situation to allow the winning coalition (the elite group that has access to rents) to be served. Section 4 concludes with policy implications and considers what this analysis means for the way in which donor-government relations are conducted and the importance of the international aid agenda.

2. The lens of political economy: where's the focus?

The political economy context in Tanzania can be categorised as that of a neo-patrimonial state. Neo-patrimonialism functions and depends upon information asymmetry and the absence of an institutional framework. Therefore interactions are highly personalised and depend on a narrow *“circle of trust”* whereby the surrounding state disorder allows the

transfer of resources through patron-client networks (Chabal & Daloz, 1999)³. Such transfers can be referred to as rents which are “*incomes created by state interventions*” and “*rent seeking is all activity that seeks to create, capture or re-allocate rents*”. Illegal rent seeking is corruption where “*somebody (in the public or private sector) is spending resources (in the form of bribes, creating political factions or in other forms) to capture a rent, or to avoid the extraction of a rent*” (Khan, 2000).

The organisation of patronage in Tanzania is considered by some to be centralised (Lindemann & Putzel, 2008) and by others to be shifting towards a more dispersed structure (Kelsall, 2002). The view taken here is that there are inward moving, or centripetal forces that pull it towards the centre or towards powerful interest groups linked to the Executive that have strong business links. This patronage is not centrally coordinated or organised; instead there are a small number of powerful groups who are competing with one another (Khan & Gray, 2006). Power is therefore considered to be centralised, yet uncoordinated amongst competing interests, referred to as “*centripetal patronage*”.

This uses the elite, specifically the winning coalition, and their need to retain legitimacy in society to maintain the stability and persistence of the Tanzanian state (Lindemann & Putzel, 2008). The elite dominate through powerful groups that serve well-established interests and the elite bargain is the outcome that provides the winning coalition with incentives to be peaceful by limiting access to rents to those within the coalition (North, Wallis *et al.*, 2007). This “*often requires off-budget “redistribution” through patron-client networks to achieve political stabilization*”. *The corrupt exchange here involves politicians...transferring resources to powerful clients and receiving, in exchange, their*

³ As stressed by Khan and Gray (2006: 28), as a critique of Chabal and Daloz, the patronage relationship is not unique to Africa, or to Tanzania, but a characteristic of all developing countries.

political support” (Khan, 2004: 14). This is increasingly achieved through politics and business linkages which are used to identify the opportunities and siphon off the rents to allow redistribution to a wider group. Applying the limited access order framework of North, Wallis et al. (2007), as the winning coalition grows in size and the associated patronage becomes more expensive, more formalised mechanisms to distribute patronage start to emerge and there is less need for informal mechanisms. Such changes represent a contextual shift from a society that is relational accountability dominant towards one that is procedural-accountability dominant, or in terms of the state it represents a shift towards the rational and liberal Weberian state. In the sections that follow this analytical perspective will be used to analyse domestic and external accountability in Tanzania.

2.1 Accountability at home: the viewfinder

This paper argues that the specific context of domestic accountability should be the viewfinder through which donors should look to understand how they may contribute to development and the way in which they should interact with government.

Democracy in Tanzania started to emerge in the early 1990s in a context that was tightly and centrally controlled, yet even as controls were relaxed the domination of the ruling party, Chama Cha Mapanduzi (CCM), continued. Costello (1996: 145) argues that multi-party democracy provided a legitimacy to CCM rule as it allowed an effective reduction in its representativeness and increased centralisation as an aura of legitimacy is presented in its claim as the preferred party. In the context of the move towards democratic reform in Africa, Tanzania’s liberalisation allowed her leaders to *“manage and control the reform process without endangering their own political power”* (Lindemann & Putzel, 2008: 30). This is associated with an increased influence of elites and subsequently the *“state class”* has broadened to include members of the political, administrative and economic elite and a closer relationship between business and politics has developed.

The different style of public sector governance can be clearly seen during the different periods, heavily influenced by the presidential style. Mkapa's two terms as President from 1995 until 2005 were characterised by the emergence of a reformist and neo-liberal agenda which brought together the political and business elites (Shivji, 2006: 11) and involved an *international re-politicisation*, as the neo-liberal agenda of the international financial institutions (IFIs) was pursued. This bringing together of the political and business elites increases the importance of the private sector in the patronage relationship (Kelsall, 2002: 610). It can be considered to represent the evolving nature of the circle of trust from the perspective of relational accountability. Kikwete's populist Presidency from 2005 has allowed the space for increased voice and reduced pursuit of liberalisation. To borrow the terminology of Kelsall (2002: 616, 5) the immediate post independence period of the 1960s can be seen as *ideologised*; and the 1970s *bureaucratised*. To this it is added that the 1980s was the era of *administration*; the rise in donor politics from the late 1990s involved an *internationalisation*; and the late 2000s represents increasing voice and *vocalisation*.

