



JICA Research Institute

*JICA-RI Working Paper*

Comparative Study on Development Cooperation Strategies:  
Focusing on G20 Emerging Economies

Management of the International Development Aid System  
and the Creation of Political Space for China:  
The Case of Tanzania

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No. 82

October 2014

JICA Research Institute



JICA Research Institute

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# **Management of the International Development Aid System and the Creation of Political Space for China: The Case of Tanzania**

Mitsuaki Furukawa\*

## **Abstract**

This paper attempts to assess government behaviors around aid and other development resources in Tanzania where the Poverty Reduction Regime is most advanced, through a deeper analysis of what kind of development aid structures DAC donors and the Tanzanian government have constructed and how the Tanzanian government is taking in development resources not only from DAC donors but also from China through government organizational restructuring. This paper found out that the development aid structure built with precision under poverty reduction regime in Tanzania on the contrary to DAC donors' intention has led to the Tanzania own initiative for National development plan and created the political space for aid and development finance from China. Furthermore, this paper pointed out that, on the process to creating the international development assistance system, the Tanzanian government has learned to manage aid and been skillfully building beneficiary systems for development not only from DAC donors, but also from China.

**Keywords:** poverty reduction regime, China, aid effectiveness, DAC donor

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This paper is a product under the JICA Research Institute's research project, "Comparative Study on Development Cooperation Strategies:Focusing on G20 Emerging Economies." I am grateful to those who kindly agreed to be interviewed, especially Benno Ndulu, during the field work in Tanzania and Uganda and would like to thank the JICA Tanzania office, Stefan Leiderer of DIE (Deutsches Institut für Entwicklungspolitik) and the members of the JICA Research Institute's research project, Yasutami Shimomura, Akio Hosono, Naohiro Kitano, Jin Sato, Hisahiro Kondo, Yasunobu Okabe, Takaaki Kobayashi, Hiroaki Shiga and Yukinori Harada for providing valuable suggestions and information. I acknowledge that I am solely responsible for the interpretation of sources and for any errors in this paper. The views expressed in this paper do not necessarily reflect those of JICA.

## **Introduction**

In the field of international development aid, there is growing acceptance of the need for both developing countries and donors to consider accountability as a two-way process – not only for those countries providing development aid but also for those receiving it. For example, donors have started to focus on those countries who have good policies, such as governance systems based on the influential work of Burnside and Dollar (1997; 2000) and the World Bank "Assessing Aid" (1998), which concluded that aid effectiveness depends on the policy environment in which it occurs (Samy 2010, 84). This implies that developing countries need to provide a justification for receiving international development aid by showing their willingness to reform policy and to formulate national plans based on tools such as Poverty Reduction Strategy Papers (PRSP). Furthermore, in September 2000, the United Nations adopted the Millennium Development Goals (MDGs), which deemed the reduction of poverty as the highest goal of international development aid. In a further step toward the realization of these goals, the Paris Declaration on Aid Effectiveness was adopted at the Development Assistance Committee (DAC) High Level Forum in March 2005. The Paris Declaration required both donors and partner countries to adopt and take actions toward aid effectiveness. Thus, the provision of development aid requires not only a justification for providing development aid from the donor side but the recipient country also requires a justification for receiving donor aid. These justifications are important because development aid needs to be implemented through an interface with developing country governments and donors around development resources. As a result, both ways of acceptance and provision of development resources in developing countries can have a significant impact on the nature of development on the ground.

Under these circumstances, the expanding presence of emerging donors<sup>1</sup> has piqued the international development aid community's interest in recent years. Emerging donors, in particular China, have been discussed and studied in many cases by comparisons with DAC donors (see Manning 2006; Woods 2008; Frot and Santiso 2010; Chandy and Kharas 2011; Bräutigam, 2011; Dreher et al. 2011; Strange et al. 2013; and others). However, these studies have been conducted based on the donors' standpoint. While the "poverty reduction regime" is consist of MDGs and the Paris Declaration on Aid Effectiveness, the way that developing countries access development resources from countries, including emerging donors such as China, has not been fully researched from the developing countries' standpoint. To this end, this paper hopes to clarify government behaviors around aid and other development resources in developing countries where the poverty reduction regime is most advanced. It will engage in a deeper analysis of the kinds of development aid structures that DAC donors and the governments of developing countries construct. In other words, this paper will analyze the extent to which these governments are taking in aid from DAC donors and aid and development finance from China<sup>2</sup> in a properly validated manner. As Brautigam (2011) stipulates, "the lion's share of China's officially supported finance is not actually official development assistance (ODA)" and "export credits, non-concessional state loans or aid used to foster Chinese investment do not fall into the category of ODA" (Brautigam 2011, 752). Since China's officially supported finance including China's aid has provided a great impact on recipient countries, this paper focuses not only on aid but also on development finance from China as development resources. Furthermore, the paper shall study the measures the governments of developing countires have undertaken towards government organizational restructuring when confronted with new development resources.

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<sup>1</sup> Aid for developing countries has been carried out in many forms by many countries, both developed and developing. While it may not be accurate to call "emerging donors," they will be referred to in this paper as such, by way of contrast with "DAC donors," the World Bank, and the IMF, who are called "traditional donors."

<sup>2</sup> Since China's officially supported finance includes aid (grant, interest-free loans, and government concessional loans), preferential export buyer's credits, and non-concessional government loans, this paper calls Chinese officially supported finance as "aid and development finance" as Brautigam (2011) .

One reason for focusing on the government's organizational restructuring when confronted with new development resources is that governments may adopt new policies and practices to attract those resources in a way that is inconsistent with previous aid approaches. It would then follow that this behavior will be accompanied by systematic changes. A second reason for this focus is that the resulting systems are very likely to reflect the government's true objectives and norms.

I have selected Tanzania as the case study for this paper. The first criterion of the selection was that the country is actively engaged in initiatives under the Paris Declaration. Among the countries active in efforts to increase aid effectiveness, such as the formulation of PRSP and the adoption of mid-term expenditure frameworks (MTEF), sector-wide approaches (SWAs),<sup>3</sup> and general budget support (GBS)<sup>4</sup> to attain poverty reductions under the MDGs, five of the most noteworthy are Ghana, Kenya, Tanzania, Uganda, and Zambia. In these countries, joint assistance strategies have been formulated. The purpose of joint assistance strategies is to promote efforts to boost aid effectiveness by harmonizing the country-specific aid plans of donors. The strategies advocate for, among other things, increased ownership by recipient countries as given in the Paris Declaration on Aid Effectiveness, stronger alignment with recipient country programs, harmonization of donor aid, results-oriented management, and increased mutual accountability. As measures to realize these principles, the strategies incorporate alignment with development strategies, integration with aid-recipient country governments' budgets (on-budget measures), use of recipient country governments' systems (public financial management, procurement, accounting, and auditing), encouragement of donor division of labor and improved quality of government dialogues, increased aid

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

<sup>4</sup> GBS refers to donor funds that are disbursed through the recipient government's own financial management system rather than being earmarked for specific uses.

predictability, harmonization of analytical work and research, and reduction of transaction costs.

Joint assistance strategies, in effect, document measures to realize the Paris Declaration on Aid Effectiveness. The joint assistance strategies of Ghana, Tanzania, Uganda, and Zambia acknowledged GBS as the preferred aid modality. Endorsing donors have signed memorandums intended to enhance the binding force of these joint assistance strategies, which are regarded as joint statements with donors. However, only Tanzania's joint assistance strategy has been approved and signed by the Tanzanian government (with the approval of the National Assembly), making it an official joint statement between the government and the donors. In addition, China was selected as the emerging donor case study for the reason that there is significant attention on China's expanding aid and development finance to Africa (Klein and Harford 2005; Manning 2006; IDA 2008; Woods 2008; Fengler and Kharas 2010; Severino and Ray 2010; Dreher et al. 2011; Walz and Ramachandran 2010; Fuchs and Vadlamannati 2013; Strange et al. 2013, and others) and its increasing presence in Tanzania. The China-DAC study group (2013) conducted joint visits to Tanzania and found that China had a clear role as an external partner, and noted that Tanzania has become China's one of the top ten preferred investment countries in Africa (Hinga et al. 2013, 28). Furthermore, China recognized Tanzania as an "all the weather friend". As a result of this symbolic move toward initiatives on poverty reduction and aid effectiveness, as well as the increasing presence of China, Tanzania has been selected as the case study for this paper.

Before moving to the literature review and a detailed analysis, this paper will show that, contrary to DAC donor intentions, the development aid structure, carefully constructed under the poverty reduction regime in Tanzania, has actually led to Tanzanian-owned initiatives toward a national development plan. This has created a political space for the entry and rapid spread of China's aid and development finance. Furthermore, this paper will show that, in the process of creating an international development aid system, the Tanzanian

government has learned to manage aid and been skillfully building beneficiary systems not only for aid resources from DAC donors but also aid and development finance from China.

This paper is structured as follows: after a review of earlier studies on China's foreign aid, this paper will present the research questions and explain the method of analysis used in this paper. The second section proceeds to trace the development aid structures that DAC donors and the Tanzanian government have constructed since the end of the Cold War in order to identify the manner in which the Tanzanian government justified receiving DAC donors' development aid resources. Section 3 will explain new initiatives of the Tanzanian government for development under the poverty reduction regime. Section 4 will trace China's foreign aid to Tanzania, and then in Section 5, I will untangle the relationship between the Tanzanian government's own development initiative and China's aid and development finance in order to demonstrate how the Tanzanian government received China's aid and development finance in the justifiable manner. Section 6 examines the transitions in the national planning organization on how the Tanzanian government has taken in development resources over the years. Finally, the conclusion will present some of the implications based on the above-mentioned analysis.

## **1. Literature review on China's foreign aid, research questions and research method**

### **1.1 Literature review on China's foreign aid**

A variety of research reports on China's foreign aid have started to appear in recent years, accompanied by an array of assessments. Some have looked at emerging donors as a whole, including India and other countries, while others have singled out China.

Engagement of China in developing countries and, in particular, the expansion of aid to Africa has resulted in a wide range of interest and concerns (Manning 2006; IDA 2008; Woods 2008; Fengler and Kharas 2010; Severino and Ray 2010; Dreher et al. 2011; Walz and Ramachandran 2010; Fuchs and Vadlamannati 2013; Strange et al. 2013). According to a Fitch

Ratings survey, the amount of lending to Africa by China Exim Bank over the last ten years totaled US 67.2 billion US dollars, exceeding the 54.7 billion US dollars loaned to Africa by the World Bank.<sup>5</sup> Estimates of China's official development assistance (ODA) range from 0.58 million US dollars to 180 million US dollars, according to the existing literature (Strange et al. 2013, 15).

