Donor Dilemmas and Economic Conditionality in the 1990s: when Tanzania is as good as it gets

Introduction
In November 1994, a World Bank report documented massive corruption in Tanzania, particularly related to non-collection of customs duties, which implicated senior officials of the Ministry of Finance, including the Minister himself. The shortfall of thirty-two billion Tanzanian shillings was estimated to be equivalent to around 10 per cent of the government’s total annual revenue, or approximately 3 per cent of Gross Domestic Product (GDP). Norway was the first donor to take action against the transgressions. The then Norwegian Ambassador to Tanzania, who was in Oslo at the time, was promptly instructed to return to Dar es Salaam and announced that committed balance of payment (BoP) support would be suspended. The Tanzanian president at that time Ali Hassan Mwinyi pleaded for understanding requesting Norway kindly to disburse at least some of the funds, but Norway stood firm on its position. The strong Norwegian response was in itself unprecedented, departing from Norway’s erstwhile predictable behaviour, and was therefore met with great surprise on the Tanzanian side.

Norway had for decades been one of what Julius Nyerere called them ‘Tanzania’s all-weather friends’, which also included the other Nordics. Even when most donors dramatically scaled down their aid in the early 1980s trying to pressurise Tanzania to come to an agreement with the IMF and the World Bank Norway together with the other Nordics upheld its aid level. Since the Nordic contributions were rather large, in the early 1980s it constituted as much as 50 per cent of total bilateral aid to Tanzania, the attitude of
the Nordics had the effect that an agreement with the International Financial Institutions (IFIs) was delayed for several years. Eventually also the Nordic group of countries came to realize that an IFI agreement was warranted and tried to persuade the Tanzanian government to reach an agreement with the two Washington financial institutions. Such an agreement came into effect in 1986. Nonetheless, Norway remained one of Tanzania’s so-called all-weather friends throughout the 1980s and was not really seriously considering reducing aid to Tanzania in this period. Norway was partly trapped in a ‘Samaritan dilemma’.

I use the term ‘Samaritan Dilemma’ to describe Norway’s dominant pattern of behaviour as a donor in a country like Tanzania. As a predominantly altruistically oriented donor Norway tends to disburse aid as long as there is need regardless of the behaviour of the recipient. The dilemma lies in the fact that the donor can not refrain from assisting as long as there is need. The dilemma was originally employed by the Nobel Prize winner James Buchanan to describe certain problems inherent in the modern welfare state. Later it has been transferred to studies of development assistance. The behaviour of the donor may have the effect that the recipient government may be better off by consuming more today and then receive additional aid tomorrow instead of investing more today and receive less assistance tomorrow. This may lead to aid dependence and may explain why conditionality as a tool generally holds a rather poor track-record. Even when the Samaritan has threatened to reduce or terminate development assistance, it has in reality often been empty treats. The government of the recipient has on its part been aware of this disposition and have acted accordingly. The Samaritan Norway is of course also motivated by other and less altruistic factors, such as the fact that Norway had built up considerable expertise in Tanzania over the years, which contributed to a not insignificant Tanzania lobby, but in practice these other factors contribute to strengthen the same pattern of behaviour – disbursement of aid more or less regardless of the behaviour of the recipient.

Nonetheless, this paper shows that in the early 1990s Norway’s behaviour changed quite dramatically. It is this dramatic change which is the focus of attention of this paper. Norway was tired of acting as an unsophisticated Samaritan. This paper demonstrates however that despite relatively great achievements Norway’s firmness was rather short-lived. This draws attention to some unsolved problems and dilemmas which seems

1 DAR. X-1. CG-møte 1994, 93/01069-12, ‘CG-møte for Tanzania. Lokal oppfølgning.’
inherent to many aid relationships, which in itself may explain the often detrimental effects of development assistance.

This article gives special attention to the particular incidence in 1994, which no doubt was what triggered the rather harsh and unprecedented Norwegian response, but it does not serve as a sufficient explanation. Disillusionment had developed over time linked to a number of factors in the Tanzanian-Norwegian aid relationship itself, but also to conditions in the external environment. The article is particularly focusing on the Norwegian-Tanzanian relationship, but Norway’s behaviour was largely consistent with that of the other Nordic countries and their behaviour will be brought in where relevant. The 1994 case provides a good point of departure for studying the conditionality tool which in short means that donors were trying to buy policy change with aid. In the 1990s conditionality had become a key donor instrument.