The 2005 elections once again confirmed CCM as the dominant party. This continued dominance of CCM has been enabled by its ability to use the enduring country-wide structure of local networks, established in the early post-independence era, for communication and patronage purposes. Additionally the electoral advantages that CCM maintains over the opposition parties include access to finance as political party fund allocations are based on the number of seats won (UNDP, 2007: 4, 10), and influence within the National Election Committee⁴.

⁴ Interviews with CCM and opposition MPs during May and June 2009.

The different groups and influences within CCM have been gradually changing and the decline in the socialist clique has been accompanied by a growth of the free marketers since the early 1990s. The triumph of the free market under Mkapa was accompanied by a move from a party for common people towards an association with big business and increasing inequality in society. This environment contributed to a situation where domestic accountability is characterised by centripetal patronage as competing powerful interest groups within the Executive and with close ties to business redistribute resources to buy and maintain the support of the elite for the ruling party - the cooptation of the private sector into the patronage relationship. This has implications for budgeting as the favours for the private sector actors must be returned through benefits in terms of taxation, and therefore revenue forgone, or contract acquisition, and therefore a reduction in the allocative efficiency of public expenditure.

The Executive in Tanzania is strong and the independence of Parliament is limited and facilitated by the dominance of the ruling party. The Executive uses Parliament to support its own agenda, often providing endorsement of its views. Changes in this relationship are emerging as there have been recent moves to increase the power of Parliament although the influence of these upon the incumbent power of the Executive remains to be seen⁵. The top down introduction of multiparty politics in Tanzania allowed the maintenance of institutional arrangements and legal constraints to perpetuate CCM's dominance. In addition to the financial advantages mentioned above, there is no separation between the Executive and the ruling party as Ministers are also MPs, and even within the Executive, the President and a core group of senior ministers dominate (Oxford Policy Management, 2005: 22). The power of Parliament in terms of budget and PFM issues is significantly less

⁵ Reforms include the granting of an independent budget for Parliament, the establishment of new standing committees, and the extension of parliamentary sessions (Oxford Policy Management, 2005; UNDP, 2007: 9; Tilley, 2008, PEFA analysis (unpublished): 12).

than that of the Executive, and more specifically less than that of a small group of senior civil servants within the Executive (mainly concentrated in the Ministry of Finance and the President's Office).

2.2 Accountability in aid: the periscope

The aid environment will be examined to present a context for the argument that increased formalisation has allowed the Tanzanian government to maintain policy space to respond to domestic political interests.

Briefly considering the context in which aid has been provided, efforts to improve the donor-government relationship began to see results from the late 1990s onwards, the start of which was marked by the 1995 Helleiner report on cooperation between Tanzania and her donors. The reformist presidency of Mkapa saw large improvements in public auditing, taxation and other PFM reforms. As aid inflows to Tanzania increased, there were increasing demands upon the resources of government required to manage and to report upon funds and to maintain dialogue with donors. This saw the emergence of a core group of senior officials, concentrated in the Ministry of Finance (MoF) and the President's Office, who played the role of trusted individuals, to which much of the donor confidence in Tanzania can be attributed. Kelsall (2002) describes how a few government officials step out from the smoke-filled rooms and are put on display in the air conditioned shop windows to interface with donors. Ewald has termed this relationship between MoF, the President's Office and donors the "*iron triangle*" (Ewald 2002 cited in Oxford Policy Management, 2005: 31).

The implementation of the agreements made in Rome, Paris, Marrakech and more recently, in Accra have embodied procedural accountability. They have seen a move towards a more formalised dialogue structure and in Tanzania as many as 26 working groups can be

counted. There has been a notable reduction in informal interactions between government and donors at the technical level and only through holding a co-chair position can donors access government⁶. Whilst this represents a reduction in transaction costs for government many of the benefits of steering and negotiation, as identified by Thomas (2007), are lost and the cross fertilisation from donors' experience in other countries is diluted⁷. This increasingly formalised structure is seen by many donors as a negative development, despite it fulfilling the demands of the international aid agendas. As donors retreat from an informal relationship towards the formal the resultant quality of interactions with government suffer, particularly in the context of a society in which personal relationships are of the utmost importance⁸.