Regarding this rapid expansion, the research on China's foreign aid has recognized that China's foreign aid is having a huge impact, especially in Africa, to the degree that it is "repainting the landscape of international development" (Manning 2006, 384), "a silent revolution, changing the rules of the game" (Woods 2008, 1221), "a significant challenge to the norms of international aid architecture" (Bräutigam 2010, 1), and creating a policy space for development partners (Paulo and Reisen 2010, 535; Ohno 2013, 11). Moreover, China's foreign aid has received mixed evaluations, ranging from the positive to some that are highly critical.

On the positive side, the delivery method of China's aid – one that invites the participation of private enterprises and advances development hand-in-hand with trade and investment – is often desirable for aid recipients and offers what must seem to be a win-win scenario (Hinga et al. 2013, 27; De Haan 2011; Samy 2010; etc.). Recipient countries also welcome the respect for sovereignty and equality, especially amid disillusionment with DAC donors' conditionality (Woods 2008; Berthelemy 2011). By providing aid in their respective fields of competence, emerging donors are well regarded for participating in the construction of division-of-labor structures, forming new axes for north-south and south-south relationships, and increasing total aid to developing countries through greater fiscal spending (Manning 2006). Other assessments found merit in Chinese aid in the sense of sparking competition

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<sup>5</sup> <http://hornaffairs.com/en/2012/01/02/china-exim-bank-tops-world-bank-as-africas-lender/> (accessed on July 18, 2014)

among donors, as the provision of new alternatives increases the negotiating power of developing countries with donors (Woods 2008, 1206; Sato et al. 2011).

Some analysts even regard emerging donors as an opportunity to rewrite the outdated rules of the aid game. Even though China behaves differently from DAC donors, China is considered a country that conducts the kind of development practices that lead to benefits extending well beyond aid effectiveness (Davies 2010, 15). For example, since 2003, most African countries have experienced a GDP growth rate of 5 percent on average. It has been estimated that the results of the Chinese interventions on the recipients' national economies through infrastructure development in the road, power supply and communication sectors has contributed to 1% of that growth (Hinga et al. 2013, 28). Finally, there are even opinions that, above all, the existence of emerging donors in itself is evidence that recipient countries are dissatisfied with DAC donor aid (Woods 2008).

On the critical side, aid from emerging donors, whose purpose is the pursuit of their own national interest, has been panned as neomercantilism, in contrast to ODA, which is provided for the development and welfare of developing countries (Woods 2008; Nissanke and Soderberg 2011, 7). Another typical claim is that China is bankrolling "rogue states", thereby making it possible for the political regime of that state to remain in power (Naím 2007; Pehnelt 2007; Traub 2006; Downs 2011, 93-94; Mthembu-Salter 2012; Hinga et al. 2013, 27). Moreover, the many concerns expressed about unconditional aid include its obstruction of reforms needed in countries where governance and accountability are problems (Manning 2006; Pehnelt 2007; Collier 2007; Mwase 2011; Acemoglu and Robinson 2012; Strange et al. 2013) and that it may contribute to the worsening of environmental and human-rights issues (Naím 2007; Traub 2006; Beattie and Callan 2006; Kurlantzick 2006; Dahle Huse and Muyakwa 2008; Hinga et al. 2013; Strange et al. 2013). There are also fears that the existence of new sources of funds will give former heavily indebted countries the incentive to access financing from emerging donors and thereby exacerbate problems of cumulative debt

(Manning 2006; Dahle Huse and Muyakwa 2008; Schiere 2011; Nissanke and Soderberg 2011, Strange et al. 2013). It has been pointed out that the addition of actors outside of current frameworks raises the probability that the transaction costs incurred when recipient countries accept aid will soar (IDA 2007). Other critiques of China's aid concern the fragmentation of the aid supply (Frot and Santiso 2010), adverse effects on the ownership of development projects, value for money by tied aid (Schiere 2011), and so forth. These issues, resulting from the engagement of China, may lead to adverse outcomes in aid effectiveness and undermine African development (Samy 2010; Berthelemy 2011). Thus, China's foreign aid is regarded as something markedly different from the initiatives designed to raise aid effectiveness in the Paris Declaration.

## **1.2 Research questions**

China's current foreign aid policies, as stated above, have received mixed recognition, with both praise and criticism in the literature. However, these reviews of China's foreign aid have basically highlighted the comparison with the norms and standards built by DAC donors, including environmental and human-rights issues, governance and accountability, concerns about supporting rogue states as well as adverse effects resulting from unconditional aid, undermining aid effectiveness and democracy, and so on. In short, much of the prior research has primarily focused on the debate over the role of China's foreign aid.

The Paris Declaration and the Busan Declaration<sup>6</sup> require not only the donors but also recipient countries to justify the acceptance and supply of development aid. However, little attention has been given to the ways that recipient country governments justify the receipt of international development aid in the context of changing the international development aid system. From this perspective, research questions in this paper shall examine the following: in

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<sup>6</sup> <http://www.oecd.org/dac/effectiveness/49650173.pdf> (accessed on June 4, 2014)

transforming its way of utilizing the international aid system, how has the Tanzanian government absorbed development resources, while ensuring justification and accountability? Furthermore, if international development aid is carried out using donor-driven approaches, to what extent has the Tanzanian government transformed systems in order to conform to the intentions of the donor? Finally, when the Tanzanian government drives the process itself when new aid systems or new opportunities for receiving development resources become available, what influences does that have on the government?

### **1.3 Research method**

In September 2010 and March 2012, I conducted interviews with Tanzanian government officials from the central and local governments who are in charge of planning/budgeting and aid coordination such as Ministry of Finance and Economic Affairs, Prime Minister's Office Regional Administration and Local government, Ministry of Health, Bank of Tanzania, Ministry of Energy and Minerals, Planning Commission of President's Office, Ministry of Infrastructure Development, transportation and several local governments,<sup>7</sup> as well as DAC donors about their understanding and views of China in Tanzania. In addition, I conducted not only a media-based data collection but also the collection of government data and documents to improve the reliability of the information on Chinese aid and development finance.

The existing research, as we have seen above, has presented various assessments of China's foreign aid as a large disruptor of international development aid processes. On the other hand, even though the international development community has a strong interest in China's foreign aid, actual discussions on the impact of China's foreign aid have seldom been carried due to the scarcity of information (Bräutigam 2010, 1) and the resulting lack of

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<sup>7</sup> The local governments where we conducted interviews include Dodoma MC, Mufindi DC, Iringa DC, Morogoro DC, Tanga CC, Muheza DC, Korogwe TC, Kisarawe DC, and Bagamoyo DC. At each district, we met the District Commissioner, District Council Director, District Planning Officer (DPLO), the Council Health Management Team members, Ward Executive Officer, Agriculture Officer, Livestock Officer and Ward Education Coordinator, Ward Health Committee members, Dispensary Governing Committee members, and Mtaa Executive Officers.

accuracy (Strange et al. 2013). The reason for this situation is that the engagement of China in Africa in most cases has been discussed in an anecdotal manner and that accurate data on the aid flows of Chinese foreign aid has not been revealed, unlike DAC data (Berthelemy 2011). While the Chinese government finally publicly released data on its foreign aid for the first time in 2011, a detailed breakdown of aid provided to specific countries still has not been provided. Kitano and Harada (2014) defined China's foreign aid as a proxy of ODA and estimated net and gross disbursement amounts from 2001 to 2013. However, their paper did not demonstrate the geographical distribution of aid.

Moreover, unlike the OECD-DAC donors, the Chinese government does not publish details of the financial information at the project level for foreign aid activities (Strange et al. 2013, 12). In fact, during an interview with a secretary of the Chinese Embassy in Uganda on August 29, 2012, I asked for an explanation of China's foreign aid to Uganda. The secretary's explanation essentially repeated the same information found in newspapers. This comparison of the details given by the secretary and those released in newspapers did in fact correspond, thereby providing some confirmation. Although this media-based data collection methodology can be a viable way to collect the financial information at the development project level from the government, it is necessary to recognize that this method also has limitations, such as the possibility that it is not exhaustive (Strange et al. 2013, 2). In order to improve the reliability of the information, it was necessary to conduct not only a media-based data collection but also interviews with the relevant Tanzanian government officials and donors, as well as the collection of government data and documents. Therefore, while there are still some limitations in obtaining all of the necessary information, the information gathered in this research should be sufficient to grasp the trends and realities of China's activities to Tanzania.

The next section will begin with an analysis of the aid structures that DAC donors and the Tanzanian government have constructed after the end of the Cold War in order to verify how the Tanzanian government justifies its receipt of DAC donors' development aid resources.

## **2. Beneficiary system for aid resources after the Cold War**

The report that set out the approach for Tanzanian development aid after the end of the Cold War was the June 1995 Danish-led “Report of the Group of Independent Advisers on Development Cooperation Issues between Tanzania and Its Aid Donors,” also known as the Helleiner Report.<sup>8</sup> Prior to the report formulation, there were major tensions between the Tanzanian government and donors due to corruption at the power plants that had been privatized through donor support, as well as an uncollected counter fund of commodities import support program of the donor in 1993. By the same token, at the Consultative Group (CG) meeting that was held in the end of February 1995, donors criticized the Tanzanian government severely on corruption and performance of the government. In particular, donors focused on the vulnerability of financial management and governance. Likewise, the Tanzanian government expressed its dissatisfaction with the donors about excessive requests that were difficult to realize (President's Office et al. 2004). In addition, the fact that Tanzania could not achieve the level of outcome expected by the donors despite a large amount of aid from the donors amplified the frustration on the donor side. Under these circumstances, IMF and World Bank suspended lending and major donors also stopped non-project aid. Furthermore, the donors showed their frustration toward the Tanzanian government by considering a freeze on all aid unless the problems in relation to corruption and tax revenue were resolved. As a result, the relationship between donors and the government became worse (Helleiner et al. 1995).