This paper draws heavily on my PhD thesis in history submitted in 2003, *Power of the Purse? Norway as a donor in the conditionality epoch 1980-2000*. Compared to most other countries the Norwegian Ministry of Foreign Affairs (NMFA) are practicing a liberal archive policy. To a researcher it is possible to get access even to current material. In-depth archive studies supplemented by extensive interviewing of key actors makes it possible to construct a thorough narrative which brings new and in-depth knowledge on the politics of aid and may also contribute to challenge findings from other disciplines. This paper provides a more nuanced picture of the effects of conditionality than what is commonly presented and gives a thorough exploration of its complexity and of the many dilemmas facing the donor when it has to deal with trade-offs between different concerns. I argue that conditionality has been more effective than earlier acknowledged. I moreover explain why even effective donor strategies remained short-lived. Another key argument of this paper is that it mattered that it was the Samaritan Norway that took tough action against the transgressions. There are certainly limits to how much moral capital can buy, but I argue that it did matter and added value to the stock of economic capital.

The first main section of this paper explores the changing conditions for aid in the 1990s. The second main section demonstrates how issues of economic governance and corruption were gradually brought into the aid dialogue and shows how this marked a tougher position not only by Norway but also by the donor community at large. These first sections lead up to the events of 1994/95, which will be examined in more detail. The remaining part of the paper explores issues related to multiple conditionalities and difficult trade-offs which explain why it became increasingly difficult for Norway to stay firm.
International economic downturn and poor results of aid to Africa

Donor experiences with aid to Africa in the 1980s had been rather disappointing, a decade that has been characterised as Africa’s lost decade. A general crisis of legitimacy was facing aid in the 1990s and disillusionment was becoming widespread especially among aid bureaucrats and politicians.\(^3\) The disillusion was followed by general aid cuts among Northern donor countries. Official Development Assistance (ODA) from the Development Assistance Committee (DAC) countries fell by 16 per cent in real terms from 1992 to 1996.\(^4\) Total overall aid to sub-Saharan Africa declined by 24 percent in real terms between 1990 and 1996.\(^5\) The aid cuts were more generally a result of the international economic downturn, which was also felt in Norway. Particularly in the early 1990s most important economic variables were pointing in the wrong direction.\(^6\) In real terms Norwegian aid decreased in this period.\(^7\) The decline also had an impact on the level of aid to Tanzania, which was reduced by as much as one-third from 1990 to 1994, before rising again, albeit more modestly. Other donors also dramatically reduced their volume of aid to Tanzania in this period. From 1992 to 1995 the total volume of aid to Tanzania was reduced from USD 1343 million to USD 882 million, before it began to rise again, although somewhat more moderately than in the past.\(^8\)

As a result of declining resources and disappointing effects of aid, the early 1990s witnessed a changing mood among the donors internationally with increased focus on so-called result-based approaches to aid management and on the recipients’ own responsibility. These new modes of thinking were reflected in NORAD’s\(^9\) new strategies for the 1990s that made recipient responsibility the cornerstones of Norway’s new approach.\(^10\)

In 1993 the Norwegian Labour government launched a new aid policy that signalled a tougher attitude and stricter conditions attached to aid.\(^11\) Africa’s share of Norwegian aid

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\(^4\) DAC 1998: 55.
\(^5\) van de Walle 2001: 217.
\(^6\) Furre 2000: 301-312.
\(^7\) DAC 1998: A16.
\(^8\) Selbervik 2003a.
\(^9\) NORAD is the abbreviation for Norwegian Agency for International Development and was in this period Norway’s public implementing aid agency. The ministry of foreign affairs was in charge of the overall aid policy.
\(^10\) NORAD 1990 and 1992a; Selbervik 2003a and Selbervik 2003b.
\(^11\) This policy change was confirmed in White Paper No. 19 1995–1996.
would be reduced, and the country allocations to main co-operation partners would be cut. These changes were in many ways an expression of dissatisfaction with the overall results of development aid, but Tanzania as the country receiving the largest share of Norwegian aid over the years provided ample examples of Norwegian development aid failures. Many evaluation reports of this period concluded that aid to Tanzania had been marred by failures.\footnote{See \textit{NTB}, 13.11.1993; \textit{Aftenposten}, 6.12.1993.}

