



Anti-
Corruption
Resource
Centre

www.U4.no

Does aid work?

Reflections on a natural resources programme in Tanzania

Eirik G. Jansen

U4 ISSUE 2009:2

Does aid work?

Reflections on a natural resources programme in Tanzania

by

Eirik G. Jansen

U4 Issue 2009:2



U4 Issue

This series can be downloaded
from www.U4.no/document/publications.cfm
and hard copies can be ordered from:
U4 Anti-Corruption Resource Centre
Chr. Michelsen Institute
P.O. Box 6033 Postterminalen,
N-5892 Bergen, Norway
Tel: + 47 55 57 40 00
Fax: + 47 55 57 41 66
E-mail: U4@U4.no
www.U4.no

U4 (www.U4.no) is a web-based resource centre for donor practitioners who wish to effectively address corruption challenges in their work. We offer focused research products, online and in-country training, a helpdesk service and a rich array of online resources. Our aim is to facilitate coordination among donor agencies and promote context-appropriate programming choices.

The centre is operated by the Chr. Michelsen Institute (CMI: www.cmi.no), a private social science research foundation working on issues of development and human rights, located in Bergen, Norway.

U4 Partner Agencies: DFID (UK), Norad (Norway), Sida (Sweden), Gtz (Germany), Cida (Canada), the Netherlands Ministry of Foreign Affairs, and BTC (Belgium).

All views expressed in this issue paper are those of the author(s), and do not necessarily reflect the opinions of the U4 Partner Agencies.

Copyright 2009 – U4 Anti-Corruption Resource Centre

Indexing terms

NRM, Aid, Tanzania, Budget Support

Project number

29402

Project title

U4 Anti-Corruption Resource Centre

Contents

1.	Introduction.....	7
2.	The importance of natural resources in Tanzania	8
3.	Corruption in the management of natural resources	8
4.	Increased openness in the media about corruption.....	10
5.	Norway's role as development partner with the Ministry.....	11
6.	The results of the Norwegian support	12
7.	The evaluation of MNRP in 2006	13
8.	Results from the Danish audit reports.....	13
9.	My own experience from MNRP in the period 2003 - 2007.....	15
10.	Seminars and per diem.....	16
11.	How could this happen? Norway's role.....	19
12.	Did the aid to MNRP work?	23
13.	Consequences for the new environment and natural resources programme	24
14.	How relevant are the lessons we have learnt from MNRP?	25
15.	References	26

Abstract

In this paper, a former programme officer¹ at the Norwegian Embassy in Tanzania considers challenges to aid effectiveness in a major natural resources programme. After twelve years of support by the Norwegian government totalling about US\$ 60 million, an evaluation by independent consultants revealed in 2006 that up to half of the funds allocated may have been lost through corruption and mismanagement. Explanatory factors discussed include inadequate analysis of the sector's political economy, future-oriented strategies and plans from the donor side, over-reliance on the government's financial management systems, report-based evaluations by interested parties, and the "pipeline problem" common in development aid. The author concludes with ideas for avoiding these pitfalls through a more sophisticated approach to budget and programme support. The paper is published as part of the project "Corruption in Natural Resource Management" at the U4 Anti-Corruption Resource Centre: www.u4.no.

¹ Eirik G. Jansen, Senior Advisor, Norad Evaluation Department.

1. Introduction

Does aid work? The question is posed by the Director of Norad in the introduction to Norad's final report of 2007 (Norad 2007). The conclusion is clear: Yes, aid does work, but not well enough. The Director invites the readers of the report to participate in a public debate about Norwegian development aid, and invitation also extended by the Minister of International Development and Environment. In this article, I take on their challenge by sharing my experience as a programme officer for the Management of Natural Resources Programme (MNRP) in Tanzania.

Very briefly about my own background for presenting the following reflections: Since 1970 I have worked full time with development aid and development issues. For nearly half of the time since 1970 I have worked in various countries in Africa and Asia where the results of our development efforts can be observed. Many of the reflections I present are related to work I have carried out as a researcher and participant in development projects in the rural areas of various countries in Asia and Africa. Other reflections are based on the experiences I gained by working for many years at the Norwegian embassies in Bangladesh and Tanzania. However, in this article my focus will be on one particular development programme which Norway funded for many years in Tanzania. This programme confirms many of my experiences and reflections from work in other countries.

The question of whether development aid works can be addressed at several levels. Economists who assess the aggregated effects of aid will often discuss the effects of aid on economic growth (Ridell 2007). Although this article will focus on one particular development programme, there will nevertheless be many general lessons to be learned about important factors influencing the effectiveness and impact of aid.

The information presented in this article is directly related to the MNRP, which Norway financed from 1994 to 2006 with about US\$ 60 million, about US\$ 5 million per year. I was programme officer for MNRP at the Norwegian Embassy in Dar es Salaam from 2003 to 2007. During this time, I had regular meetings with the Government of Tanzania regarding MNRP and travelled widely throughout Tanzania to assess the progress of the programme. MNRP was for many years regarded as a successful environment and natural resources programme. Information that has emerged during the last few years has shed new light on the programme. A final evaluation of the programme in 2006 has raised serious doubts about the programme, concerning its results as well as its financial management (Cooksey 2006). Two subsequent reports from a Danish audit firm in 2007 exposed extensive mismanagement of money and corruption² in the programme (Andresen & Bhattbhatt 2007a, 2007b). According to the Danish auditor, as much as half of the money allocated for MNRP, US\$ 30 million, may have been misused or lost through corrupt practices. It was the Norwegian Embassy in Dar es Salaam that became suspicious and initiated an investigation into the financial management of the programme.

This article will focus on why and how so many millions of dollars were mismanaged. It will not address the results and achievements of the programme in any detail. In order to discuss this issue, it will be necessary to assess the wider economic and political context in which the programme has been implemented. Many of these issues also constitute the framework within which other development programmes take place in Tanzania and other African countries. A main conclusion of this article is that we were not sufficiently aware of this context when planning and implementing MNRP.

A main comment from those who evaluated MNRP in 2006 was that the governments in both Tanzania and Norway dealt with MNRP as if it operated in a vacuum. MNRP was not assessed in the light of how the Government of Tanzania in general managed its natural resources nor in the light of key features of the administration of the Government of Tanzania. The following sections of this

² The World Bank's definition of corruption will be used in this article: "Abuse of public office for private gain".

article will address these issues and argue that the implementation of MNRP was clearly influenced by this context.

This article will describe MNRP and present the results from the Danish audit reports. There are few Norwegian development programmes where *the flow of financial resources* has been documented in so much detail and where the financial management system has been assessed so closely. Based on my four years of experience as a programme officer for MNRP, I will subsequently present my own observations which I believe will help explain the mismanagement of money in MNRP.

The Government of Tanzania was not the only actor in MNRP. The Government of Norway has also played a major role in the development of the programme. Why did Norway not discover the extensive mismanagement of resources at an earlier stage? This article will discuss certain aspects of the Norwegian Government's policies concerning management of development aid in general and how this has affected the programme.

The article will also show what Norway has done in connection with the mismanagement of MNRP resources and how Norway will address these issues in relation to the new natural resources programme that is currently in the planning stage in Tanzania. In the last section of this article I will discuss to what extent the experiences from MNRP are relevant for other development programmes.

2. The importance of natural resources in Tanzania

Renewable natural resources in Tanzania play an important role both for the population in rural areas of the country and for the economy as a whole. Of Tanzania's total population of 40 million people, 75 percent live in rural areas. Most of the rural population has access to forestry, fish and/or wildlife resources. It is estimated that on average 40 percent of the income in rural households comes from one of these three natural resources. Agriculture is the main economic sector in the rural areas, but most people who live off the land use simple technology and the productivity of land is very low. Efforts to improve the agricultural sector are slow, and income and food from the forests, fisheries, and wildlife will for many years continue to play an important role for the rural population.

Natural resources are important at the national level too. Timber from the forests is important for economic activities in the country and it is also a major source of foreign exchange. Tanzania also receives substantial foreign exchange from the export of Nile perch from Lake Victoria and shellfish from the coastal areas. The wildlife of Tanzania brings income from tourism and hunting licences.