In response to this situation, for the purpose of reviewing the aid in the past and exploring ways of providing aid in the future, the Helleiner Report was formulated. The reason why this report has exercised such a significant influence on the development of Tanzania was that both the Tanzanian government and donors had agreed to actively implement the

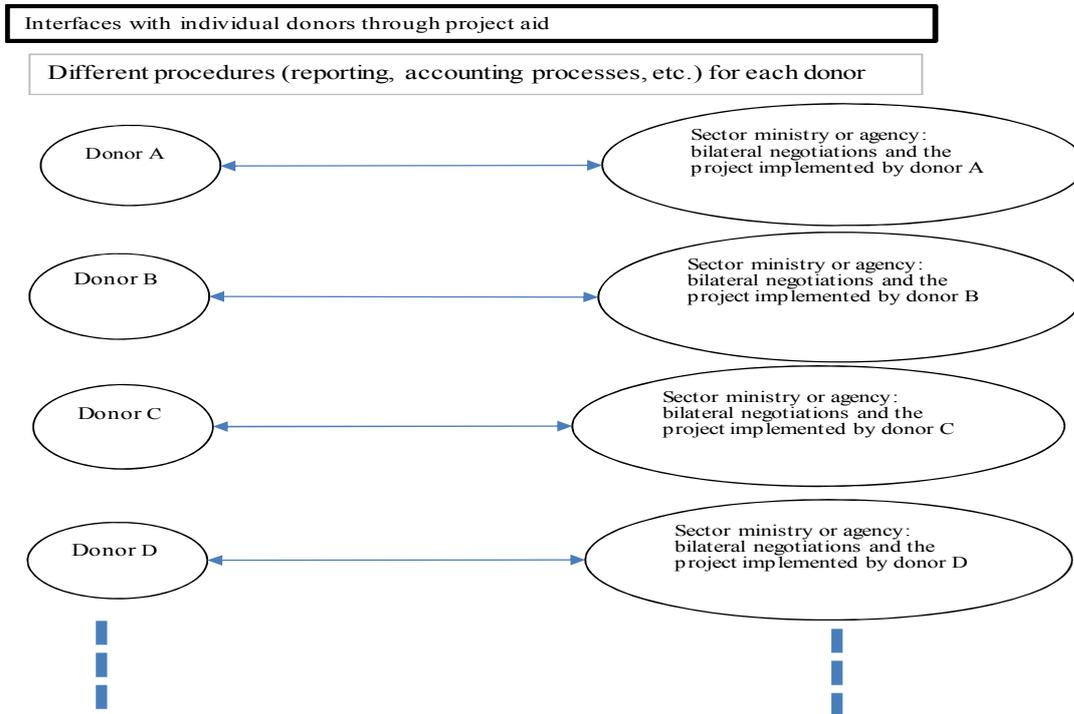
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<sup>8</sup> Helleiner, K. Gerald, Tony Killick, Nguyuru Lipumba, Benno J. Ndulu and Knud Erik Svendsen (1995). “Report of the Group of Independent Advisers on Development Cooperation Issues Between Tanzania and its Aid Donors,” Royal Danish Ministry of Foreign Affairs.

recommendations suggested in the process of formulating the report by pointing out the problems directly and truthfully to each other. This report compiled views from not only the donors but also the Tanzanian government, such as dissatisfaction about the enormous transaction costs incurred during different procedures by donors and so forth. Another factor that made this report so influential was the strong involvement of Tanzanian actors in formulating the report. Authors included Professor Benno Udulu, who had taken a central role in reforming Tanzanian development policies and practices.

After formulating the report, a mutual government-donor reform process began. The approach addressed poverty reduction and aid effectiveness and led to the formulation of a “poverty reduction regime” in collaboration with the donor, the Tanzanian government eventually obtained the strong justification it needed in order to receive development aid. The report profoundly altered the approach to aid systems centered on project aid, which had been the core of development aid for more than 30 years since Tanzania’s independence. Figure 1 illustrates the prior government-donor interfaces and relations through project aid.

**Figure 1: Government-donor interfaces prior to the formation of the Poverty Reduction Regime**

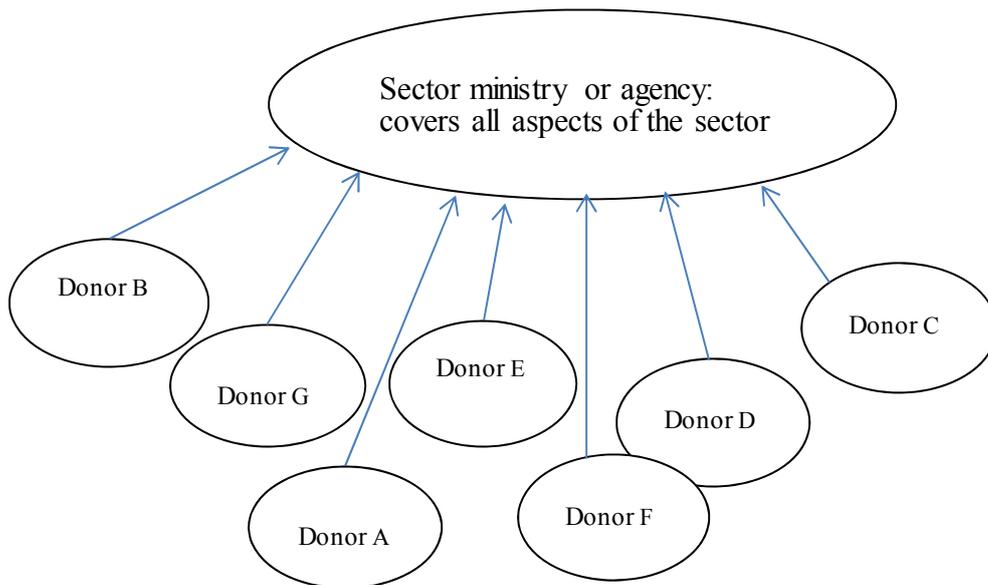


Source: Created by the author

As this figure shows, prior to the Helleiner Report, each donor concentrated on specific project aid through a separate interface with the relevant government ministries and agencies. The ministries and agencies needed to respond to each individual donor following donor-specific procedures (reporting, accounting processes, mission support, etc.) in order to receive the project aid. Since the Helleiner Report, a sector-wide approach has been introduced to overcome “project fragmentation.” The primary difference between this approach and the previous project aid approach is the shift from “individual based aid” to “collective based aid.” “Individual based aid” is the provision of project aid via a bilateral interface between the government and an individual donor for a project selected by the donor country based on requests by the developing country’s government. “Collective based aid,” in a sector-wide approach, allowing the aid stakeholders to jointly formulate a development plan encompassing the entire sector, draw up budgets, and manage, monitor, and evaluate operations under the leadership of the Tanzanian government. As part of this shift, the interfaces between

governments and donors have expanded to cover entire sectors rather than individual projects. Figure 2 illustrates the government-donor interface and relations with the sector-wide approach.

**Figure 2: Government-donor interface under the sector-wide approach**



*Source:* Created by the author

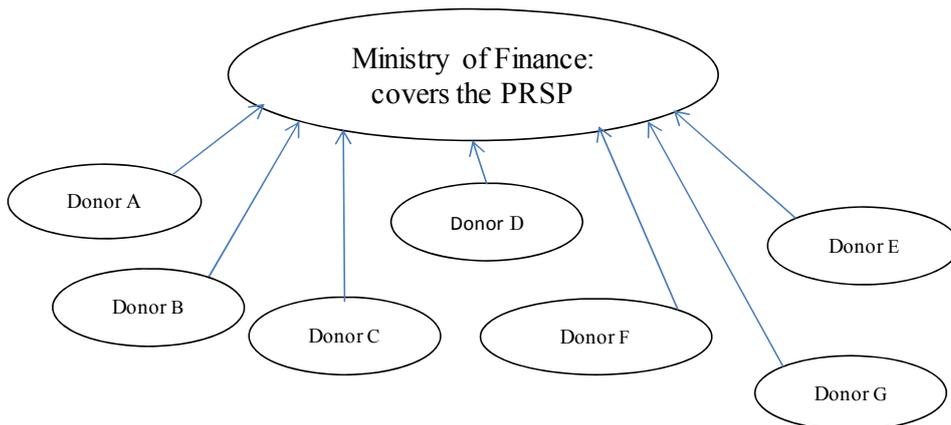
From the two figures, it is clear that the introduction of the sector-wide approach has changed the government-donor relationship to interfaces between individual ministries or agencies and the donor group that is interested in the given sector.

Participating in sector-wide approach gives donors the right to access discussions linked with formulating the sector development plan. In addition, participating in the common sector basket fund gives donors the right to access and speak on the entire sector budget, including the application of development expenditures, as well as participate in development planning. This gives donors both presence and influence in the sector. On the other hand, donors that do not participate in the common basket fund come to be labeled as donors that hinder the reform process. This is how a hierarchy can result from sector-wide approaches:

between common basket fund donors, sector-wide approach participating donors, and non-participating donors.

The next major development was the introduction of the PRSPs and GBS as a new form of aid modality. It has expanded the policy dialogue between donors and the Tanzanian government from specific sectors to all Tanzanian development activities. Furthermore, with the introduction of GBS, conditionality has been imposed on all PRSP-related development and performance assessment frameworks (PAFs) have been built to promote and monitor the actions and outcomes expected from GBS (JICA 2004).

**Figure 3: Government-donor interface under the PRSP**



*Source:* Created by the author

Although donors that do not provide GBS can participate in PRSP decision-making processes such as providing comments as Figure 3 illustrates, only GBS donors can participate in a policy dialogue where the government and GBS donors set benchmarks related to government targets and development outcomes. In contrast, donors that do not provide GBS are unavoidably limited in their ability to participate in, and therefore have an influence on, Tanzanian development aid strategies. Thus, the influence of GBS donors in Tanzania's overall development has risen as the PRSP and GBS approaches have become mainstreamed.

The relationships among the Tanzanian government ministries and agencies have changed in concert with these aid system transformations. Based on recommendations in the Helleiner Report, weight has shifted to public service reforms, budgetary reforms, economic management, social services sector strategies, and anti-corruption. Aid disbursements to ministries and agencies concerned with efforts in these areas have expanded, as have government-donor interfaces. Interfaces with aid directed to the Ministry of Finance<sup>9</sup> have increased because public service reforms, budgetary reforms, and economic management are conducted through World Bank and IMF structural adjustment programs. Similarly, interfaces with aid amounts directed to the Ministry of Health and the Ministry of Education have increased in the area of social services sectors. With the introduction of the common basket fund, access rights to development aid resources have expanded further, as a result of ring fenced development aid resources becoming part of the relevant ministries and agencies' budgets.