In recent years the government, and particularly the Ministry of Finance, has become increasingly closed to outside influence and is using the harmonisation structure to shield against donor intrusion. Ownership has undoubtedly increased, however it has been at the expense of partnership⁹. The perception remains that the most influential donors are those with the closest relationship to key senior government officials who by virtue of their personal relationship are able to gain access to information and in turn act as gatekeepers. This less frequent interaction combined with periods of conflict has reduced trust¹⁰. As dialogue with government offers a voice in policy formulation the increased prominence of the formalised dialogue structure and the subsequent increased distance of donors from the government has reduced the influence of donors upon policy - the formalised dialogue structure has become a control mechanism through which the influence of donors is reduced.

⁶ Interviews with donors, Dar es Salaam, April-June 2009.

⁷ Interviews with consultant, Dar es Salaam, June 2009.

⁸ "*Utu ni vitendo*" (humanity is in actions) is one of the many Swahili sayings that underscores the importance of personal contact and conduct.

⁹ Interview with consultant to DPG Secretariat, Dar es Salaam, June 2009.

¹⁰ Interviews with donors, Dar es Salaam, April – July 2009.

This move towards the formal does not detract from the incentives that are present on both the government and the donor side to continue with the high levels of budget support. There is collaboration between donors and the Executive to maintain the situation as donors want to disperse and government needs the funds. In line with the 2004 Marrakech Memorandum on Managing for Results, to fulfil the need to be accountable to constituencies in donor countries and as budget support has been a key modality for almost a decade, donor headquarters are increasingly demanding results. In this environment GBS conditionalities function to allow the illusion of accountability and justify continued disbursements. Aid conditions therefore act as the mechanism by which donors can present the illusion of power over the recipient government to their headquarters - necessary for the future flow of aid.

Considering this pattern in terms of the accountability framework, there has been a move away from relational accountability in the government-donor relationship and the increasingly formalised and procedural international aid environment has imposed an inefficient and ineffective structure that the government uses to maintain policy space. To summarise, much of the conflict between donors and government that arises around key issues or events appears to be related to fundamental differences in their frames of reference: one being more formal, based on Western-centric procedural accountability; and the other more informal, based on relational and neo-patrimonial accountability. In the analyses of policy formulation that follows, GBS conditionality and conflict between donors and government will be examined.

3. Analysis: rent seeking and policy space

PFM and the associated reforms have been the subject of extensive donor attention, increasingly so as a larger proportion of total aid is channelled into general budget support (GBS). The PFM arena has received extensive technical investments and has become increasingly regulated which has significantly modified rent seeking (Gray & Khan, 2010: 9). This in turn raises the question of how neo-patrimonial politics have changed in response. Has there been an effective tightening of channels of political influence? If so, has this resulted in changes in the way influence is exerted? Or are the investments a smoke screen which do not address the real issues of patronage, as patronage takes place outside the influence of the good governance agenda (Gray & Khan, 2010: 9)? Where does the flexibility for incorporating patronage rents lie as PFM reforms are undertaken, for instance are some loopholes retained as other areas are tightened to allow continued rents?

Through incorporating a relational accountability framework to understand international aid in the context of the domestic political economy, another layer of understanding is revealed which illustrates how the state negotiates space to maintain the support of the winning coalition. This will be considered through: i) an examination of the domestic accountability influences on the budget preparation process; and ii) conditionality in GBS centring on a case of conflict.

3.1 Domestic accountability and budget decisions

This section will argue that there has been little progress in some areas of budget reform during the last ten years which has allowed the Executive to maintain its primary influence in determining budget allocations, subsequently retaining the space for allocations to be made to support the winning coalition.

The power of the Executive in making budget decisions is embedded in the dominance of the Ministry of Finance in budget preparation. There remains a concentration of power in the hands of a few senior policy-makers in the Executive who are actively involved in the policy formulation stage and have the power to preside over the entire budget preparation process. The consequences of this strategic positioning results in the allocation of public resources to support key interests. This can crudely be considered in terms of the extent to which the budget is in line with the priorities identified in the PRS and the transparency of in-year budget reallocations.