In the public debate in Norway the then Minister of Development Co-operation, Nordheim-Larsen, several times used Tanzania as an example where aid had been wasted. Nordheim-Larsen’s Deputy Minister, Asbjørn Mathisen, asserted that one of Tanzania’s problems had probably been too much aid.\footnote{See e.g. Havnevik 1992 and 1993; Skarstein et al. 1993.} Whenever the GoT had a problem it contacted Norway, Sweden or Denmark, and one of them would always come up with additional resources.\footnote{Interview with Asbjørn Mathisen, 17 April 2002.} Norway wanted this practice to come to an end.

The change of attitude was clearly felt on the Tanzanian side. Cleopa Msuya,\footnote{Msuya has served both as Prime Minister and Minister of Finance and held several key positions within the CCM until the mid-1990s.} believes that this change was related to many negative evaluation reports in this period, thus leading to increased focus on performance.\footnote{Interview with Cleopa D. Msuya, 18 April 2000.} Another Tanzanian informant of the Ministry of Finance, Ramadhani Mussa Khijjah, relates the Norwegian aid policy change in the mid-1990s to the fact that also the Nordic countries were encountering economic problems. Khijjah thinks that this led to a sharper focus on results and elaborates further, “earlier there was no demand for results. […] the donors would disburse funds, but nobody would come and ask how the money had been spent.”\footnote{Interview with Ramadhani Mussa Khijjah, 7 September 1999.}

**Bringing in economic governance and corruption: Donors’ patience wearing thin**

While in the 1980s, corruption was viewed as belonging to the domestic sphere, not a concern for the donors and absolutely not a matter of donor conditionality; in the early 1990s the donors included a whole range of new issues within the realm of good governance on their agendas.\footnote{Selbervik 2003a.} Even if Norway did not have a clear strategy with regard to
economic governance and corruption in the early 1990s,\textsuperscript{20} these issues were increasingly put on the agenda in various fora with Tanzania in this period.\textsuperscript{21}

Especially from 1992 onwards, there was an explicit shift in the donor community more generally. This shift was particularly evident among the bilaterals, which clearly opted for tougher measures vis-à-vis the Government of Tanzania (GoT). In this period there were indications of deteriorating economic performance in Tanzania, and the donors feared that a culture of extensive corruption was gaining ground. There was a growing perception among the donors that corruption had been escalating under president Mwinyi’s regime.\textsuperscript{22} A Norwegian memo stated quite frankly that because of increasing aid dependence and rising corruption, clear political and economic signals should be given at the 1993 annual Consultative Groups (CG) meeting between the donor community and the Tanzanian government. Norway would prefer that the CG meeting resulted in decreased aid to Tanzania compared to what Tanzania and the World Bank had planned for the fiscal year 1993/94.\textsuperscript{23} That was in itself unprecedented. It also seems to be the first time that corruption was mentioned explicitly at a CG meeting.

The stricter attitude among a number of bilateral donors was reflected in many of the donor statements at the CG meeting in 1993 and many of the bilaterals were taking a much tougher stance than the World Bank. Most of the criticisms voiced by the bilateral donors were often not responded to by the Tanzanian representatives. If they did, they only made excuses, blaming external factors and/or lack of resources and foreign capital for the lack of progress. However, even if criticism had increased during the two years prior to the 1993 meeting and despite meagre results, Tanzania had generally received the economic support it had asked for.\textsuperscript{24}

Nonetheless, in late 1993, poor economic performance resulted in suspension of IMF’s ESAF programme, and both the IFIs froze further support. As a result the Tanzanian government started to implement a IMF/World Bank-initiated Shadow Programme in January 1994, which was intended to last until 30 July 1994. For further support to be released, a number of conditions had to be fulfilled. However, both the IMF and the GoT feared that bilateral donors would also suspend their BoP support. The Shadow