Furthermore, the introduction of the PRSP and GBS altered the previous relationships among government ministries and agencies. The best example of this is the transformation in the role of the Planning Commission under the President's Office. The organization, role, and name of the President's Office Planning Commission have changed over the years. A law<sup>10</sup> established in 1989 placed the Planning Commission under the jurisdiction of the President's Office and required all aid matters to be submitted to the Planning Commission. But as the Poverty Reduction Regime formation process progressed, along with the introduction of the PRSP and GBS, all projects started to be passed through the Ministry of Finance (according to an interview with the chief economist and others at the President's Office Planning Commission on March 21, 2011). In short, the Ministry of Finance has obtained a hegemonic position within the Tanzanian government. In this way, the main drivers of Tanzania's Poverty

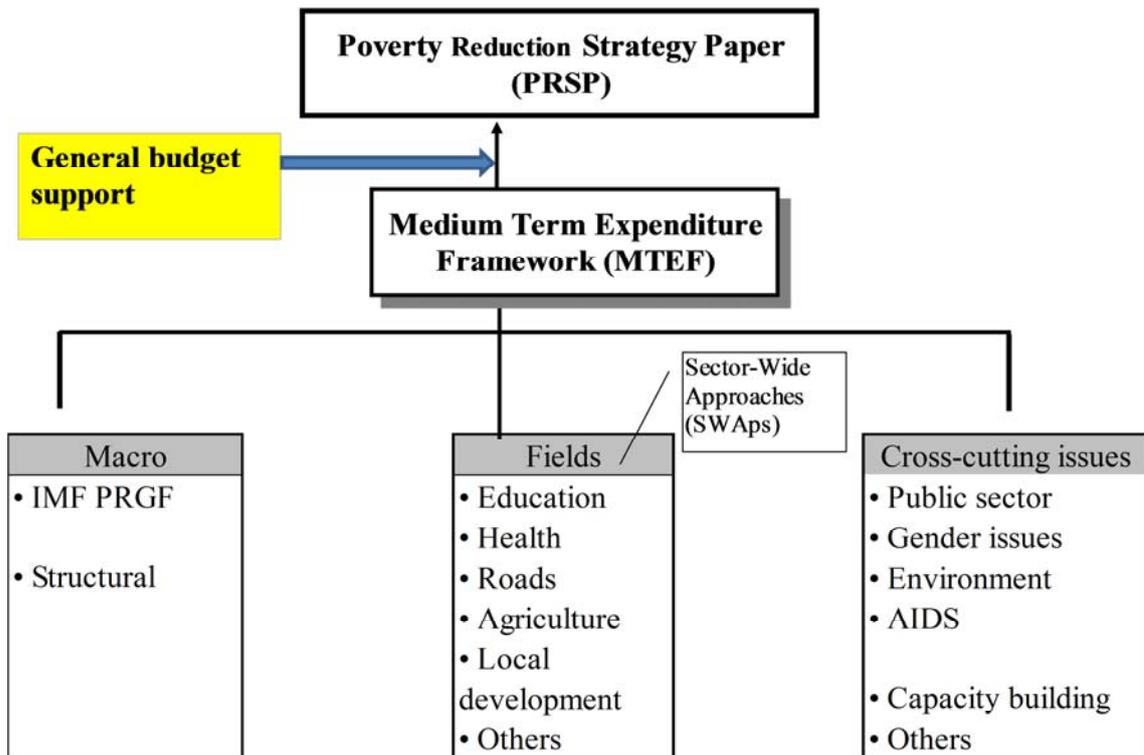
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<sup>9</sup> Since the Tanzanian Government has reorganized its administrative structure at various times, this paper shall refer to the Ministry of Finance even though currently the organizational name is Ministry of Finance and Economic Affairs.

<sup>10</sup> Planning Commission Act, United Republic of Tanzania, June 12, 1989

Reduction Regime became the Ministry of Finance on the government side, and the GBS donors on the donor side. Figure 4 outlines Tanzania’s policy dialogue structure.

**Figure 4: Diagram of the policy dialogue structure in Tanzania**



Source: Created by the author

The development aid approach brought about by the Poverty Reduction Regime, carefully constructed by the Tanzanian government and donors, has led to a mechanism in which development planning and budget compiling, the core processes of Tanzania’s development policy, take place within the interfaces between the central government bureaucracy and donors. Actual program execution, however, is completed in a cycle with limited donor involvement – programs are managed and evaluated through progress reports and outcome reports without donor involvement. This mechanism has consolidated the development aid beneficiary system in the development administration, which is maintained entirely through the relationship between donors and the central bureaucracy in Dar es Salaam.

With the integration of GBS into the Tanzanian government's budget, actual program execution and service delivery have been entrusted to Tanzania's internal political systems. As stated above, along with the transformation of the development aid system from "individual based aid" to "collective based aid" after the Helleiner Report, the Tanzanian government was able to successfully justify its establishment of a beneficiary system for aid resources.

In the following sections, this paper will examine whether the beneficiary system was truly what the Tanzanian government wanted or whether the beneficiary system was changed in compliance with demands from donors, even when the Tanzanian government may have fully agreed with DAC donors. For this purpose, the process of development at the initiative of the government of Tanzania in recent years needs to be assessed. In addition, the influence of Chinese aid and development finance on Tanzanian government development policy also will be examined.

### **3. The Tanzanian government's independent development initiative**

Tanzania has been implementing Vision 2025 as its long-term development plan, and the PRSP, enacted in October 2000, as its medium-term development plan. Furthermore, the Joint Assistance Strategy for Tanzania clearly states that the government and donors shall move ahead with development based on a single common aid strategy.

The Tanzanian government has formulated PRSPs three times in the past. The first PRSP (launched in October 2000) placed poverty reduction front and center, but the second PRSP (the National Strategy for Growth and Reduction of Poverty (NSGRP), a five year plan starting from 2005 and called MKUKUTA in Tanzania from its Swahili acronym) emphasized growth, as its name suggests. The MKUKUTA initiative divided development challenges into three clusters: (1) growth and reduction of income poverty; (2) improvement of quality of life and social wellbeing; and (3) governance and accountability. It also gave priority, in

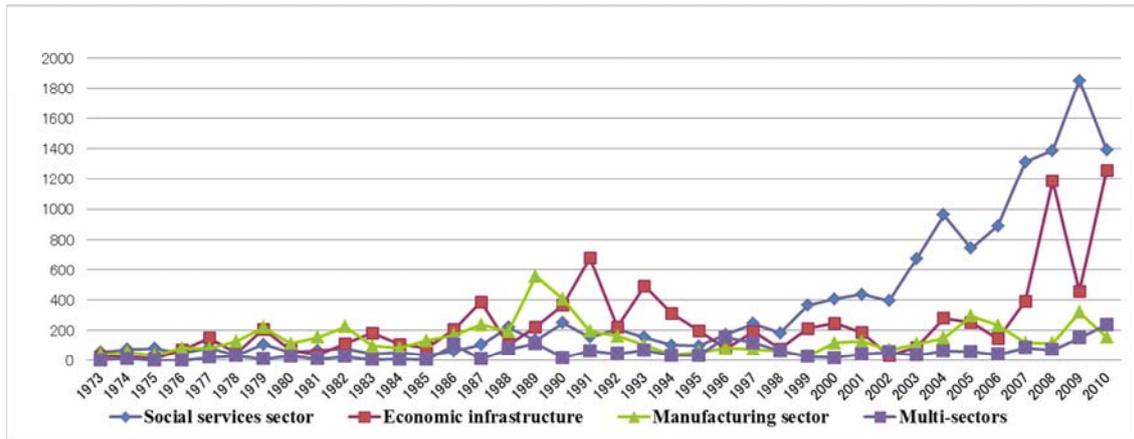
issue-specific budget allocations, to crosscutting priority issues defined in the clusters. The main difference between the first PRSP and MKUKUTA is that the first PRSP focused on poverty reduction while MKUKUTA, the second PRSP, incorporated growth. The successor to MKUKUTA, MKUKUTA II, covering the years 2010-11 to 2014-15, was formally released in November 2010. While it maintains the three MKUKUTA clusters, MKUKUTA II is a strategy that puts more weight on poverty reduction through economic growth. Within the strategy, it stresses agriculture and infrastructure as well as promoting improvements in the delivery of social services, and the continued implementation of reform programs in the local government and public financial management sectors.

At the same time, it was learned in a March 21, 2011 interview with the chief economist of the President's Office Planning Commission, re-established in 2008, that the government had started work on formulating a Tanzanian national development plan under the auspices of the Planning Commission. Later, in June 2011, the government finalized the Tanzania Five Year Development Plan 2011-12 – 2015-16 and presented the final version to donors at the end of 2011. The Minister of Finance, at the Annual National Development Strategy meeting in January 2012, formally declared that MKUKUTA was a development strategy document, whereas development plans would be carried out based on the government's Five Year Development Plan (UNDP, interview, March 15, 2012). The chief economist of the President's Office Planning Commission (interviewed on March 21, 2011) stressed that the development plan's formulation process was implemented at the Tanzanian government's own initiative. Therefore, despite having a shared strategy document between the Tanzanian government and donors, the Tanzanian government, on its own initiative, had created a national development plan behind closed doors. This duality suggests that although the Tanzanian government appears to share the same views and ideas as DAC donors in the Poverty Reduction Regime, in fact the government's preferred "development" does not necessarily match the "development" of DAC donors. So what caused the Tanzanian

government to exclude donors and independently establish a new national development plan without consultations?

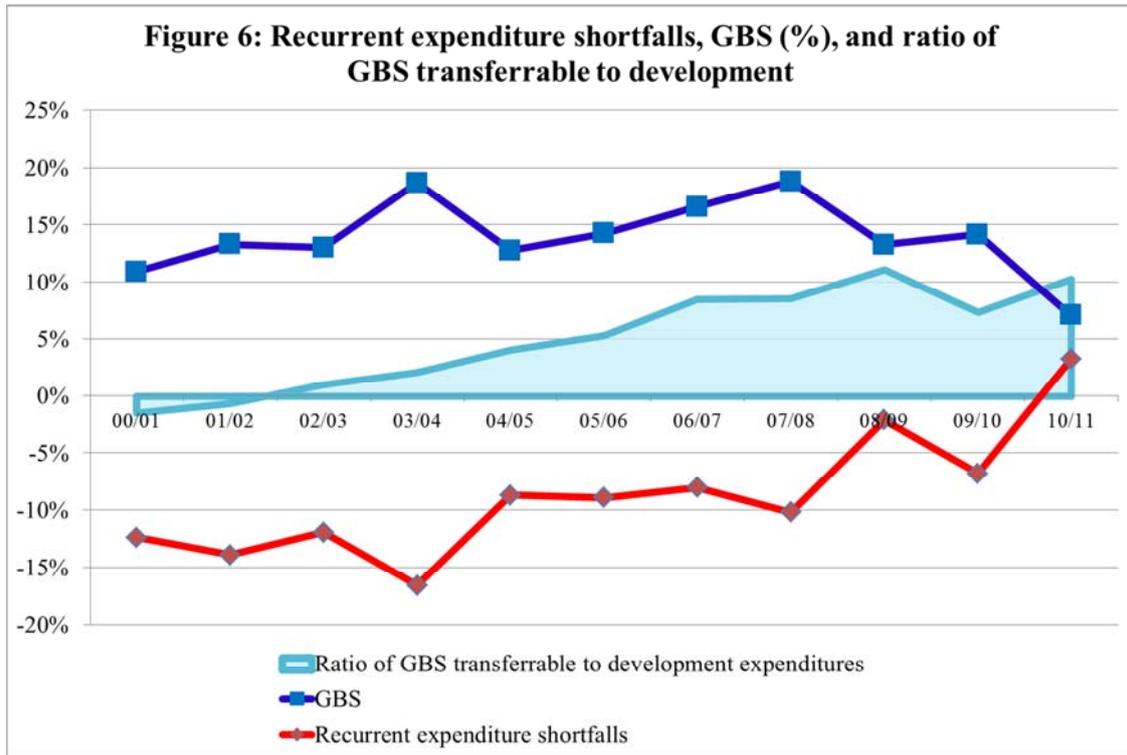
First of all, in order to carry out its own preferred “development,” it seems to be that the Tanzanian government may require new development resources. Even though the first PRSP placed poverty reduction front and center in deference to the intentions of donors, the second PRSP, the MKUKUTA strategy, signaled the Tanzanian government’s inclination to aim for economic growth while prioritizing agriculture and infrastructure. Nevertheless, because of Tanzania’s high aid dependency, it was virtually impossible for the country to attain these economic growth aims on its own. The Tanzanian government pointed out that the DAC donors had not addressed this issue adequately. As Figure 5 illustrates, from 1995, when the Helleiner Report came out, to 2006, when the Joint Assistance Strategy for Tanzania was established, there was a huge shift in aid from the manufacturing sector and economic infrastructure, which had been the main areas of aid, to the social services sectors, which became the predominant areas of development aid. Development aid to the manufacturing sector and economic infrastructure, which contribute to economic growth, languished during this period. But since 2008, with the establishment of the President’s Office Planning Commission, development aid flowing into economic infrastructure shows a return to an upward trend.