The large public sector combined with the high debt service payments leaves little discretionary expenditure remaining for poverty reduction strategy (PRS) priorities as identified in the MKUKUTA¹¹. Yet in spite of this there has been a reduction in the share of non-wage expenditure upon PRS priorities between 2007/8 and 2008/09 from 64.5 to 62 percent (Ministry of Finance and Economic Affairs & Development Partners, 2009: 17). Whilst this requires further consideration, it crudely points towards other interests exerting an influence upon priorities. Also, as this considers expenditure by broad category only, it still masks other hidden priorities and patronage payments. In-year budget reallocations are signed off by the Paymaster General (Permanent Secretary, Ministry of Finance) and are retrospectively approved by Parliament twice a year upon presentation of the reallocation warrant books. Whilst the budget is presented to Parliament by line item, the reallocation warrants are detailed only by subvote making comparison with the original budget impossible¹².

¹¹ The MKUKUTA (Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania) is Tanzania's National Strategy for Growth and Reduction of Poverty (NSGRP). It was developed in 2005 and is the successor to the PRS.

¹² The relative size of reallocations each year is variable, for example in 2006/07 they were substantial at 12 percent of the original budget, whereas in 2007/08 they were 3 percent (own calculations based on GoT budget and reallocation warrants).

Turning to consider the role of Parliament; its ability to exercise oversight hinges upon independence from the Executive and its ability to operate independently of the President's Office (Chaligha, 2009). Whilst the recent Parliamentary reforms have been increasing the capacity and also the influence of the Parliament, the power of the Executive remains largely unchecked. Until 2007 the budget was presented to Parliament only in its final stages, prior to presentation to the National Assembly and the budget guidelines were only approved by Cabinet and not sent to Parliament (Daima Associates & ODI, 2004: 44). This changed in 2008 when the Budget Guidelines were debated and passed by Parliament, marginally increasing the ability of Parliament to influence the budget frame and sector priorities at an early stage although changes are usually minimal. The process of Parliamentary input to the budget relies on parliamentary committees. The budget and preliminary briefs from the Minister of Finance and Economic Affairs goes to the Finance and Economics Committee of Parliament and sector budgets to sector committees for consultation before the budget is presented to the National Assembly (Ministry of Finance and Economic Affairs, 2006; Rajani, Kirei *et al.*, 2005: 45). Whilst these committees have no power to change the budget, they can propose changes to be considered by Parliament (Parliament of Tanzania, 2004). The recent changes in the capacity of committees has been concentrated in the watchdog committees, which have been growing in strength and voice. Notably these are the only committees to be chaired by opposition MPs¹³. On balance the involvement of committees remains limited and weak, restricted by constraints of time, resources and information which permit a strong ruling party influence to be sustained¹⁴.

The main limiting factors of a technical nature are the parliamentary debate around the budget and the structure and presentation of the budget. The limited capacity within

¹³ The three watchdog committees are the Parliamentary Accounts Committee; the Local Authorities Accounts Committee; and the Parastatal Organisations Accounts Committee.

¹⁴ Personal communication, researcher, Dar es Salaam, July 2009.

Parliament to understand the budget and its implications manifests itself in a lack of awareness of the content of the budget and its implications¹⁵. This is compounded by both a stark asymmetry of information, as papers for debate are frequently released to Parliament late, and there is an absence of technical support for Parliamentarians. The structure and presentation of the budget does not facilitate understanding, as linkages between expenditures, activities and outputs - and in a number of cases clear policy statements - are absent.

In short, Parliament's scrutiny of the budget is usually limited to a formal process of approval (Oxford Policy Management, 2005: ix). This allows the Executive to dominate budgetary allocations and presents opportunities for patronage payments to be made that retain the support of the elite. The next section will consider how these domestic influences interact with foreign aid.

3.2 Conditionality in budget support

The process of policy formulation, influence and power in Tanzania, will be considered, using the example of conditionality in budget support. This will then be followed by a consideration of how the Performance Assessment Framework (PAF) operates and what it represents in terms of influence upon policy formulation. The discussion will demonstrate how the increasing demand from within the international aid agenda to report on results abstracts from the domestic political economy context and in doing so overlooks many of the ways in which positive change and development could be captured.

¹⁵ An example is the belief of some MPs that the sector memoranda are not contained within the budget documentation (Oxford Policy Management, 2005: 11) implying that the papers are not fully understood or read.