Traditionally, local people have used their own rules of management for the various natural resources that have been of interest to the local people. During the last decades this has changed. A new set of actors, very often foreign investors, have discovered the value of Tanzania's natural resources. The competition for scarce natural resources has changed the constellation among the actors. "The lake is no longer ours", lament tens of thousands of fishermen and fisherwomen around Lake Victoria after foreign investors, the national elite and the Government have gained control over the fish resources (Jansen et al 200).

3. Corruption in the management of natural resources

Those who have control over the natural resources are in a powerful position and usually have easy access to money. There are major conflicts about natural resources, and such conflicts take place on several levels. Each natural resource leads to its own type of conflict. Many researchers talk about the natural resources curse, which is a highly relevant concept for Africa, including Tanzania (Collier 2007). Tanzania has not been successful in managing its natural resources in a sustainable and equitable manner, nor has the country been able to achieve significant economic growth in its utilisation of these resources. It is Tanzania's Ministry of Natural Resources and Tourism – hereafter referred to as the Ministry – which is in charge of managing the forestry, fisheries, and wildlife

resources. The Ministry had three separate divisions, each dealing with one of these resources. MNRP had projects in the forestry, fisheries, and wildlife sectors that were closely connected to these three divisions of the Ministry. The Ministry issues licences for harvesting the resources and is responsible for managing the resources in a sustainable manner. Each of the three divisions in the Ministry employs hundreds of people at central, regional, and district levels.

In all of the three sectors there has been pervasive corruption during the last decades. Management and staff in the Ministry, together with politicians and people from the local population, have plundered the resources and exploited the resources in a way that is not sustainable. Often this has been in collaboration with foreign investors. With assistance from the Kuwait Fund for Arab Economic Development,³ the OPEC Fund for International Development,⁴ and the Saudi Fund for Development,⁵ one of the largest bridges in Africa was built over the Rufiji River in southern Tanzania in 2003. The bridge led straight into a natural forest of about 20,000 square kilometres that had remained fairly unexploited until then. A comprehensive study conducted after the completion of the bridge showed extensive illegal exploitation of the forest. Logs worth tens of million of US\$ were exported illegally to China and other countries in Asia. Taxes and royalties were paid for only four percent of the forests that were harvested. The study estimated that Tanzania annually lost US\$ 52 million of its potential revenue, due to illegal logging (Milledge 2007).⁶

Reports from the fisheries and wildlife sectors also show that politicians and representatives of the Government allow these resources to be plundered by national and international companies, provided they themselves obtain a share of the profit made by the companies. Both in the fisheries and wildlife sectors, licenses are allocated to investors at a price that is only a fraction of the market price. Corrupt representatives of the Government earn huge amounts of money that should have gone into the Treasury. The development partners in Dar es Salaam recently notified the Government that the fees which the Government received from the wildlife sector were minimal. The Government only charged US\$ 8,000 for hunting blocks that had a much higher market value. The Government accepted the complaint by the development partners and increased the fees to US\$ 40,000 for each block. However, many of the politicians and ministers who controlled these hunting blocks complained that the increased fees would lower their profit and therefore demanded that fees should remain at the old levels (British High Commission, Dar es Salaam 2007). The trawlers (about 150 coming from the EU countries and the Far East) that operate within the Exclusive Economic Zone in the Indian Ocean only pay US\$ 18,000 annually to obtain a licence. On a good day of fishing, the trawlers are able to catch fish of the same value as the annual fee. It has been estimated that if the Government had charged market value for these licences, the Treasury could have collected US\$ 20 million annually for the trawlers' licences (Development Partner Group, Dar es Salaam 2005). It is also well known that the export of Nile perch from Lake Victoria has been underreported for many years in order to avoid taxation.⁷ There is much money to be earned by government officials and politicians who contribute to increased export of natural resources without it being taxed.

The Ministry is in a special position in the Government administration of Tanzania because of its opportunity to generate its own resources from taxes, fees, and royalties. It also receives allocations from the Ministry of Finance. It is difficult to estimate how much money the Ministry transfers to the Treasury and how much disappears due to corruption. With all the potential income from natural

³ <http://www.kuwait-fund.org>

⁴ <http://www.opecfund.org>

⁵ <http://www.saudinf.com/main/1104.htm>

⁶ The Norwegian Embassy in Dar es Salaam took the initiative for this study in 2004. It was supported by 15 bilateral and multilateral organisations in Tanzania and the Ministry of Natural Resources and Tourism. The Norwegian Embassy administrated and funded the study during the period 2005 - 2007. The study was discussed in the Parliament, among the development partners, and NGOs. Many NGOs have jointly made a plan to assess the follow-up of the report recommendations.

⁷ *The African*, October 7, 2004.

resources, the Government of Tanzania should have been able to manage its own natural resources without depending on funds from development partners.

A report from the World Bank summarises these issues:

Because of policy failures, Tanzania's natural resource endowments are not harnessed in an optimal way to achieve both economic growth and poverty reduction. On the contrary, owing to weak governance regimes in revenue-generating sectors, resources are offered below market price to the benefit of a few powerful winners and the loss of the majority of the rural population. Yet these natural resources provide substantive potential for income to communities in the rural areas. The weakness in governance regimes in forestry, wildlife and fisheries include primarily (a) the lack of transparency and accountability in issuing rights to extract resources and accrue revenues from them, (b) inequitable sharing of benefits with communities, and (c) monitoring and surveillance of stocks. In all four principal sectors providing natural capital in the growth equation – forestry, wildlife, fisheries, and mining – royalties are set arbitrarily and do not reflect scarcity. Royalties are hence not used as a policy instrument of intertemporal resource pricing and sustained yield management (Pfliegner 2008).

The Government of Tanzania has a complicated relationship to its task of managing the natural resources. On the one hand the government has, with the support of its development partners, spent much time and resources in developing legal acts, policies, strategies, national plans, and sector strategies for its forestry, fisheries, and wildlife resources which are compatible with those of the international community. No doubt many government officials in Tanzania do their utmost to comply with and follow up these adopted plans and strategies. On the other hand, there are also many government officials and politicians who undermine the policies they themselves have been central in having Parliament adopt. Many of these politicians and government officials have held high positions in the Ministry. These leaders can force honest government officials to adopt corrupt practises. It is therefore not a lack of legal acts and instruments, policies, strategies, and plans that explains the mismanagement and corruption in the field of natural resources, but the political will to follow up on the adopted instruments.

4. Increased openness in the media about corruption

One of the very positive trends in Tanzania in recent years has been an increase in public attention to the extensive corruption in the country. For many years the discussion on corruption in Tanzania mainly took place at a general level, without making reference to specific cases. During the last four to five years this has changed, and a number of very concrete cases have been brought up in the media.⁸ The names of leading politicians and government officials have been linked to major construction and procurement contracts worth hundreds of millions of US\$. For example, an external audit report showed that the Bank of Tanzania had paid over US\$ 130 million to 22 (mostly fictitious) companies in settlement of the Bank's External Payments Account. The Governor of the Bank was forced to resign in December 2007. One of the biggest scandals, labelled "the Richmond case", involved an international energy company (Richmond⁹) that was contracted to supply Tanzania with 100 megawatts of electric power on an emergency basis. The company failed to perform and had to be replaced by a more reputable contractor. The Prime Minister and two senior ministers were forced to resign in February 2008 over the US\$ 170 million contract. Other ministers were dropped, including

⁸ "Corruption", *The Citizen*, October 2007. According to a survey carried out by the American journalist Jonathan Power, there were about 20 articles about corruption each month in the daily press in 2002. In 2007 this number had increased to 160 articles per month. In addition, several websites about Tanzania and corruption have been established during the last few years, providing information that has assisted the press in pursuing specific cases.

⁹ www.richmonddep.com

the Minister of Finance (former Minister for the Ministry of Natural Resources 1995-2005) when a new cabinet was appointed. The political opposition parties in Tanzania have demanded that the relevant politicians should be taken to court. This is a historic case for both Tanzania and Africa, revealing that corruption is taking places in the highest offices.