**Figure 5: Transitions in development aid by sector in Tanzania [in millions US dollars]**



Source: Measured from DAC CRS

Secondly, while the Tanzanian government may require new development resources for its preferred development approach, it should be assumed that the government needs to maintain the relationship with DAC donors without reducing their support at the same time. Figure 6 shows the situation between the shortfalls in recurrent expenditures necessary to run the country from domestic revenues, and GBS. As can be seen in Figure 6, GBS is crucial for covering the recurrent costs; however, since the introduction of GBS, the government has been able to cover, albeit gradually, shortfalls in recurrent expenditures, which include GBS. In this way, the government has arranged conditions where by surpluses can be funneled into development budgets, though again, on an incremental basis. Nevertheless, DAC donors including GBS have still been indispensable in Tanzanian development.



*Source:* Created by the author from the Tanzanian Ministry of Finance and Economic Affairs' budget speech

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

Given these points, it should be possible to verify, through an analysis of China's role in the Five Year Development Plan, which is part of Tanzania's National Development Plan (NDP), whether the Tanzanian government's preferred development approach is at odds with the approach preferred by DAC donors. On the other hand, it may be that the two sides share essentially the same idea of development but diverge in their opinions on suitable strategies to achieve development. For this purpose, the next section will trace China's foreign aid in

Tanzania, and in Section 5 the role of China in allowing the establishment of a new Tanzania National Development Plan will be discussed.

#### **4. China's foreign aid to Tanzania**

China has more than a 40-year history of giving foreign aid to Tanzania, including projects such as the construction of the Tanzania-Zambia Railway (the TAZARA Railway), the Urafiki ("Friendship") Textile Factory, the Chalinze Water Supply Project, the Benjamin Mkapa National Stadium, and, more recently, the Mwalimu Nyerere International Convention Center. Since the start of the century, the Forum on China-Africa Cooperation (FOCAC) has led the way in forging new relationships between China and African states including Tanzania.<sup>11</sup>

The main aid initiatives from China to Tanzania are similar to those described in the 2014 White Paper on China's foreign aid (Information Office of the State Council 2014): improving medical and health services, promoting agricultural development, improving education, building public welfare facilities, and improving infrastructure. To improve medical and health services, China has sent a total of more than 1,000 doctors in 23 medical teams from Shandong Province to Tanzania on two-year assignments since 1968.<sup>12</sup> Chinese doctors have worked at hospitals in Tanzania's 19 regions.<sup>13</sup> The scale of Chinese medical teams has decreased since Tanzania's medical and health care services have improved significantly.<sup>14</sup> Recently China supported the

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<sup>11</sup> Many of recent China's foreign aid projects described below have been framed in the Beijing Action Plan (2013-2015) adopted at the Fifth Ministerial Conference of the FOCAC in 2012. <http://www.focac.org/eng/zxxx/t954620.htm> (accessed on August 12, 2014)

<sup>12</sup> Embassy of the People's Republic of China in the United Republic of Tanzania, <http://tz.china-embassy.org/eng/xwdt/t577975.htm>, <http://tz.china-embassy.org/chn/ztgx/t1057312.htm> and "Commitment needed to maintain collaboration." Daily News 16 March 2014 <http://www.dailynews.co.tz/index.php/features/29213-commitment-needed-to-maintain-collaboration> (accessed on August 12, 2014)

<sup>13</sup> Aside from the medical teams from Shandong Province, China has dispatched 25 medical teams from Jiangsu Province to Zanzibar, the semi-autonomous part of Tanzania, since 1965..Jiangsu Health International Exchange Program <http://www.jsWSGJ.cn/ShowNews.aspx?Id=498> (accessed on August 12, 2014)

<sup>14</sup> Embassy of the People's Republic of China in the United Republic of Tanzania, <http://tz.china-embassy.org/eng/xwdt/t577975.htm> and (accessed on August 12, 2014)

construction of an advanced medical facility, Cardiac Surgery Treatment and Training Centre at Muhimbili National Hospital, which was put into operation in 2014.<sup>15</sup>

To promote agricultural development, has been building since the 1960s large-scale state farms such as Ruvu State Farm, Upenja State Farm, Mahonda State Sugar Cane Farm and Processing Factory, and Mbarali Rice Farm. Most of them were later privatized. China also built several Agricultural Extension and Farmer Training Stations (Bräutigam & Tang 2012). Recently, within the FOCAC framework, China helped build the Morogoro Agricultural Technology Demonstration Centre, which was completed in September 2010 and handed over to Tanzania's Ministry of Agriculture, Food Security, and Cooperatives in April 2011.<sup>16</sup>

To improve education, in 2013 a record-number of more than 1,100 Tanzanians studied at universities in China.<sup>17</sup> The Chinese government has also granted scholarships for 85 students in Tanzania for the 2014-15 school year.<sup>18</sup> The China Alumni Association of Tanzania (CAAT), organized by alumni who studied in universities in China, was formally inaugurated in 2011.<sup>19</sup> China has also built at least three rural primary schools in Tanzania.

To build public welfare facilities, China provided a grant for constructing the Chalinze Water Supply Project in central Tanzania in 2001, which aims to supply water to 105,000 people by the year 2015. The first phase was completed in 2003, and the second phase was completed in 2012.<sup>20</sup> China also supported to construct the Benjamin Mkapa National Stadium, and the Mwalimu Nyerere International Convention Centre which were completed in 2005 and 2012

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<sup>15</sup> Economic and Commercial Representation of the People's Republic of China in the Republic of Tanzania <http://tz.mofcom.gov.cn/article/c/201405/20140500570049.shtml> (accessed on August 12, 2014)

<sup>16</sup> Embassy of the People's Republic of China in the United Republic of Tanzania, <http://tz.china-embassy.org/eng/xwtd/t946463.htm> (accessed on July 18, 2014)

<sup>17</sup> Embassy of the People's Republic of China in the United Republic of Tanzania, <http://tz.china-embassy.org/chn/dhwz/t1159320.htm> (accessed on July 18, 2014)

<sup>18</sup> Ministry of Education and Training of Tanzania [http://www.moe.go.tz/index.php?option=com\\_content&view=article&id=1787:skolashipu-za-china-2014&catid=1:latest-news](http://www.moe.go.tz/index.php?option=com_content&view=article&id=1787:skolashipu-za-china-2014&catid=1:latest-news) (accessed on July 18, 2014)

<sup>19</sup> Embassy of the People's Republic of China in the United Republic of Tanzania, <http://tz.china-embassy.org/eng/xwtd/t849427.htm> (accessed on July 18, 2014)

<sup>20</sup> Embassy of the People's Republic of China in the United Republic of Tanzania, <http://tz.chineseembassy.org/chn/sgxx/sghd/t985962.htm> (accessed on August 12, 2014)

respectively.<sup>21</sup>

Finally, to improve infrastructure, China funded the first large-scale infrastructure project, the TAZARA Railway. Backed by a 30-year US\$ 400 million interest-free loan from China,<sup>22</sup> the project, which links the Zambian copper belt to the Tanzanian port of Dar es Salaam, was completed in 1975, and began formal operations in 1976.<sup>23</sup> China has continued to support TAZARA railway by providing grants and interest-free loans.<sup>24</sup> In the future, China hopes to connect the TAZARA railway with the railways in the Democratic Republic of Congo and Angola and, eventually, make it a trunk line connecting East and Central Africa.<sup>25</sup> The agreements for two government concessional loans were signed between the Export-Import Bank of China (China Eximbank) and the Tanzanian government in 2010.<sup>26</sup> One of these loans, worth approximately 70 million US dollars, was for the construction of the Zanzibar International Airport Terminal II, while the other, worth 100 million US dollars, covered the second phase of the installation of optical fiber networks which will connect Dar es Salaam to other cities in the country as well as Zambia and Malawi.<sup>27</sup>

Through interviews with Tanzanian government officials and the staff of DAC donors, it has become clear that China has participated neither in donor meetings nor government-donor meetings, and has not shared the information about its aid with DAC donors. These behaviors imply that China does not follow the Joint Assistance Strategy for Tanzania even though China's

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<sup>21</sup> Embassy of the People's Republic of China in the United Republic of Tanzania, <http://tz.china-embassy.org/eng/media/t917689.htm> (accessed on August 12, 2014)

<sup>22</sup> Monson, Jamie (2004). "Freedom Railway. The unexpected successes of a Cold War development project" in Boston Review. December 2004/January 2005 Archives. <http://bostonreview.net/jamie-monson-freedom-railway-tazara-tanzania> (accessed on July 17, 2014)

<sup>23</sup> Tanzania Zambia Railway Authority. [http://www.tazarasite.com/site/page/history\\_view](http://www.tazarasite.com/site/page/history_view) (accessed on September 21, 2014)

<sup>24</sup> <http://www.africanreview.com/transport-a-logistics/rail/china-signs-us-42-million-tazara-rehabilitation-deal> (accessed on September 21, 2014)

<sup>25</sup> <http://asia.nikkei.com/print/article/47013> (accessed on September 23, 2014)

<sup>26</sup> <http://english.people.com.cn/90001/90776/90883/6954383.html> (accessed on July 17, 2014)

<sup>27</sup> Prior to the second phase, the first phase which connected Dar es Salaam to other cities in northern and eastern Tanzania and neighboring countries such as Rwanda, Burundi, Kenya, and Uganda. The cost was said to be covered by China Eximbank's soft loans amounting 170 million US dollars (Bräutigam & Tang 2012). It seems that the loan was likely not the government concessional loan but preferential export buyers credit which was not counted as foreign aid.

aid has supported these areas for poverty reduction. The next section will examine the role of China within the Tanzanian government's latest development framework.

## **5. The role of China in the Tanzanian government's latest moves and in the Tanzania Five Year Development Plan**

The Tanzania Five Year Development Plan is a strategy to unleash Tanzania's latent growth potential. At the core of the plan are five priority areas, namely: (1) infrastructure — particularly energy and transportation infrastructure (ports, railways, highways, and air transportation) through large-scale investment, water, hygiene, and ICT; (2) agriculture and agricultural reforms for food stability — irrigation for value-added crops, autonomy, exports, and development; (3) industrial development, particularly industries that use local products such as fertilizer, cement, textiles, coal, iron and steel, and development of special economic zones through the utilization of private-public partnership arrangements; (4) development of human capital and skills with a focus on science, technology, and innovation; and (5) tourism, trade, and financial services (President's Office Planning Commission 2011).