\textsuperscript{20} The issue of corruption was not effectively put on the Norwegian aid agenda until the Christian Democratic Party became a member of the coalition government from 1997.
\textsuperscript{21} See e.g. NORAD 1992, \textit{Agreed Minutes}.
\textsuperscript{22} DAR, 11.14, ‘The Minister of Development Co-operations’, Grete Faremo, visit to Tanzania in August 1992.’ Mwinyi was president in the period 1985-1995.
\textsuperscript{23} UD. 37-IBRD-Tanzania, 93/2080-2, ‘CG-møte for Tanzania.’
\textsuperscript{24} UD. 30-Tan, ‘Problemnotat Tanzania.’ Oslo: 15 October 1993.
Programme was made dependent on the bilateral donors not following the IFIs. It was feared that if the Shadow Programme collapsed as well, gains that had been achieved through the structural adjustment programmes would be lost. Thus, it would be even more difficult to get the macro-economy back on track. Excitement was therefore linked to the behaviour of the bilaterals.

Norway had earlier expressed ‘concern about Tanzania’s ability to mobilise its own resources for development, and thus continued high dependence on aid.’ In addition Norway was uneasy about ‘Tanzania’s capacity to make effective use of donor resources.’ A draft of Norway’s new country strategy to Tanzania emphasised that Tanzania remained in need of foreign exchange in order to maintain a stable exchange rate and to achieve macro-economic stability. Norway had allocated approximately NOK 70 million as Balance of Payment support for 1994, and had to decide whether those funds should be released or not. Prior to the annual aid consultations between Norway and Tanzania in 1994 NORAD had suggested that Norway express willingness to disburse such support for the first part of 1994 in accordance with earlier plans. Further support would have to be assessed anew. Future BoP support would be disbursed only on the condition that the bilateral donors agreed on a joint plan for such support and that it was likely that the reform programme would be on track and supported by the IFIs by August 1994. This might be construed as an application of negative conditionality.

Monkey business

Before any funds had been disbursed it was revealed that members of the GoT Cabinet had intervened in a tender for a Pre-Shipment Inspection (PSI) contract where the contract was given to the firm with the lowest ranking. Despite a tougher Norwegian stance, even when overt mismanagement on the part of the GoT was disclosed, Norway did not take action light-heartedly. Nonetheless, several Norwegian memos concluded that it would be difficult to disregard this information at a time when Norway was in a process of deciding whether import support should be provided or not. At the time Norway was awaiting two evaluation studies on the topic.

26 NORAD 1994: 3, Agreed Minutes.
28 DAR. 311-Tan, 94/1380-1, ‘Tanzania – Landprogramgjennomgang.’
Norwegian Embassy in Dar, NORAD and the NMFA did not agree on the matter. The Norwegian Embassy argued all the same that the GoT’s handling of the PSI contract should not necessarily mean discontinuation of all Norwegian import support. It was feared that this could negatively affect the relationship between the two countries. A memo from the NMFA on the other hand remarked that a reaction was warranted; failing to do so would cause greater pain in the longer run for Norwegian development cooperation with Tanzania. Norway had still not decided what to do with respect to import support to Tanzania.

The two evaluation studies were then released and expressed harsh criticism of the effect of such support, the Norwegian study in particular. NORAD accused the Norwegian evaluation of not being objective and for being coloured by the political convictions of the authors. Besides, the evaluation had analysed import support through the old OGL system. Since then a new facility had been launched and the loopholes plugged. Much of the criticism was no longer considered valid, according to NORAD. Nonetheless, most bilateral donors remained sceptical.

The fact that many central Norwegian actors were arguing for resuming import support at this point seems to have been a result of the urge to accommodate requests by the GoT. In reality great uncertainty was attached to the figures presented by the GoT and the post-OGL system was so new that it was premature to draw any conclusions regarding the transparency and efficiency of the facility. In accordance to the NMFA channelling resources through the post-OGL system might contribute to weakening the GoT’s incentives for coming to an agreement with the IMF. All the same, Norway chose to accommodate the GoT request to provide import support for 1994 in the form of Norwegian oil.