The public debate about corruption also deals with the renewable natural resources. The two last ministers in the Ministry have stated publicly that they are unable to end the corruption in the forestry and wildlife divisions of the Ministry. In December 2007 three of the five directors in the Ministry, including the directors for forestry and wildlife, were either removed or placed in less prominent positions.¹⁰ Typically, none of them have been charged with any offence, but just moved sideways within the ministry or to institutions linked to the Ministry. It is most unusual that court cases are brought against government officials. Editorials and cartoons in newspapers often refer to the fact that government administrators and politicians who steal millions of dollars are only transferred within the ministries, while petty thieves are locked up in prison for years for stealing bread, eggs, and a chicken. The lack of sanctions against corrupt officials makes the officials less afraid of attempting corrupt actions. The corrupt leaders also set a very bad example for their subordinates when they encourage or even force them to conduct illegal activities.

A well-known Tanzanian journalist, Karl Lyimo, has commented very aptly on the negative message corrupt leaders communicate to their subordinates:

The axiom “send a thief to catch a thief” does not work in governance. For example, a president who conducts business for personal gain at the State House will not have the moral courage to deal perpendicularly with his officers who use their workplace for personal gain. A Government is as good, strong, and authoritative as are those who lead it (Lyimo 2007).

The Ministry has been the partner institution collaborating with Norway since the 1970s. There is no doubt that Norway should have been much more aware of the corrupt side of the Ministry than we have been. It is quite obvious that the corrupt forces in the Ministry also have influenced MNRP. MNRP has arguably been the most important programme the Ministry has had with any of its development partners. It is the political leaders and senior staff of the Ministry who take the major decisions about MNRP. The media has in the last few years shown that it is not only the Minister and the staff in the Ministry who have indulged in corrupt practices; it is also key politicians who put pressure on the Ministry in order to gain access to the natural resources which the Ministry manages. In my opinion, Norway has to a large extent looked at MNRP in isolation and not seen the broader context within which MNRP operated.

5. Norway's role as development partner with the Ministry

Since the 1970s much of the Norwegian support to the Ministry has been spent on the development of national institutions in the forestry, fisheries, and wildlife sectors. In 1994, various old and new projects were merged into the MNRP. MNRP was implemented through three phases, each lasting four years. The programme started in 1994 and ended in 2006. MNRP has consisted of 10-12 separate projects dealing with forestry, fisheries, and wildlife issues during this period. Some projects have been terminated while others have started up during this period.

The Norwegian support for the environment and natural resources has followed international trends concerning the management of natural resources. In the 1970s and 1980s much of the focus was on maintenance of biodiversity and sustainable development. Later on, participation of the local

¹⁰ See *This Day* and *The Citizen*, December 7, 2007.

population's role in the management of natural resources received emphasis. Over the last few years the issue of good governance has been integrated into the management concept. The management of natural resources has changed from having a more narrow focus on the natural sciences to include more social, political, and economic aspects of the management of resources.

Some of the Norwegian financial support was spent on new infrastructure facilities for the Ministry, and many of the Mweka Wildlife College buildings in Moshi and Mafia Island Marine Park (MIMP). In addition vehicles, boats, petrol, and ICT equipment were paid for through the support to MNRP. Most of the money allocated to MNRP was, however, spent on "capacity building" for the Ministry's own staff, government employees in the districts, and the local population, in order for them to learn more about how the various natural resources should be managed. As will be shown below, it is difficult to estimate accurately how much was allocated for this purpose. It is, however, not unreasonable to assume that 50-70 percent of the US\$ 60 million may have been spent on seminars, workshops, per diem, and travel expenses in order to promote capacity building.

6. The results of the Norwegian support

The Ministry was responsible for planning and implementing MNRP. The results of the Norwegian support were reported in various ways. The Norwegian Embassy met the Ministry in Annual Meetings where the annual report, the audit report, and next annual plan for MNRP were presented, discussed, and subsequently adopted. Prior to each annual meeting a field trip was organised to some of the projects. Representatives of the Ministry, MNRP, the Norwegian Embassy, Norad, Norwegian collaborating institutions with MNRP, and the Ministry of Foreign Affairs in Oslo could participate in the field trips. These field trips typically lasted three to six days and the participants received reports from the projects in the field. Three mid-term reviews of MNRP, one for each phase, were conducted.

The main feedback from the annual meetings, the field trips, and the mid-term reviews of MNRP were positive. Village committees had been established to manage the natural resources in the rural areas and village patrols had been given the task of guarding the resources from being exploited in an unsustainable and illegal way. This resulted in, inter alia, that dynamite fishing in the MIMP was ended, certain areas of forest were protected, trees were planted, and illegal hunting was reduced. One of the 11 projects, The HASHI-project, was awarded the United Nations Equator Prize¹¹ for reforesting the Shinyanga region with 350,000 hectares of forest.¹² Many of the reports made by the Ministry and mid-term reviews showed that a large number of the planned MNRP targets had been achieved.

The Controller and Auditor General (CAG) audited the annual accounts and made some comments. CAG always found issues that were not satisfactory, mainly minor issues. In connection with the construction of buildings for MNRP, mismanagement was detected. The responsible Project Manager was removed to another position in the Ministry. CAG has continually made comments on the documentation concerning use of vehicles and petrol in MNRP.

The Norwegian Embassy received CAG's report a month prior to the Annual Meetings. The audit report was highly technical and the Embassy staff found it difficult to understand. The Embassy therefore received an opinion about CAG's report from the office of PriceWaterhouseCoopers (PWC) in Dar es Salaam. PWC always had comments to the report from CAG. The Embassy assessed PWC's comments and then passed on its comments to the Ministry. On the basis of the comments from CAG and the Embassy, MNRP then made up a list of these comments and later reported on how the various issues had been followed up.

¹¹ <http://www.equatorinitiative.org>

¹² The Norwegian Embassy suggested that MNRP should produce a DVD about the positive results of the HASHI-project. This was done and the DVD was distributed to the other projects of MNRP.

In the main, everything appeared to be in good order, both concerning the results of MNRP and the financial management of the programme. MNRP was by many in Norad considered “the jewel in the crown” of Norwegian support for the environment and natural resources in developing countries.

7. The evaluation of MNRP in 2006

During 2006, the picture of MNRP changed dramatically as a result of an evaluation which the Norwegian Embassy and the Ministry carried out covering the whole period of MNRP from 1994 to 2006. The participants in the evaluation were independent consultants who had not taken part in the planning or implementation of MNRP, nor in the mid-term reviews.

The evaluation findings were not at all compatible with the results reported in the annual reports, the mid-term reviews, or the reports from the field trips. The evaluation found some positive results in the project areas, but said that it was difficult to assess the extent of the positive results. The reason for this was partly because there was a lack of baseline information on the situation when the project started. Another reason for why it was difficult to determine the results of the project was that other factors than the project intervention could have influenced the reported results. The evaluation noted that MNRP had showed too little concern for governance issues, real participation by the local people in the project, the distribution of benefits from MNRP, and issues related to corruption and mismanagement. The evaluation further observed that the reporting of results from MNRP was too simple and too mechanical.

The most important evaluation finding concerned the financial management of the MNRP. The evaluation documented that the MNRP accounts appeared very unclear and not very transparent. Much of the financial support seemed to have been used for administrative purposes. The evaluation was in particular critical to one of the eleven projects and indicated that financial mismanagement might have occurred in this project. On the basis of this assessment, both the Ministry and the Norwegian Embassy decided to carry out a re-evaluation of this particular project, the MIMP. The tasks of MIMP were to conserve the rich marine environment around Mafia and to promote people’s participation in sustainable exploitation of the resources around the island.