Professor Benno Ndullu (interviewed on March 21, 2012), Governor of the Bank of Tanzania and the central figure in this plan, spoke about the concept behind the Tanzania Five Year Development Plan:

*(The basic concept) is to use public investment wisely as a lever to invite private investment. Specifically, one dollar of public investment attracts two dollars of private investment. We plan to build a logistics hub by this means. The government will provide the land and the private sector will invest in the logistics hub. The government will invest 40 million US dollars to get 400 million US dollars in private investment. While the business environment has improved with the previous DAC approach to development aid, strategic areas have been neglected because of a lack of funds. Wise*

*public investments will clear away these investment obstacles.*

With Vision 2025 as its long-term development plan, Tanzania has been implementing the PRSP as its medium-term development plan. Furthermore, the Joint Aid Strategy for Tanzania clearly states that the government and donors shall move ahead with development based on a single common aid strategy (the PRSP). Despite the existence of these plans, Tanzania established the Tanzania Five Year Development Plan on its own initiative. I asked Professor Benno Ndullu what donors thought of this move:

*Donors are not pleased by this plan. But the fact is ODA is not flexible. If ODA can be directed into Tanzania's strategic areas, it would be fine, but if it cannot, other investment is necessary to attract the private sector. Tanzania needs more flexible non-concessional loans, and with these, we believe we can remove obstacles to investment.*

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

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

On the topic of Chinese-led projects, the professor said the following:

*China's presence has become bigger in recent years. Chinese construction projects have always had considerable presence, especially in roads and other infrastructure. But in recent years, Chinese corporations have undertaken projects from the World Bank and others.<sup>28</sup> China really started to demonstrate its presence with the project to install an undersea optical fiber network. Tanzania was selected as the landing point for this network, which connects Uganda, Rwanda, Burundi, Zambia, Malawi, and Tanzania. The network connects the inland countries with Tanzania as the hub. This project consisted of two negotiable loans. In 2011, all district networks were connected. By the end of 2012, all regional networks will be connected with 3G (which is*

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<sup>28</sup> Materials obtained from the Tanzania Roads Corporation were used to review how often Chinese corporations won tenders for trunk roads in fiscal year 2008. Of the five World Bank tenders, four were won by Chinese corporations, a win rate of 80 percent. Furthermore, of the 37 road projects tendered by the Tanzanian Government, 31 were won by Chinese corporations, a win rate of 84 percent. The percent of large untied road projects won by Chinese corporations was also very high, at over 80 percent.

mentioned in the section 4.).<sup>29</sup>

*The next large-scale project is an iron ore production project in Liganga and Mchuchuma, which are the sites of iron ore operations. A private Chinese corporation won the tender. The gas production fields in Songo Songo will be our lifeline. China also wants to set up a special economic zone near the Dar es Salaam port. The Chinese side said they regarded Dar es Salaam as an entranceway and storage point for other countries' machinery and asked to build a Logistic Department Center for spare parts and an exhibition hall where they hoped to showcase Chinese equipment. Now, the Chinese side plans to invest in a logistics hub in Kurasini, 40 kilometers outside of the Dar es Salaam core. In place of landlocked countries, China hopes to make Tanzania a distribution hub like Dubai.*

Bank of Tanzania Governor Benno Ndullu, who is also the chairman of the Tanzania Five Year Development Plan Implementation Committee, spoke about Tanzania's grand blueprint for ambitious growth. This strategy makes it clear that China has a huge role to play, as it has expanded aid and development finance in recent years in the strategic fields that DAC donors and others, who have been promoting development aid centered on the social services sectors, have not been able to contribute to. China's aid and development finance — namely electric power stability; resource development; ports, railways, roads, and other domestic and external transportation infrastructure establishment; and ICT and other business environment establishment and investment, all of which underpin Tanzania's future growth strategies contained in the Five Year Development Plan — implement the core areas of the Five Year Development Plan. Table 2 summarizes the major projects financed by China in the Tanzania Five Year Development Plan and Figure 7 illustrates the relationship. Only TAZARA Railway and National Fiber-Optic Backbone Project in Table2 are financed through Chinese foreign aid.

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<sup>29</sup> As for the details of these loans provide by China, see Section 4.

**Table 2: Major Projects financed by China in the Tanzania Five Year Development Plan**

# in Figure 7	Title	Description	Priority in the NDP *	Amount financed (Million US dollar)	Type of Finance	Project Financier	Chinese relevant companies	Period	Source of Information
①	Tanzania-Zambia railway (TAZARA Railway)	Rehabilitation of the the rail line to revive its operations	(i)	66	Interest-free loan, grant	Chinese Government	China Tiesiju Civil Engineering Group Co., Ltd.	Agreement: early 2012	<a href="http://www.africanreview.com/transport-logistics/rail/china-signs-us-42-million-tazara-rehabilitation-deal">http://www.africanreview.com/transport-logistics/rail/china-signs-us-42-million-tazara-rehabilitation-deal</a>
②	National Fibre-Optic Backbone Project (nationwide)	Construct ICT backbone transmission networks nationwide to connect main cities of all provinces. The project consists of three phases.	(i)	100 for Phase II	Concessional loan	Export-Import Bank of China	China International Telecommunication Construction Corporation (CITCC)	Construction started in Nov. 2012 and is expected to finish in early 2014.	<a href="http://china.aiddata.org/projects/30437">http://china.aiddata.org/projects/30437</a> <a href="http://english.people.com.cn/90001/90776/90883/6954383.html">http://english.people.com.cn/90001/90776/90883/6954383.html</a>
③	Mtwara-Dar Es Salaam Gas Pipeline	The pipelines linking Mtwara gas field to Dar es Salaam are over 500km in length and will help boost the power supply to Dar es Salaam.	(i)	1,200	Loan	Export-Import Bank of China	China Petroleum Technology & Development Corporation (CPTDC) and China Petroleum Pipeline Engineering Corporation (CPPEC)	Agreement: September 2012	<a href="http://www.fmptr.gov.cn/mfa_eng/">http://www.fmptr.gov.cn/mfa_eng/</a>
④	Kurasini Tanzania China Logistics Centre (Dar es Salaam)	The project involves construction of a modern trade hub in 60.4 hectares at Kurasini in the city in an expanse of land that will cover Shimo la Udongo, Mivinjeni, and Kiungani.	(iii)	400	n.a.	n.a.	Yiwu Pan-Africa International Investment Corporation	started in 2014	<a href="http://www.thecitizen.co.tz/News/China-gives-billions-for-trade-centre-/1840392/2425982/-/akx321/-/index.html">http://www.thecitizen.co.tz/News/China-gives-billions-for-trade-centre-/1840392/2425982/-/akx321/-/index.html</a>
⑤	Bagamoyo Port Development Plan	Bagamoyo Port Project	(i)	more than 1,000	Loan	Export-Import Bank of China, etc.	China Merchants Holding International Co. Ltd.	Agreement for the development of the Bagamoyo Port Project : Mar. 2013 Construction: begin after 2015 with the first phase being completed in 2017.	<a href="http://www.reuters.com/article/2013/05/30/tanzania-china-infrastructure-idUSL5N0EB3RU20130530">http://www.reuters.com/article/2013/05/30/tanzania-china-infrastructure-idUSL5N0EB3RU20130530</a>
		Bagamoyo Port rail and road project	(i)		Loan	Export-Import Bank of China, etc.	China Merchants Holding International Co. Ltd.		
		Bagamoyo Special Economic Zone	(iii)		Loan	Export-Import Bank of China, etc.	China Merchants Holding International Co. Ltd.		
⑥	Liganga and Mchuchuma Project	Exploration of coal and iron ore and construction of the power plant that is expected to generate about 600MW of electricity. The exploration findings have discovered over 364 million tonnes of coal and 219 million tonnes of iron ore deposits at the twin projects. It is estimated that three million tonnes of coal will be mined annually, lasting for over 100 years and 2.9 million iron ore deposits mined every year for not less than 90 years.	(iii)	Initial cost 600, final estimation 3,000	Loan	Stanbic Bank Tanzania and International Commercial Bank of China (ICBC)	Tanzania China International Mineral Resources Limited (TCIMRL), a joint venture between National Development Corporation (NDC) and Sichuan Hongda Group	agreement Sep. 2012, completed by 2017	<a href="http://allafrica.com/stories/201307050070.htm">http://allafrica.com/stories/201307050070.htm</a> <a href="http://www.businesstimes.co.tz/index.php?option=com_content&amp;view=article&amp;id=2043:stanbic-exim-china-to-finance-coal-iron-ore-projects&amp;catid=1:latest-news&amp;Itemid=57">http://www.businesstimes.co.tz/index.php?option=com_content&amp;view=article&amp;id=2043:stanbic-exim-china-to-finance-coal-iron-ore-projects&amp;catid=1:latest-news&amp;Itemid=57</a>