As part of the migration to the new Poverty Reduction Budget Support (PRBS) mechanism in 2001, the PAF was developed and became the focus of the discussion in biannual donor-government meetings. The coverage of the PAF broadened the content of the policy discussions and became the tool through which donors monitor and in some cases attempt to influence policy. The stated aim of the PAF to “*prioritise existing targets and measures and link their achievement to the provision of budgetary support*” (United Republic of Tanzania, 2001: 3), underestimates its usage as the donor agenda has been pushed forward through some PAF actions. This lead the government to retain space in policy formulation and reform in three ways: i) through maintaining a strategic ambiguity whereby some room to manoeuvre is retained which creates the space for later renegeing upon agreements (Richey, 1999); ii) through slippage in implementation; or iii) through policy reversal. It should be noted that these are ex-post responses, and take place in the context of limited capacity in government. Where government capacity is greater a preferred response would be ex-ante, staying a step ahead of donors and either being able to make policy proposals, or to make clear responses to donors’ proposals. It is through these routes that the influence of the PAF is restrained.

The framework of conditionality (the Performance Assessment Framework, PAF) for budget support detracts from the substantive and often political issues affecting development and in doing so restricts the involvement of donors in policy dialogue to technical issues, even in the higher level forums¹⁶. The level of detail embodied in the PAF, which contains more than 90 actions, has resulted in higher transaction costs, intrusion which reduces national ownership; and a “*technocratic focus which militates against political input*” (Daima Associates & ODI, 2004: 49). There is collaboration between donors and government, and between the Ministry of Finance and sector ministries to

¹⁶ Interviews with donors, Dar es Salaam, April – June 2009.

achieve satisfactory ratings despite performance being poor and the assessment process may result in the minimum being achieved. The government has effectively had a “*carte blanche*” since 2000 as the conditions are being accepted, yet not being met if they are not in line with the government’s own development agenda¹⁷.

Three different types of conflict around GBS and the PAF have occurred: i) where expectations of policy implementation in the PAF have not been met; ii) where PAF policies have been implemented despite domestic objection; and iii) where GBS has been delayed due to an issue outside the PAF. To illustrate each of these an example is presented.

The first type of conflict whereby expectations of policy implementation in the PAF are not met is an example of policy space being retained through slippage. This can result in disbursement as donors acquiesce or alternatively a small proportion of GBS funding may be forgone. The prior action on the reform of the role of crop boards has resulted in both a direct reduction in the World Bank’s disbursement to GBS in 2005 and the later rewording and rolling over of the action in the PAF until 2008 when it was passed by Parliament (World Bank, 2005, 2008)¹⁸.

Another example where a conditionality that was not met had direct financial consequences concerned Danida’s performance based variable tranche, which was linked to anticorruption legislation (Ministry of Foreign Affairs of Denmark, 2008; Sitta, Slaa *et al.*, 2008: 61). This resulted in the loss of the variable tranche in 2007/08, amounting to Tsh4.1bn, approximately USD4m (Ministry of Foreign Affairs of Denmark, 2008). An

¹⁷ Interview with NGO Director, Dar es Salaam, April 2009.

example of the second case where a PAF action was met despite it being rejected domestically concerned privatisation. Donor proposals for the method and timing of the privatisation of the National Bank of Commerce (NBC) and the National Microfinance Bank (NMB) was rejected by the Finance and Economic Affairs Committee of Parliament yet the proposals were still implemented (Oxford Policy Management, 2005: 30).

The third example of conflict concerning an issue outside the PAF is the External Payment Account (EPA) corruption case which illustrates a issue of conflict between donors and the Executive and resulted from weaknesses in the public financial management systems and processes¹⁹. In 2008/09 budget support disbursements equivalent to 12 percent of the budget were delayed by a quarter as donors requested responses to questions concerning the follow up the auditors recommendations (ThisDay, 2008a, 2008b; United Republic of Tanzania, 2008: 49). By threatening to not release funds the donors were in direct contravention of their agreement with the government, stepping outside their own increasingly formalised framework. This lead to concern over the stability of the budget, and a subsequent reduction in trust between government and donors: a weakening of the iron triangle. In the context of a strategic game, the use of GBS is the only effective tool that donors have to send signals to the government that they are serious. The reduced acceptance of the neo-liberal consensus that was forged by President Mkapa was apparent in calls for increased independence from donors and the ability to pursue policies of Tanzania's own choosing, vocalised by politicians from all parties and academics.