The Ministry and the Norwegian Embassy together appointed a team of experts who would carry out the re-evaluation of MIMP. Among the team members was a Danish auditor who collaborated with a local audit firm in Tanzania. The results of the re-evaluation were shocking with regard to the financial management of MIMP: Capital goods for the projects were overpriced; payments had been made to consultants for whom there were no contracts and no reports; the procurement rules had not been followed; and there were expensive and long trips for the MIMP staff. The MIMP accounts were unclear, and the internal and external control mechanisms were not effective (Andresen & Bhattbhatt 2007a). The Norwegian Embassy was so alarmed by this report that it decided to conduct audit reports for more of the MNRP projects. In total, five of 11 projects were audited by the Danish audit firm. In addition, MNRP’s support to the Institutional Capacity Building Project, placed in the Ministry’s HQ, was audited. The results from the last audit are presented below (Andresen & Bhattbhatt 2007b).

8. Results from the Danish audit reports

The main questions addressed in the two Danish audit reports, of May 2007 and November 2007, were: How has the allocated money been spent and what kind of documentation exists for the money that has been spent? There was comprehensive background work prior to the writing up of the reports. The Danish auditor and his Tanzanian colleague visited the project offices for five of the 11 projects in various parts of Tanzania. They spent many days on each project site and went through the accounts and financial management system for each project. The investigations carried out were not a total audit of all the projects. This would have been an almost impossible task. In an audit of projects of this

nature, it is standard practice to make random samples and then generalise on the basis of the samples investigated.

Below follow some of the actual findings:

- For one selected project it was found that 30 percent of the expenses could not be documented with any receipts.
- Seminars and workshops were regularly reported to last longer than they actually did, i.e. for seminars lasting only for two days, costs were charged for six days.
- MNRP has covered the expenses for reports from consultants where there was no agreement and no report.
- In some cases employees of the Ministry have been given double per diem and overtime pay while on holiday.
- Employees of MNRP have been paid large sums for travel expenses that cannot be documented.
- Various types of infrastructure have been overpriced.
- Procurement rules have not been adhered to when goods and services have been purchased.
- In the financial accounts of one project, the total turned out to be Tshs. 20 million (US\$ 20,000) more than if the figures had been added up correctly.
- Value Added Tax (VAT) has been paid on goods and services. VAT is 20 percent in Tanzania, and millions of US\$ must have been spent on VAT for MNRP. According to the agreement between the governments of Tanzania and Norway, all VAT should have been refunded to MNRP. This has not been done. At best the VAT has gone into the Treasury, at worst some of it may have been given to individuals. The Danish auditor has attempted to investigate this with the Tanzania Revenue Authorities, but was unable to find out what happened to the VAT paid by MNRP.
- The vehicles purchased were overpriced. Tshs. 57 million was paid for one car, while the actual price should have been Tshs. 35 million. In total Norway has paid for 66 vehicles in the period 1994 to 2006. Norway might have paid US\$ 1.5 million too much just on car purchases. Part of this sum is due to the VAT paid.
- There is no control over the stock of goods in the stores of the various MNRP projects. There is a lack of inventories and lists of equipment.
- Large sums of money have been transferred from MNRP to the Ministry without an explanation, and there are no documents that justify these transfers.
- MNRP has not followed the Government's own rules and regulations when paying for repairs on the vehicles.
- The financial accounts for the projects have not been set up according to the standard format for accounts.
- The *internal* and *external* mechanisms for controlling the financial management system did not function well. The internal control mechanism, the audit unit of the Ministry, did not identify the poor financial management system of MNRP. Neither did the *external* mechanisms, the CAG, the Norwegian Embassy, or PWC. The most serious problem was that the CAG received all the reports and accounts from the Ministry and accepted them with only minor changes.

The Danish audit reports show that some of the activities which MNRP reported on did not actually take place. There is therefore good reason to question how correct the annual reports have been, and also the mid-term reviews, which partly form the basis for the annual reports. The number of workshops, patrols of the natural resources, and consultancies may have been fewer than reported.

9. My own experience from MNRP in the period 2003 - 2007

During the four years I was programme officer for MNRP, I also made my own observations that are relevant for how the programme can be assessed from the point of view of financial management. I travelled widely and talked with many employees of the MNRP. No doubt, many of the project employees were both committed and competent.

On my trips to the project sites, I met also the local population as well as foreigners who were connected to the projects or knew about them. Once I got to know the people involved in the projects, many were very open about the problems concerning the financial management of the projects, and it was most often these people who brought up the issue. One Norwegian who for many years had been involved with wildlife projects, informed me about the mismanagement of project funds. Another foreigner working in the Forest Division informed me about the extensive misuse of money in connection with seminars and workshops.

As mentioned earlier, as much as 50-70 percent of the US\$ 60 million may have been spent on seminars, workshops, and related travel costs. Because so much of the financial support had been allocated for this purpose, it seems appropriate to discuss the culture that has evolved in connection with workshops and seminars. The reflections below should also be highly relevant for major parts of the government administration in Tanzania. The many and expensive workshops are often commented upon by the development partners in Tanzania. Often the comments and stories about possible mismanagement of the funds are anecdotal and without firm proof. In September 2006, however, the Embassy obtained firm evidence that the planned costs by far exceeded the real costs of a seminar. See textbox "Inflated Seminar Cost":

Inflated Seminar Costs

In connection with the termination of MNRP in 2006, the Embassy and the Ministry agreed to start planning a new five-year programme by conducting a seminar. The participants were to include Ministry staff, researchers from the universities and research institutions in Tanzania, consultants, representatives from NGOs, Norad and the Embassy. About 50 people were to attend the seminar that would last for two days and be conducted at a suitable hotel in Bagamoyo. The Ministry asked the Embassy to finance the seminar separately, since it was not included in the budget of MNRP. The Embassy received a detailed budget for the planned seminar. The Ministry had for the first time broken down the budget into details including the costs of travel, petrol, per diem, hiring of conference facilities, secretarial assistance and food for the various meals. In total, the seminar for 50 persons for two days was to cost US\$ 51,000 (Tshs. 69 mill). This is about US\$ 1,000 per person.

I had previously participated in seminars at the same hotel and realised immediately that the price of the rooms and other items was much higher than the normal rate. The Embassy informed representatives of the Ministry that it had not received a good price from the hotel. The representatives insisted that this was the real price and suggested that the Embassy instead should organise the payment for the seminar. The Embassy organised the two-day workshop at another hotel in Bagamoyo with a comparable standard. The Embassy paid Tshs. 29 million for the two-day seminar involving 50 people. For this seminar alone the price difference amounted to Tshs. 40 million (approximately US\$ 30,000).

As Programme Officer for MNRP, I wrote two memos to the management of the Embassy, copied to Norad and Ministry of Foreign Affairs. The response was that this issue was serious and should be pursued.¹³

¹³ The memos are dated September 19, 2006 and January 19 2007.

Over the last few years the Embassy has on several occasions in the annual meetings asked the Ministry to break down the costs of various items into more detail, as the Ministry did for the Bagamoyo seminar, in order to show what the real costs are. It is only in the last couple of years that the budget has been presented in some detail. It shows that expenses for workshops and seminars make up a large part of the total budget (Ministry of Natural Resources and Tourism 2006). Below I will discuss in more detail various issues concerning the culture and practice related to the extensive seminar and workshop activities.

10. Seminars and per diem

Public servants in Tanzania receive a very low salary. Most earn only between US\$ 150 and 600 per month. Many public servants say their salaries only cover their expenses for the first couple of weeks per month. The next couple of weeks they need to obtain income from other sources.

Twenty years ago the salary level was also extremely low. It was common for public servants to keep cows, goats, and chickens where they lived in the towns in order to reduce expenses for food. In addition, many would run a small kiosk or business where inexpensive necessary items could be purchased. Many teachers earned money by tutoring students privately. Great ingenuity was shown in obtaining extra money, and many of these practices remain widespread. However, a new important source of income has emerged during the last decades. This is the money many people can earn by participating in the greatly increased number of workshops and seminars organised by the government and NGOs, but paid for by the development partners. When people participate in such seminars, they are paid a daily subsistence allowance and night allowance. The amount of per diem paid depends on where the seminar is organised and the position held by the participants. The per diem is relatively high, and it is not unusual that a participant in a four-day workshop can put aside the equivalent of his monthly salary. The money paid for participation comes in brown envelopes, and “the brown envelope” has become a well-known concept in Tanzania. One of the main concerns for many public servants is to position themselves so that they gain access to the brown envelopes. It is not unusual that people who succeed in this can take home three times their normal wage.