Note: \* Core priority in Tanzania Five Year Development Plan

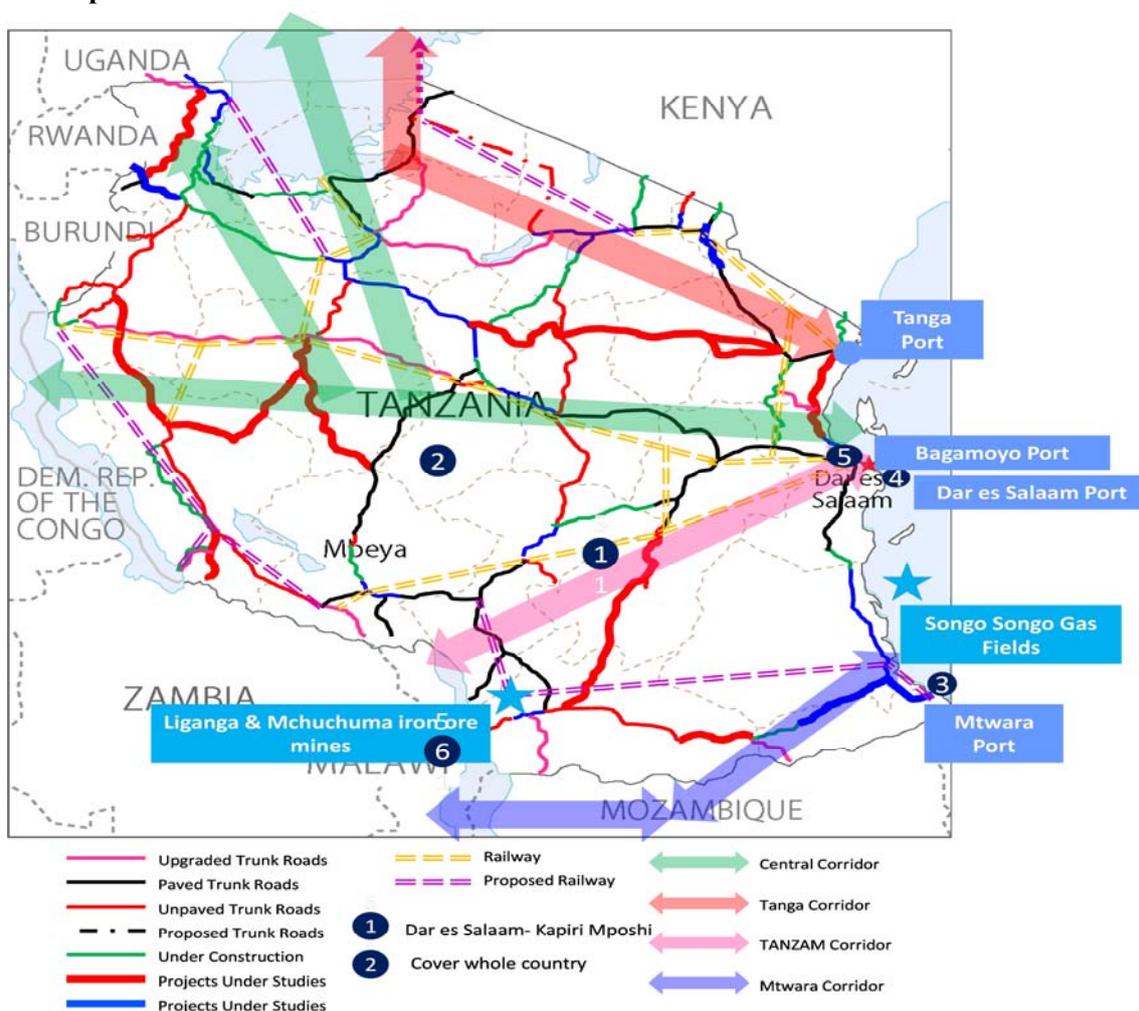
(i) Agriculture, focusing on the transformation of agriculture for food self-sufficiency and export, development of irrigation particularly in selected agricultural corridors, and high value crops including horticulture, floriculture, spices, vineyards etc.

(ii) Industrial development specifically targeting industries that use locally produced raw materials such as textiles, fertiliser, cement, coal, iron and steel, as well as development of special economic zones, using public-private partnerships;

(iv) Human capital and skills development, with an emphasis on science, technology and innovation.

(v) Tourism, trade, and financial services.

**Figure 7: The Tanzania Five Year Development Plan and major Chinese aid and development finance**



Source: Created by the author based on Tanzania Five Year Development Plan and others.

Note: Numbers in the map show the major projects financed by China described in the Table 2 in the Tanzania Five Year Development plan.

This section demonstrates that China’s recent expanding aid and development finance (in fields that DAC donors, who have been promoting development aid centered on the social services sectors, have not yet been able to contribute to) line up perfectly with the concepts behind the Five Year Development Plan. Thus, Chinese aid and development finance, especially in the fields of energy and transportation infrastructure, ICT, industrial development, development of special economic zones and so forth, which Bank of Tanzania Governor mentioned, are an irreplaceable part of Tanzania’s approach to future economic growth. What this analysis suggests is that, although the Tanzanian government’s and the DAC donors’

development strategies are essentially in agreement, the “development” the Tanzanian government desires cannot be attained with DAC donors’ development strategy, which is heavily slanted toward the social services sectors. In this sense, the two sides’ opinions diverge. In other words, in order to attain the “development” it wants, the Tanzanian government, on its own initiative, independently formulated the Five Year Development Plan and channeled China’s aid and development finance, a new resource, into strategic fields that DAC donors have largely shunned so far. The Tanzanian government has successfully incorporated China’s aid and development finance without avoiding any damage to the relationship with the DAC donors, but with obtaining otherwise necessary justification to receive the new development resources.

The next section, in order to respond to the research questions provided in Section 1.2, will follow the transitions in the national planning commission. It will show how the Tanzanian government has established a beneficiary system for development in a way that conforms to the intentions of the donor. However, when the Tanzanian government was confronted with a new aid system or new opportunity for receiving development resources, the process was driven by the Tanzanian government.

## **6. Transitions in Tanzania’s national planning organization and the beneficiary system for development**

The chief economist of the President’s Office Planning Commission, which is responsible to the Cabinet in all matters relating to the planning and management of the economy (interviewed on March 21, 2012) said:

*Tanzania’s planning committee has changed its organization, role, and name over the years: there have been times when it was the Ministry of Economic Affairs and Planning and other times when it was consolidated with the Ministry of Finance. Since*

2008, however, it has been part of the President's Office.

Table 1 lists the national planning organization's transitions. As the chief economist of the President's Office Planning Commission pointed out, Tanzania's Planning Commission has indeed changed its organization, role, and name over the years.

**Table 1: Transitions in Tanzania's national planning organization**

Year	Organization name	Role
1929	Planning Agency	Preparation of investment proposals for colonial development funds
1937	Central Planning Committee, Finance Secretary Office	Planning and implementation preparations
1940	Planning Committee, Finance Secretary Office	Planning review for economic construction during WW2
1945	Planning Commission, Finance Secretary Office	Advice, analysis, and scrutiny of new investment
1949 – 1961	Development and Works Department, General Secretary, Governor's Office	Coordination of development plans
1961 – 1964	Economic Development Commission, Ministry of Economic Planning	Advice to the government on development plans
1964	Development Planning Department, President's Office	Analysis of all proposals related to the economic development, domestic and foreign government development, and community development and determination of development plans
1965 – 1975	Ministry for Economic Affairs and Development Plans	Coordination and supervision of development plans: Coordination and advice on needs of middle and senior experts: Construction of statistical preparations, analysis, and other capacities
1975 – 1980	Ministry of Finance, Economic Affairs and Planning	Planning (e.g.: strategies for large-scale industrial development)
1980 – 1985	Ministry of Planning and Economic Affairs	Determination and execution of economic stimulation policies in the face of an economic recession
1985 – 1989	Ministry of Finance, Planning and Economic Affairs	Harmonization of plans and supervision of the economy
1989 – 2000	Planning Commission, President's Office	Economic management and supervision and determination of the implementation of national economic development plans
2000 – 2005	Planning and Privatization, President's Office	Privatization of the economy and state-run enterprises and coordination of development investment policies and export strategy implementation
2005 – 2007	Ministry of Planning, Economy and Empowerment	In addition to the supervision of planning and privatization, coordination of anti-poverty strategies and economic growth strategies
2008 to present	Planning Commission, President's Office	Determination of policies and strategies for long-term economic and social welfare targets and monitoring of the implementation of government decisions on economic management and planning

Source: Created from "Planning and Guidance for National Economic Development, 1961 – 2011," United Republic of Tanzania's Planning Commission, President's Office (2011)

Of the past 15 changes to the national planning organization, the Planning Commission has been placed under the President's Office four times, in 1964, 1989, 2000, and 2008. All of

these four changes were made in times that were important in terms of development aid. The year 1964, obviously, was the year Tanzania gained its independence and became a republic. The Development Planning Department was responsible for analyzing all proposals related to economic development, domestic and foreign government development, and community development and determining development plans. The Planning Commission was placed under the President's Office next in 1989. This was the year development aid soared to a point where the country's aid dependency exceeded 20 percent of its GDP, in the wake of introducing World Bank and IMF structural adjustment programs in 1986. In the midst of the rising impact of development aid, the country placed the Planning Commission under the direct control of the President's Office and gave the Commission sweeping powers. The move gave the Commission the authority to require all aid project proposals to be submitted to the Commission so that it could centrally manage all projects. This consolidation of power suggests the country tried to mollify the impact of development aid and to unify access to development aid resources. It is clear the Planning Commission, as the government's highest advisory body, had sweeping powers from Paper 6 of the Planning Commission Act, 1989, which states the following:

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

Later, the Commission established the Tanzania Development Vision 2025. Vision 2025 is still regarded as the country's long-term development plan. The year 2000 was

important because it was the year the PRSP was established, which was critical to the Poverty Reduction Regime's formation. The chief economist of the President's Office Planning Committee (interviewed on March 21, 2012) declared that.

*The 1989 Act required all projects to pass through the Planning Commission. But later, after various reforms, and the introduction of the PRSP, all projects had to pass through the Ministry of Finance.*

With the progress of the Poverty Reduction Regime's formation process, and with the introduction of the PRSP and GBS, all projects began to be passed through the Ministry of Finance. This created a structure in which the Ministry of Finance had central control over all donor development aid, and formed mechanisms to efficiently obtain the resources represented by donor development aid. At the same time, the privatization of state-run enterprises, due to the PRSP's introduction, was unmistakably a huge concern for the Tanzanian government since privatization could have impacts on the financial resources of the government.<sup>30</sup> Consequently, the privatization function was added to the President's Office Planning Committee for the purpose of privatizing the economy and state-run enterprises as well as harmonizing development investment policies and the implementation of export strategies. Then, in 2008, the planning department shifted again to the President's Office, and the Tanzania Five Year Development Plan was created for the purposes of determining policies and strategies on long-term economic and social welfare targets and of monitoring the implementation of government decisions on economic management and planning. It is clear, from the statements of the chief economist (interviewed on March 21, 2012) that the government was trying to centralize the management of all projects at the President's Office Planning Committee under the auspices of the Tanzania Five Year Development Plan.

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<sup>30</sup> The first PRSP provided the platform for the privatization of large public corporations, such as Tanzania Telecommunications Company Limited (TTCL), Tanzania Railways Corporation (TRC), Tanzania Electric Supply Company Limited (TANESCO), Tanzania Ports Authority (THA), National Bank of Commerce (NBC), etc..