¹⁸ A prior action or trigger is a World Bank conditionality completion of which is a condition for the release of the PRSC (Poverty Reduction Support Credit) tranche. The reduction occurred under PRSC3 in 2005 where USD25m was cut (World Bank, 2005: 24).

¹⁹ The EPA was established as a solution to a shortage of foreign exchange that was facing Tanzania in the late 1980s. Local importers lodged the Tsh equivalent of the forex import in the BoT account and upon the availability of forex the payment would be released to the foreign supplier. The legal cases concern payments to 22 local companies that were made from the account in 2005/06. The total value of payments made from the account during the fiscal year was Tshs 133bn (approximately USD 103m), of which 68 percent have been found to be based on "*invalid or fraudulent supporting documents*" (Controller and Auditor General, 2008: 15).

In summary, the examination of the three different types of conflict around GBS shows the different strategies that may be employed to retain some policy space. The PAF emerged so that donors could be actively involved in the prioritisation of policy measures, using the carrot of financing as an incentive; however it demonstrates that some policy space is effectively negotiated by the government. Whilst the PAF is firmly rooted in procedural accountability and this is increasingly the dominant approach of donors, an element of relational accountability does exist as negotiations and collaboration take place between donors and government. In many cases, despite conflict being present, the incentives of donors to disburse dominate.

4. A policy perspective: focusing on relational accountability

This paper has attempted to analyse the domestic political economy context in Tanzania, to highlight the challenges currently being faced and to present a contribution to current thinking on aid management through interpreting accountability in foreign aid and the relationship between donors and government. To begin to consider what the future for development management holds it is necessary to fully understand the context on the ground and this paper has argued that this is a gap in current thinking. Donors approach accountability and development from a procedural perspective based on a contractual and principle-agent model. Looking through the periscope at the view above the surface avoids the murky reality of how state and society functions that exists below the surface. This is inappropriate to the Tanzanian context where the need to maintain the support of the winning coalition in the context of a limited access order economy requires that off-budget redistribution takes place along centripetal patron-client networks (Khan, 2004; Lindemann & Putzel, 2008; North, Wallis *et al.*, 2007). This is increasingly achieved through politics

and business linkages that allow rents to be redistributed to the group whose support is required.

Looking through the wrong lens, the donors miss the point of how accountability, and society, work in Tanzania. The different frames of reference of donors and government inevitably results in instances of conflict in dialogue and reform and the procedural accountability dominant approach of donors has clashed with the highly personalised domestic relational accountability context and there has been a deterioration of trust on both sides. The Tanzanian government has been able to use their relational accountability dominant approach to gain ex-post policy space, as considered above in terms of the use of the PAF. This takes place in the context of limited capacity within government and allows the interests of powerful groups to be served and stability to be maintained.

Domestic accountability and accountability in aid should be serving the same constituents – the Tanzanian public. As these agencies increase in effectiveness, donors should stop directly demanding accountability from governments: however the current frame of reference of donors is problematic as a lack of attention to the relational context results in donors demanding an unrealistic trajectory of change.

The potential scenario in the future is that as the winning coalition grows in size and the associated patronage becomes more expensive, the use of informal institutions to distribute patronage decline and more formal institutions start to emerge (North, Wallis *et al.*, 2007). Such changes represent a contextual shift from a society that is relational accountability dominant towards one that is procedural accountability dominant. However this change towards a procedural accountability framework cannot be pushed through by the imposition of a contractual framework.

This is a first step in considering what the future of development management holds. Answering the question of whether more effective development management is a dream or a possibility depends upon the response of aid agencies and their ability to change. In adopting a more relational approach donors could understand how they can most effectively contribute to development, better understand the government, adjust their behaviour and subsequently move to a higher trust environment. This could mean going with the grain and adopting second best governance outcomes that in the context of different frames of reference would achieve more than the first best solutions (Kelsall, 2008). Two important issues requiring further consideration are firstly, the extent to which this can be achieved without donors themselves being co-opted; and secondly, the interrelationship between changes in the donor-recipient relationship and the relationship the donor in the field has with their headquarters. To move towards understanding what a relational accountability dominant approach would mean in practice for aid management, public expenditure and accountability requires further debate and consolidation of ideas, along with a comprehension of what can realistically be achieved through an assessment of the constraints upon change.

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