Great ingenuity has been shown in developing new ways of obtaining per diems. Per diems are given out on many more occasions than in the past. Sometimes a public servant will obtain subsistence allowance just by going from one Ministry to another in the same town. Meetings that could have been conducted in the Ministry are converted into seminars in other geographical locations in order to earn allowances. Some seminars are conducted not because the topic is important, but because of the money which can be generated. In a mid-term review of a local government support project, a seminar organiser expresses his dissatisfaction with the participants: “Whenever they attend a workshop they need to be paid. People don’t go to the workshop to get training, they go to make money”.¹⁴

It is necessary to distinguish between legal and illegal activities in the culture of per diems and allowances. Many workshops and seminars are highly relevant, and hard working public servants and other participants may make a small profit on their allowance that will compensate a little for their poor salary. However, in some cases people only turn up at the opening session of a seminar or appear only briefly during the seminar in order to collect their per diem. Some important people may collect allowances from several seminars during the same day. Also for the local people who participate in seminars, there is a limit to how many similar seminars they may attend concerning beekeeping or HIV/AIDS. No doubt there are many grey zones between legal and illegal activities when it comes to payment of per diem for seminars.

It is clearly an illegal activity when the organiser of the seminar adds more people to the lists of participants than those who were present and claim money for their participation. Similarly, it is wrong to state that a seminar lasted longer than it actually did. For a long time the development

¹⁴ Mid-Term Review of the Local Government Support Project (LGSP), December 2007.

partners in Dar es Salaam have adopted a flexible and lenient approach to the expenses they pay for seminars and workshops, in light of the participants' low salaries. However, in the last few years some development partners have become concerned about the number of seminars, and some have declined to pay per diem for participants for certain meetings.

There is little doubt that corruption connected to workshops and seminars has become more sophisticated, and that it is continually being developed. Poor farmers and fishermen are entitled to claim up to Tshs. 20,000 (US\$ 15) for each day they participate in a workshop organised by Government institutions or NGOs. A workshop lasting for three days could bring in US\$ 45 for people who on average earn just US\$ 1-2 per day. Many farmers and fishermen do not know how much they are entitled to, but accept what they receive. Some sign a paper that they have participated in a one-day workshop, yet it is registered as a three-day workshop.¹⁵

The Government has realised that the development partners are becoming increasingly sceptical to spending too much money on seminars. One way of avoiding this scepticism is to employ different codes and categories for the same type of activity, i.e., capacity building, training, patrolling of natural resources, etc. By using categories at a higher level, it may become unclear that the money is actually spent on per diems and allowances.¹⁶

The many seminars and workshops also have other unfortunate effects. It is the senior officials who decide who will be selected for participation. Because there is so much to be earned by attending seminars, the senior officials are in a powerful position. Loyal people are often selected for the most attractive seminars and trips. It is not unusual to pay "kick-backs" to the leaders when going to a seminar where much money can be gained. A comment in a daily newspaper shows the unfortunate culture that is developing between leaders and their employees:

If you say "fyoko" (*a bad word, EGJ*), then he won't select you to attend any of the many seminars, workshops and training sessions that have become the main source of income for government employees in recent years. So keep your trap shut if you want your bread to be buttered. A conspiracy of silence is probably becoming deeply entrenched (Zakaria 2007).

Seminars and workshops have for some time now been considered "soft targets" in the discussion about corruption and mismanagement at programme and project level in Tanzania. It is often difficult to measure the results of a workshop. There is no physical evidence left behind, like a stretch of new road or a new building that is evidence of the money spent. If the organiser of a workshop is corrupt and the control is poor, there is much to be gained by organising workshops.¹⁷ MNRP was to a large extent a capacity building programme in which most of the money was spent on workshops and seminars. Even if we have been aware of mismanagement problems connected to these types of activities, we have not taken them seriously enough when we have accepted the annual reports and plans for MNRP.

¹⁵ I have been informed that many poor farmers and fishermen participating in the seminars of MNRP have not received the per diem they are entitled to according to the rules and regulations.

¹⁶ An anecdotal story circulating among development partners in Dar es Salaam is about an accountant who had been hired to go through the financial management system of a government institution in Tanzania. When presenting his report and recommendations to the director of one of the departments, the director murmurs in dismay: "But this new system will bring clarity!" It is when accounts and financial management systems are unclear and difficult to understand that opportunities arise for mismanagement and corruption. Much creativity and energy have been spent on keeping the financial systems incomprehensible.

¹⁷ A European owner of a hotel in Tanga region informed me that he had been visited by representatives of the regional office of PCCB (Prevention and Combating of Corruption Bureau). PCCB wanted confirmation of the number of participants and the duration of a workshop his hotel had hosted. He informed PCCB that he had not organised the workshop at all.

Another type of experience I had in my work as programme officer for MNRP was connected to the structural context which the leaders of the 11 projects had to operate in. In conversation with some of the project leaders of MNRP, I became aware of how the project leaders could be forced to mismanage money for their projects. In the textbox “Insights from one MNRP project leader” one of the project leaders explains his position and frustrations:

Insights from one MNRP project leader

I approached the leader of one project that had received criticism in the evaluation and audit reports. I knew well after several visits to his project, and I raised a number of specific findings from the audit report. Initially he defended the project as best he could. When he realised that his answers were not convincing, he suddenly shifted his position completely and began talking frankly about the pressures he faced. This is free interpretation of what he said:

You do not understand how our government system functions. It is very different from how the Norwegian government operates. The project I am in charge of is the largest foreign-supported project in this district. We receive a fair amount of financial support from Norway each year to run our project (each of the 11 projects received US\$ 100,000-200,000 each year depending on which stage they were in and what types of activities they carried out). The money we receive is spent on vehicles, petrol, repair, workshops, trips, infrastructure, purchase of consultancy services, etc. Not far from our project HQ is the centre for the district administration (Tanzania is divided into about 130 districts). The district administration is starved for funds, and 80-90 percent of the available money is spent on salaries for the staff of the district administration, salary for teachers and for employees and officials in the health sector. The vehicles of the district administration are in poor shape and there is very little petrol available. The leaders and employees of the district administration have few opportunities to go on field trips. In the years I have been project manager for MNRP, I have been under constant pressure from the district administration to give them financial support by way of supplying petrol, lending out our project vehicles, giving financial support for field trips, etc. Although the project I manage under MNRP is not under the jurisdiction of the district administration, the leaders of the district administration are more senior than me and can easily report negatively about the project I manage. I can be removed from my position, and they can destroy my professional career. Therefore sometimes, out of fear, I have to comply with their demands. I have to cover their expenses within the accounts of my project. However, I often fear that some of the money I give them is not only used on the activities of the district administration, but also for the personal use of the powerful officials of the district administration.

Without being asked, he continued: “Do you think the situation I have described is different from any other MNRP project?”

I took the opportunity to ask about the nine workshops that, according to the annual plan, were to be conducted for this project. There was only two months left of the year when I asked him. The project manager looked disturbed, and said “We are going to have nine workshops this year?”

A substantial part of the Norwegian support to MNRP was allocated for an “Institutional Capacity Building Project” located in the HQ of the Ministry. Both the Evaluation Report and the Danish Audit report (November 2007) raised a number of issues about major expenses used to develop guidelines and reports that the coordination unit of MNRP should have developed. The Embassy followed up on

the issues raised by the Evaluation Report by writing three separate letters to the Ministry in late 2006 and early 2007. The answers from the Ministry were vague and evasive.¹⁸

Another area of mismanagement and corruption was related to procurement of goods and services and construction. Tanzania has a comprehensive system for procurement, with detailed rules and regulations. This system was not followed. Again I heard many anecdotal stories about mismanagement. The Danish audit reports provide many concrete examples of mismanagement and corruption in this regard.