*Because the Planning Commission was moved to the President's Office and because the Five Year Development Plan was established, the government was moving ahead with a new mission and with a revision of the Act so that all projects pass through the Planning Commission while the Ministry of Finance continues to have jurisdiction over GBS.*

The chief economist (interviewed on March 21, 2012) went on to say:

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

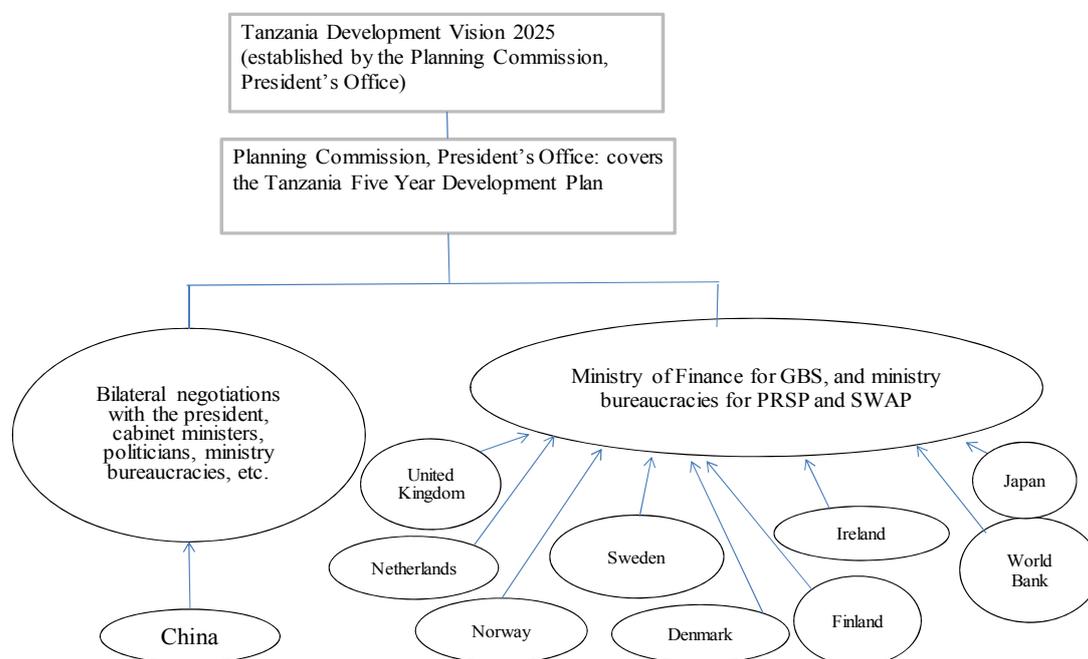
We can read from this statement and the way that China's aid and development finance is incorporated into the Five Year Development Plan that the government seems to be aware of the compartmentalized policies: the PRSP for DAC donors to primarily realize the MDGs, and the Five Year Development Plan, which encapsulates the Tanzanian government's growth focus. What is evident from all this testimony is that, given a situation of high aid dependency and the necessity of relying on donors for development, the Tanzanian government had to construct new mechanisms and a new beneficiary systems to absorb Chinese aid and development finance, an enticing new resource, in order to break ground in strategic fields that will drive the growth the government desires. However, China's aid and development finance

approach eschews the poverty reduction regime frameworks the Tanzanian government had built with DAC donors. Thus, if the government had not taken new measures, it would have proven difficult to incorporate China's aid and development finance. At the same time, development aid from DAC donors remains an essential resource for the kind of development sought by the Tanzanian government and is a crucial strategy for poverty reduction. Therefore, along with DAC donors' aid, the government had to take in aid and development finance from China, which exists outside the poverty reduction regime frameworks the Tanzanian government had built with DAC donors, and who were in conflict with DAC donors over the growth of development aid based on the Poverty Reduction Regime frameworks. If successful, the government would be able to pursue both resource acquisition and the development it wants simultaneously. This framework is the Tanzania Five Year Development Plan, which the Tanzanian government established independently on its own initiative and is likely the reason why the PRSP continues to exist.

Looking at how the Tanzanian government's development planning commissions have changed, we find that, through organizational restructuring, Tanzania has skillfully constructed a beneficiary system over development resources. In the period when project aid was the primary focus, the President's Office Planning Committee was given legal powers to unify all projects. But with the formation of the poverty reduction regime, the Ministry of Finance took over from the Planning Commission as the central supervisor of all projects. In response to the expansion of China's aid and development finance, which represented a new resource windfall, the Tanzanian government again gave the President's Office Planning Committee jurisdiction over all projects while keeping GBS under the Ministry of Finance's jurisdiction. In this way, the government has created a mechanism for controlling resources from all donors. At the same time, the government has determinedly, and efficiently, obtained development resources. Indeed, the Tanzanian government has arranged planning mechanisms and beneficiary systems for development by actively and flexibly tailoring its national planning organization so that it

can meet new opportunities to obtain resources. Figure 8 shows the newly created government-donor interfaces. Tanzania’s development is based on development plans established and owned by the country: specifically the long-term Tanzania Development Vision 2025, established by the President’s Office Planning Committee, and the medium-term Tanzania Five Year Development Plan. On the basis of these plans, the President’s Office Planning Committee centrally manages all projects. The overall scheme, then, mobilizes DAC donors through an interface limited to the central government bureaucracy and primarily focused on the social services sectors based on the PRSP and a sector-wide approach, and GBS donors through an interface with the Ministry of Finance. It then mobilizes China, through individual bilateral interfaces with the president, cabinet ministers, politicians, and ministry bureaucracies and primarily focused on economic infrastructure and other strategic growth fields, in support of the Tanzania Five Year Development Plan.

**Figure 8: New government-donor interfaces**



Source: Created by the author

Next, switching our attention to the transitions in the beneficiary system given above, we find that the Tanzanian government has learned valuable lessons through the transition process and constructed a beneficiary system that allows it to be more proactive in obtaining resources while pursuing the development it desires. In 1989 when the President's Office Planning Commission was given legal powers to unify all projects, the government was also likely forced into building this beneficiary system, as development aid ballooned to the point where the country's aid dependency exceeded 20 percent of its GDP as previously noted. After the Helleiner Report, the mechanisms that were built were more donor driven than anything else.

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

## **7. Conclusions**

This paper has attempted to clarify government behaviors around aid and other development resources in Tanzania, where the poverty reduction regime is most advanced. This is important, because the current aid regime requires justification and accountability for the supply and receipt of development aid resources to both donors and developing countries. However, prior research has primarily focused on the donor side in terms of the way that donors provide their development resources; therefore, this paper tried to view the issues from the standpoint of a developing country. Based on this perspective, the research questions in this paper were as follows: due to the transformation of the international aid system, how has the Tanzanian government absorbed development resources, while still ensuring the necessary justification and accountability? Furthermore, is the process in Tanzania donor or recipient driven, and how does the offer of new resources from countries such as China affect government policies and beneficiary system for development?"

To address the aforementioned research questions, firstly, I traced the development aid structures that DAC donors and the Tanzanian government have constructed since the end of the Cold War in order to identify how the Tanzanian government justified receiving development aid resources from DAC donors. This paper then explained the new initiatives of the Tanzanian government toward development under the poverty reduction regime for the purpose of identifying what caused this change. After that, China's aid and development finance to Tanzania was examined in order to untangle the relationship between the Tanzanian government's own development initiatives, and China's aid and development finance to demonstrate how the Tanzanian government has received China's aid and development finance. Finally, I examined the transitions in the national planning organization to examine the ways that the Tanzanian government has taken in development resources over the years.

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

Next, this paper analyzed, by means of tracking the transitions in Tanzania's development planning commissions, how the Tanzanian government has managed development resources. The analysis results show that, through organizational restructuring, the Tanzanian government has skillfully constructed a system of centralized control over development resources. In the era when project aid was the primary focus, the President's Office Planning Committee was given legal powers to unify all projects. But during the period when the Poverty Reduction Regime was formed, the Ministry of Finance took over from the Planning Commission as the central supervisor of all projects. In response to the expansion of Chinese aid and development finance, which represented a new resource windfall, the Tanzanian government again gave the President's Office Planning Committee jurisdiction over all projects while keeping GBS under the Ministry of Finance's jurisdiction. In this way, the government created a mechanism for mobilizing resources from all donors. Indeed, this paper found that the Tanzanian government has arranged planning mechanisms and beneficiary systems for development by determinedly, actively, and flexibly tailoring its national planning organization so that it can meet new opportunities to obtain resources.

This paper subsequently pointed out that while DAC donors have meticulously created development aid frameworks and concentrated aid in the social services sectors for poverty reduction, this donor-driven approach against DAC donors' intentions have engendered new needs and yielded space for new activities for China. The Tanzanian government, given this state of affairs, while behaving as if it shares the same views as DAC donors, is skillfully building beneficiary systems for China to open the door to new opportunities to obtain development resources and is efficiently and persistently securing the development it desires and the necessary development resources to realize that development.

Furthermore, this paper identified that the structure of policy dialogue created by both the DAC donors and the Tanzanian government produced two different consequences, which were ironically contrary to the DAC donors' intentions. One is that the focus on social sectors by DAC donors for poverty reduction made the Tanzanian government seek new development resources for growth. As a result, the Tanzanian government obtained a new alternative to DAC donors. Another consequence of the policy dialogue is that the system that can be implemented within Dar es Salaam—the system of planning and budgeting through the interface between DAC donors and technocrats at the central government government bureaucracy, managing and monitoring the development aid by receiving the results and progress reports—was created within Dar es Salaam. This means that actual projects and service deliveries are carried out within Tanzanian domestic politics, thus eliminating the involvement of donors. From these two different consequences, it can be said that the Tanzanian government constructed a potentially more desirable beneficiary system for development, because the government can maintain or even enhance its political power in domestic politics. It can do this through the implementation of development within domestic politics, while at the same time government obtaining justification for maximally different alternatives of development resources. In addition, this paper demonstrates that Tanzania is a

country with significant ability to manage the receipt of development resources, despite being considered a passive donor-driven recipient.

With regard to the DAC donors, due to these above-mentioned, unexpected results from DAC donors, the influence of DAC donors over the Tanzanian government has become relatively weak and, in a sense, they are at a crucial moment in their quest to maintain influence over Tanzanian development policies. Under these circumstances, I suggest that DAC donors should not abandon the way they created or not introduced a new aid modality, even on a trial basis, without careful consideration. Instead of seeking to pursue development goals in the way that China does, DAC donors should objectively analyze their limitations and the effects of what the DAC donors and the Tanzanian government have established together after the Helleiner Report, before DAC donors take any actual actions towards new policies. The Tanzanian government has watched the behavioral changes of DAC donors when they have been confronted by new challenges.

Finally, this paper concludes with some remarks about possible future studies. As this paper has explained, the Tanzanian government has been able to manage development resources more effectively as a result of the formation of a poverty reduction regime. However, it is not clear that the development resources provided by either DAC donors or China have effectively reached people on the ground. To make aid more effective, analyzing the logic of the recipient side and behavioral changes of not only the government as a single actor but also relevant actors such as members of Parliament, technocrats, people on the ground, and so forth is undoubtedly worthwhile in obtaining a true picture of the development necessary to enhance aid effectiveness. This kind of analysis, as well as a study on what DAC donors and the Tanzanian government established together after the Helleiner Report, should be considered for future studies.

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## Abstract (in Japanese)

### 要約

本稿は、「貧困削減レジーム」での途上国の開発援助という資源の獲得を巡るタンザニアの援助行政の実態を明らかにすることを目的とした。これまでの先行研究の多くが、ドナーの視点から援助行政を分析しており、途上国の援助行政の実態は意外なほどに知られていなかった。また、新たな支援の獲得を巡る途上国政府の具体的な対応のあり方についても必ずしも明らかにされてこなかった。これに対して、本稿では、タンザニアを事例として取り上げ、同国政府がドナーの開発戦略や援助アプローチに合わせながら、時には、ドナーに対して、自国政府の望む「開発」が達成されるように行動していることを明らかにした。さらに、同国政府は、これまで、中国による支援という新たな開発資金獲得の機会に呼応して、戦略的かつ柔軟に国家計画作成組織の改編を行うことによって、その受け皿を構築してきたことを示した。



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