Bearing in mind the large amount of money which may have been mismanaged because of lack of documentation and receipts (30 percent for a selected project), mismanagement and corruption concerning seminars, workshops, procurement of goods, services, and infrastructure, I asked the Danish auditor if as much as half of the total allocated funds, US\$ 30 million out of the total US\$ 60 million, might have been mismanaged and used for corrupt purposes. The Danish auditor answered that this sum might not be far from the truth.¹⁹

11. How could this happen? Norway's role

Above I have discussed the role of the Government of Tanzania in MNRP. The Government of Norway was also an actor in MNRP. It is important to understand Norway's role when explaining what happened to MNRP. But first: I believe that the Norwegian government only had the best of intentions when participating in MNRP and that they have tried to achieve the objectives of the programme. However, for many years the Norwegian government was unaware of the comprehensive corruption in the programme. In this section I will discuss various reasons why the mismanagement and corruption escaped Norwegian attention. Most of the issues raised here should be of general relevance for the development cooperation which Norway is involved in.

(i) Norway's role and recipient responsibility

As stated above, Norway has cooperated with Tanzania on the management of natural resources since the 1970s. This cooperation has developed in parallel with an ideology concerning the optimal relationship between donor countries and recipient countries. Norway played an active and leading role in the projects that were supported within management of natural resources during the early years when the young nation of Tanzania had limited competence in this field. The end of the 1980s brought a new aid ideology, where recipient responsibility was a key concept. Norway was a strong advocate for implementing the concept of recipient responsibility, and the Norwegians gradually handed over all responsibility for planning and implementation to the Ministry of Natural Resources. As for the MNRP's accounts and finance management, Norway has adhered to the concept of recipient responsibility and utilised the Ministry's own auditing system. The Tanzanian CAG have given final approval to the programme accounts. It has still been Norway's role to approve annual reports, plans, and accounts.

I believe one major reason why the Norwegians did not discover how much money was being mismanaged in the programme is that they trusted the Ministry's auditing system, Tanzania's CAG and the extra comments one has received from PWC. The Danish audit report shows clearly that the internal and external control mechanisms, including the Ministry's audit and the CAG, did not work.

The Swedish Auditor General has recently audited the accounts of private Swedish organisations that worked in four African countries, one of which was Tanzania. The findings of the Swedish Auditor

¹⁸ The correspondence concerning this case is in the Embassy's files with a cover memo dated June 6 2007.

¹⁹ Information obtained in a conversation with the Danish auditor, Mr Andreasen, on November 6, 2007, in Dar es Salaam. Mr Andreasen has later, in the Norwegian press, reiterated that 50 percent of the money allocated for MNRP was mismanaged and used for corrupt purposes, see *inter alia*, Bistandsaktuelt, No. 3, 2008.

General bear a strong resemblance to what was documented in the audit of MNRP. They show extensive losses and corruption associated with workshops, travel, and purchases of goods and services, and that the accounting systems for the projects do not work satisfactorily. The Swedish Auditor General states: "SIDA has trusted the quality of the audit reports prepared by local auditors in the cooperation countries. This has proved insufficient" (Swedish Auditor General 2007).

(ii) Future-oriented work on strategies and plans

At the same time the principle of recipient responsibility was implemented, Norway adopted a new attitude to development cooperation. This implied taking a few steps back from the actual implementation of the project and instead assuming the role of dialogue partner with the authorities. I was for example told very clearly by Norad when I took up my position in 2003, that our role in this (and other programmes) had become more distant than in the old days. Now one should focus more on policy and overall planning in the area. This turned out to be correct. 90 percent of my time was spent in Dar es Salaam, and much of it was used planning, coordinating, and harmonising with other development partners on how to support Tanzania in the work of managing its natural resources.

Much of the planning took place in the Development Partner Group/Environment (DPG/E), which consisted of 15 bilateral and multilateral organisations that supported Tanzania in the environment and natural resources sector. This group was important in relation to the authorities and supported the development of national legislation, strategies, and plans at a sector level for the management of forestry, fisheries, and wildlife. DPG/E also advised the authorities on the organisation and administration of the different sectors and how to report on programme implementation within the various sectors. This work was time-consuming, and problems naturally arose in planning, harmonising, and coordinating. What were the various goals/sub-goals, what activities should one go for, and how should they be organised and reported on? What should the "architecture" of institutions look like? The development partners spent a lot of time, for instance, on proposing the organisation of a new independent institution, Tanzania Forest Service, which was to take over important functions from the Ministry. Because so much time was spent on this kind of future-oriented work, these problems became the very ones that had to be solved before anything else could take place. When 90-95 percent of the work takes place in the capital – in offices, coordinating with DPG, and the authorities – this becomes a major part of "reality" for the development partners. For many people, therefore, it seemed that the sector's own challenges were connected to the problems one encountered when planning and coordinating for the future.

When one is supposed to think of the big picture with regard to the environment and natural resources, it may easily seem too petty to check the details of financial accounts and grass root activities. This will be defined as the domain of the authorities, and according to the principle of recipient responsibility we must have confidence in their reports. Such attitudes seem to arise when the focus is on the overall, future-oriented work.

(iii) The implementation side

Strategies and plans are made so that they can be implemented and help us achieve our planned goals. The great majority of programmes and projects concerning the management of natural resources take place in rural areas, and this is where the results will be assessed for sustainable management and a fair division of resources. I think it was remarkable how little time was spent following the implementation of the activities.

However, MNRP was one of the programmes in the Norwegian portfolio where there was a focus on demonstrable results. As stated above, the programme coordinator for MNRP organised several field trips every year with Norwegian participation. MNRP was able to present concrete results. Forests had been planted and protected, and village committees told us of their role in protecting the natural resources and using them in a sustainable manner. Alternative sources of income had been created for the local population in order to avoid over-consumption of the natural resources. Dozens of

Norwegians working for Norad, the Ministry of Foreign Affairs, NGOs, and research institutions have participated in trips to MNRP projects. As I saw it, the field trips nevertheless often seemed carefully directed and guided tours of MNRP success stories, where the village leaders read out ready-made reports on what had been achieved.

Neither the annual reports from MNRP nor the field trips gave any impression of the many conflicts one finds between different players when managing natural resources. There were win-win situations everywhere, and the society was understood in terms of simple harmony models. This was in spite of all the documentation presented in the media and research reports of strong competition between the different players concerning property rights and usage rights to the different natural resources. The possibility that public servants might be corrupt in their management of natural resources was beyond the reality we were presented with in the reports from MNRP.

In my assessment, the development partners' attitude was also characterised by a too simplistic understanding of how to solve problems related to managing natural resources. Capacity building seemed to make up much of the answer. If only everyone was given proper training on the significance of sustainable management, the problems were nearly solved. The power aspect and conflicting interests between the various players – such important factors in understanding the management of natural resources – are not natural parts of the model and vocabulary used in planning environmental and natural resource programmes, neither from the authorities' nor from the development partners' side.

Because the reality in which the programme is implemented becomes so remote, and many decision-makers' understanding of the community dynamics becomes too simplistic, one also loses the ability to pick up on signals from the grass roots where the various projects in the programme are being implemented. In Dar es Salaam one does try to develop concrete indicators of what is being achieved in the management of natural resources, the number of trees planted, how much forest is under protection, etc. This may be useful if one can rely on the indicators being measured correctly. Such indicators are unable, however, to capture the complexity of the political, economic, cultural, and social context in which the management takes place, and this context will to a great extent determine the outcome of the programme. As I see it, the authorities and development partners have far too little interest and competence in understanding that context and discovering the actual results of the work one has spent so much time planning and coordinating. There is thus insignificant ability to learn and receive feedback from the reality which the programmes are implemented in and where the final objectives are going to be achieved.

Many consider it the authorities' task to communicate feedback to the development partners, while development partners may be floating high up in the air above the implementation side, concentrating on plans and coordination. The development partners might be able to justify this if they received thorough and analytical reports from the authorities on the field implementation of the programmes. The reports which the Embassy received from MNRP were mechanical and simplistic, and maintained the same format year after year. They were output-oriented and reported on the number of seminars held, the number of patrol trips conducted, the number of trees planted, etc. They contained little discussion or analysis of the complex world where the programmes were taking place.

Meanwhile, the development partners are acquiring a high level of competence in planning and coordination in the capital. They also develop competence in internal administrative routines, not least through frequent management reviews from Norad in the embassies. This is no doubt important work and necessary for making the development cooperation more efficient. It has struck me over many years, however, how highly knowledge of and practice in internal administrative routines are valued, and how little stimulus and recognition the Norwegian aid administration has for critical reflection on the work that is being done.

In his book "The White Man's Burden" which discusses aid cooperation, the author William Easterly distinguishes between *planners* and *searchers* (Easterly 2006). Planners have much of the aid partners'

future-oriented attitude that is described above. Searchers are more retrospective. They try to understand what has taken place and to receive feedback from the reality which the programme takes place in.

I believe one of the main reasons why the corruption in MNRP has been so extensive, is that we have not properly understood the context in which the programme has taken place and our professional culture's lack of focus on this topic. We have been too ignorant of the basically corrupt side of Tanzania's bureaucracy and how it works. We also know too little of the power structures at various levels of the state administration and in the villages where the projects are realised (Brockington 2008). There were not enough analyses of actors and networks that could explain what took place in MNRP. It is not least important to understand the connections and the cash flows between the state administration and the dominant political party CCM. One knows too little of what Hyden (2006) calls the "power aspect of politics" in Tanzania.

(iv) Pipeline problems

"The pipeline problem" is well known in aid work. It means that allocated funds must be paid out within set time frames and by the end of the year. Many work hard to obtain new agreements and disbursements by the end of the year. If one knows little about the risks a programme might be exposed to, it is easier to approve a planning document, work out an agreement, and make disbursements. In such a pressured situation it might be easier to trivialise and explain away what are seen as isolated irregularities in a programme.

I experienced the pipeline problem myself in the autumn of 2003 in Dar es Salaam. The background was that Norway, at the Johannesburg Conference for Sustainable Development in 2002, had committed itself to provide an agreed amount for management of the environment and natural resources. Some of these funds had to be used before the end of 2003. Message from the Ministry of Foreign Affairs in late autumn 2003: Could the Embassy please contact the authorities in Tanzania in case they had a project proposal for the environment and natural resources sector which could be supported with NOK 25 million before 1 December 2003? At that point I was a new executive officer for MNRP, I was very impressed with the programme and knew nothing of its financial management problems. The Embassy contacted the Ministry on the matter, but as it turned out, they were unable to come up with an initiative that could absorb NOK 25 million at such short notice. The Embassy informed the Ministry of Foreign Affairs, who did not pursue the matter further.

The Ministry in Tanzania, however, was pleased with the trust that Norway had demonstrated by being willing to give the authorities NOK 25 million at such short notice. The irony in the case was that the Ministry of Foreign Affairs informed the Embassy in Dar es Salaam just a few months later that it was necessary to limit the Norwegian portfolio in Tanzania to two or three sectors only. The environment and natural resources sector was to be dropped, and in the annual meeting on MNRP in 2004 it was said that the programme would be concluded in line with the agreement in 2006. The new Norwegian cabinet in 2005 put the environment higher up on the agenda again, and the Embassy was able to inform the Ministry in December 2005 that Norway would support another five-year environment programme. Because the environment was so important, the new programme would be allocated twice as much money every year. Seen with Norwegian eyes, I am sure the decisions that were taken were formally correct and in line with the agreements. For the Ministry, on the other hand, this was a rollercoaster ride which they watched passively and with some puzzlement. None of the important proposals and decisions that the Norwegians took in this connection was based on the principle of recipient responsibility.

Later on came the message that we should draw up an agreement for the new programme and make a disbursement as soon as possible. When the information from the evaluation of MNRP in 2006 began to emerge, we agreed, however, to plan carefully and not be governed by the pipeline problems in the Norwegian system. The results from the Danish audit reports became a turning point. It was clear to see that the shady practices in MNRP were not just unfortunate isolated incidents.

(v) A programme focussing on the natural sciences

There has been much natural science expertise in MNRP, both on the Norwegian and the Tanzanian side. This is undoubtedly important in a programme that concerns sustainable management of natural resources. Many natural science experts with experience from Africa also acknowledge, however, that the biggest challenges in managing natural resources relate more to problems of corruption and good governance than to the more technical work of finding out how natural resources should be managed in a more sustainable way. I believe there has been too little critical consideration of social science aspects in the planning, implementation, and mid-term reviews of MNRP. Looking at things largely from a natural science perspective, it may be hard to identify problems relating to the programme's social context. To really understand the framework conditions for MNRP, it would have been useful to have expertise in the field of political economics and insight into how the state administration functions. With a more critical perspective on MNRP, it is highly likely that an independent audit review would have been conducted earlier on for the purpose of following the cash flow to MNRP rather than reviewing the programme reports.

(vi) The lack of independence in the reviews of MNRP

Another matter that weakened our critical perspective was that the same people have worn many different hats in this programme. Many of those who have taken part in reviews and planning have sat at all sides of the table in MNRP and the Ministry. The Ministry often nominates former and retired directors in the Ministry to participate in mid-term reviews. They know the programme well, but they have also been involved in it themselves and have something to protect. There were also some Norwegians conducting mid-term reviews who have previously been advisors to the Ministry. No doubt everyone wanted the very best for MNRP, but in light of the Danish audit report there is also little doubt that it would have been useful to have people who were more independent, without a background and interest in MNRP, who could have brought with them a more critical perspective.

12. Did the aid to MNRP work?

Some of the information presented above may help answer this question. Of course one may say: Yes, the aid to MNRP did work, but not well enough. We know and are proud of some of the specific outcomes from MNRP, but it should be obvious from what has been said so far that there was much that did not work as intended.

The answer also depends on one's perspective. Independent people familiar with MNRP have different views on how well the programme has worked. A critical and cynical observer said that "MNRP has been an unguarded honey pot which people could easily help themselves from without risk", and that MNRP was "hijacked" by strong people in the Ministry.²⁰ Others point to the positive results which MNRP has achieved, and the many competent and committed employees in MNRP. These people would say that much of the money disappeared simply because employees did not know enough about accounting routines and therefore need training.

It is nevertheless true that the view of MNRP changed dramatically when it was decided to follow the cash flow in the programme rather than just assess the reported results. It seems quite clear that the financial management system which the Norwegians chose to trust functioned very badly. The financial reports were in some cases intentionally misleading and covered up mismanagement and corruption. One must also be permitted to question some of the reported results which are not that easily measured and documented.

In my view our aid to MNRP has had an undesirable and unfortunate effect: The funds we have given have helped create and develop a culture of corruption in the Ministry. We know too little about this

²⁰ Statement made by a foreigner who had followed some MNRP projects over several years.

culture, and I believe we have not been willing enough to learn about it. Norway has shown trust and patience in our support of MNRP, and we have been generous with our funds. By reminding the Ministry to spend all the money before the agreed deadlines, and indicating that fresh money is easily available, we have been transmitting some unfortunate messages.

It also seems clear that our normal management routines and frequent management reviews did not uncover the corrupt aspects of MNRP before the evaluation of MNRP in 2006 and the subsequent audit reports from a Danish company.

On the basis of the above assessments, some people might expect my recommendations for our further planned cooperation with the Ministry to be that we should leave the principle of recipient responsibility behind and return to more donor-controlled project support. Certainly not! Tanzania has had and should of course maintain full ownership of the new programme that is now on the drawing board. From the Norwegian side we must, however, in light of our experiences with MNRP, pose more stringent requirements for the new programme's financial management system. Also, we must not be controlled by pipeline problems in the Norwegian system. For many years we have removed ourselves several steps from the planning and implementation of MNRP. I think we should watch the new programme and its contextual reality a bit more critically. If we do, we may also learn things that will benefit other programmes which Norway supports.

13. Consequences for the new environment and natural resources programme

Norway informed Tanzania in early 2007 that it was willing to provide up to NOK 50 million per year for five years in support of a new environment and natural resources programme. In August 2007, Norway received a request from the authorities for a new five-year programme with a cost ceiling of NOK 250 million.

The 2006 evaluation and the Danish audit reports from 2007 have provided clear directions for the new programme. As I see it, the Embassy demonstrated in late 2007 and during 2008 that it takes a very serious view of the problems uncovered in MNRP. It has also presented a number of good, specific proposals for how to avoid similar problems in the new programme:

- The financial management system in the new programme will be strengthened. Foreign, independent accountants will train Ministry staff and monitor the accounts for the new programme carefully. The cash flow for the programme will be followed closely.
- No agreement for any new programme will be signed before a satisfactory system is in place for financial management.
- There will be an active dialogue with the Ministry concerning problems related to MNRP and the lessons that have been learnt in the new programme.
- The lessons that have been learnt in the evaluation and audit review of MNRP will be shared with the other development partners.
- A main goal for the new programme will be to help Tanzania collect more taxes and fees through its natural resources. The new programme will have tax experts who can cooperate with the Ministry of Finance and the Tanzania Revenue Authority to increase tax revenues. It will be an explicit goal to help Tanzania finance the management of its natural resources from the taxes it collects.
- Indicators must be developed for income from the natural resources that is paid into the Treasury. These indicators will be included in the authorities' Performance Assessment Framework.
- More emphasis will be put on the various dimensions of good governance, such as corruption and real public involvement.

14. How relevant are the lessons we have learnt from MNRP?

How relevant are the issues I have described to other projects and other donors? Within management of natural resources, many development partners have struggled with corruption in relation to the authorities in Tanzania. Both the World Bank and DANIDA, who watch the accounts side of their programmes much more carefully than Norway has been doing for MNRP, have recently withheld funds for the authorities due to deficient accounts and suspicions of corruption.

What about the other Norwegian programmes in Tanzania, in the sectors of education, health, and infrastructure? Many of these programmes function within similar frameworks to that of MNRP. These programmes have smaller components of capacity building and workshops than MNRP, but more money is spent on purchasing goods and services and building activities. None of these programmes have been subjected to an audit review as thorough as the one for MNRP. I fear there might be some unpleasant surprises if the accounts for these programmes were audited and the system for financial management was reviewed in the same way as MNRP.

Programme and project support for programmes like MNRP is now considered an old-fashioned way of providing aid. Some will say that MNRP is not the type of aid cooperation we will have in the future, and therefore claim that the lessons one can learn from MNRP are not all that relevant. I definitely beg to differ. At present, Norway gives about 50 percent of its support as general budget support, and all in all Tanzania receives approximately US\$ 700 million a year in budget support from its development partners. An even greater proportion of future aid will be channelled through budget support directly into the Tanzanian Treasury in order to fund the country's development plan. Tanzania may in principle use this budget support as it pleases within its national development plan. Budget support strengthens ownership and the recipient responsibility for Tanzania, and the country can to a much greater extent decide what measures to finance and implement. Many programmes of the type that is currently financed through budget support were previously financed directly by the development partners, the way MNRP was by Norway.

Would less money have disappeared in MNRP if the programme had been financed through budget support? It is the Tanzanian CAG that reviews the accounts for the various activities, programmes, and projects which are financed through budget support. The donors are not able to access the detail level and review accounts the way Norway did in MNRP. Activities and projects, the accounts and finance management system will be even further removed from the development partners when aid is provided as budget support.

People have said that aid is a high-risk sport. If that is so, budget support will be an extreme sport. General budget support requires the development partners to be fully confident that Tanzania's own systems function as they should. Feedback to the development partners on the results of the budget support is given in the form of reports on the various sectors. These will, for example, document progress in relation to the development of certain indicators for the different sectors and the different goals of the national development plan. I am not sure that the results from a programme such as MNRP would have been much better if it had been financed as budget support.

However, this article is not about the nature of budget support, nor about the advantages and disadvantages of such support. My point is that programmes that are supported through general budget support will be implemented within the reality and context that I have described for MNRP. For this reason the evaluation and audit reports on MNRP are also highly relevant if we want to understand what happens with measures financed through budget support.

One of my main objectives in writing this article has been to show the big distance that exists between planning and the reality that one frequently encounters in development cooperation. If we are to improve and understand the relationships between a plan and the reality, it is important that we are

open and share experiences made in development aid. It is therefore a good thing that the political leadership in the Ministry of Foreign Affairs and Norad welcomes a broader and more open debate on development aid.

15. References

- Andresen, A F and Bhattbhatt, K K (2007a) *Re-evaluation of Mafia Island Marine Park*, Report prepared for the Ministry of Natural Resources and Tourism and Royal Norwegian Embassy, Dar es Salaam
- Andresen, A F and Bhattbhatt, K K (2007b) *Management of Natural Resources Programme, Tanzania – Financial Review of 5 Projects under MNRP*, Report prepared for Ministry of Natural Resources and Tourism and Royal Norwegian Embassy, Dar es Salaam
- British High Commission, Dar es Salaam (2007) *Bigwigs grab hunting blocks*, Kiswahili Press Summary, December 3 2007
- Brockington, D (2008) “Corruption, Taxation and Natural Resources Management in Tanzania”, *Journal of Development Studies*, 44(1) 103-126
- Collier, P (2007) *The Bottom Billion. Why the Poorest Countries Are Failing and What Can Be Done About It*, Oxford: Oxford University Press
- Cooksey, B et al (2006) *Management of Natural Resources Programme, Tanzania, TAN-0092, Final Revised Report*, Oslo: Norwegian Agency for Development Cooperation
- Development Partner Group, Dar es Salaam (2005), *Fisheries in Tanzania*, Discussion Paper
- Easterly, W (2006) *The White Man’s Burden – Why the West’s Efforts to Aid the Rest Have Done So Much Ill And So Little Good*, New York: The Penguin Press
- Hyden, G (2006) “Beyond Governance: Bringing Power into Policy Analysis”, *Forum for Development Studies*, 33(2) 215-236
- Jansen, E G et al (2000) “Constraints and Opportunities for ‘Community Participation’ in the management of the Lake Victoria Fisheries”, *Forum for Development Studies*, 1-2000, 95-133
- Lyimo, K (2007) “Why the Government in Dar continues to embrace its erring officials”, *The Citizen*, December 20, 2007
- Milledge, S A H et al (2007) [*Forestry, Governance and National Development: Lessons Learned from a Logging Boom in Southern Tanzania*](#), Dar es Salam: TRAFFIC East/Southern Africa
- Ministry of Natural Resources and Tourism (2006) *Bridging Plan for July-December 2006 for MNRP*, Dar es Salaam
- Norad (2007) *Norwegian aid works – but not well enough: The results of Norway’s international development cooperation 2007*, Oslo: Norwegian Agency for Development Cooperation
- Pfiegner, K (2008) “Harnessing Natural Resources for Sustainable Growth”, in Utz, R. (ed) *Sustaining and Sharing Growth in Tanzania*, Washington D.C.: The World Bank
- Ridell, R C (2007) *Does Foreign Aid Really Work?*, Oxford: Oxford University Press
- Swedish Auditor General (2007) *Oegentliogheter inom bistånd. Er SIDA’s kontroll av biståndinsatser via enskilda organisationer tillräcklig?*, Stockholm. <Irregularities in development aid. Does SIDA have sufficient control of aid efforts via individual organisations?>
- Zakaria, T (2007) “Budgetary support is a time bomb”, *Daily News*, November 4, 2007

Abstract

In this paper, a former programme officer at the Norwegian Embassy in Tanzania considers challenges to aid effectiveness in a major natural resources programme. After twelve years of support by the Norwegian government totalling about US\$ 60 million, an evaluation by independent consultants revealed in 2006 that up to half of the funds allocated may have been lost through corruption and mismanagement. Explanatory factors discussed include inadequate analysis of the sector's political economy, future oriented strategies and plans from the donor side, over-reliance on the government's financial management systems, report-based evaluations by interested parties, and the "pipeline problem" common in development aid. The author concludes with ideas for avoiding these pitfalls through a more sophisticated approach to budget and programme support. The paper is published as part of the project "Corruption in Natural Resource Management" at the U4 Anti Corruption Resource Centre: www.u4.no.