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33 Skarstein et al. 1993.
34 In the early 1990s, Norway started to channel import support through the World Bank’s so-called Open General Licence (OGL) system. This type of aid accounted for nearly half of the aid to Tanzania within the country frame was provided as import support. However, it was soon revealed that the OGL was not functioning satisfactorily and that it was facilitating corrupt practices. As a result, Norway did not disburse any import support to Tanzania in 1993, awaiting the two ongoing evaluations of Norwegian and Swedish import support.
35 UD. 30-Tan, (94-2177-1), Embassy in Dar es Salaam: 21 April 1994; UD. 801.2-TAN, various documents on this matter.
The straw that broke the camel’s back

Before any Norwegian import support had been disbursed a new scandal erupted. In November 1994, the World Bank published a report that documented massive corruption, particularly related to the non-collection of customs duties. Preliminary investigations indicated that, on an annual basis, only T.Shs. 8 billion of an estimated T.Sh. 44 billion in custom duties had been collected. World Bank and IMF staff had compiled a list of companies which had been granted customs exemptions for reasons that were questionable or clearly in violation of existing procedures. The Tanzanian president agreed with the donors that immediate action would have to be taken and that a press statement should be prepared. Several days later, however, no public announcement had been made.

Norway took immediate action. The NMFA instructed NORAD to inform the GoT that committed BoP support amounting to NOK 70 million would be withheld. Moreover, NOK 20 million of unused resources committed were frozen. The Norwegian Ambassador to Tanzania met president Mwinyi at the State House on 14 November 1994. The president then urged the Norwegian Ambassador to disburse at least half of the committed BoP support. This request was not heeded.36

Norway was the first country to announce that sanctions would be applied. The Tanzanian president took prompt action after their meeting at the State House, whereupon Mwinyi allegedly asked Jakaya Kikwete to take over as Minister of Finance.37 Shortly after the meeting Eik informed the other donors. Only two days later Sweden declared that approximately SEK 100 million would be withheld in response to the World Bank report. The Netherlands and the EU followed suit. Denmark did not provide BoP support at the time, but issued an exceptionally critical press statement.38 Even if other countries also expressed their dissatisfaction, Norway and Sweden took by far the most vocal and uncompromising position among the bilaterals. Tanzanian media claimed that Norway and Sweden had demanded the dismissal of the Tanzanian Minister of Finance as a condition for the resumption of disbursement of frozen funds.39 The Norwegian authorities were never that blunt, but had expressed profound mistrust in the Minister of Finance.

The IFIs were more forthright. They quickly required the GoT to take action, and put forward a number of conditions, including the removal of the Minister of Finance. The

36 Interview with Arild Eik, 23 April 2002.
37 Interview with Arild Eik, 23 April 2002.
38 The UK and Belgium had already frozen their BoP support due to lack of progress in the GoT-IMF negotiations.
GoT was given one and a half months to meet the conditions. However, the IFIs did not act transparently vis-à-vis the bilateral donors, and were unwilling to reveal all the conditions set. The IMF decided to postpone the board discussion on a new ESAF scheduled for late 1994. The Bank was in the process of preparing a new Structural Adjustment Credit, which was put on hold.

Initially the GoT appeared to take prompt action. Only two days after the publication of the World Bank report, Mwinyi announced that a full investigation would be carried out. The Office of the Auditor-General and the Director of Public Prosecutions would head the investigations. The GoT promised to present the report shortly thereafter. This pledge was not fulfilled. Still, the president dissolved the government and in a major reshuffle the Minister of Finance was removed from his post, albeit only by being transferred to the post of Minister of Industry.40

The question was now what to do with the scheduled CG meeting. Several bilateral donors, together with the IFIs, were not in favour of holding a meeting, because it could be seen as an ill-judged political signal towards the Tanzanian Government, and as interference in the ongoing investigation of the corruption allegations.41 The suggestion was made, instead, that a meeting be held without the presence of Tanzanian representatives.

On this matter Norway took a different position, arguing that it was important to keep up the pressure on the GoT. It was believed that this could best be achieved in the presence of Tanzanian representatives. Hence, Norway suggested that the meeting be held as planned, but without pledging statements. At the request of also several other bilateral donors the World Bank called a so-called informal CG meeting in December 1994, where the main item on the agenda was the irregular tax and duty exemptions. The bilateral donors reiterated their earlier positions and expressed serious concern about the scandal. It was underlined that political support in the donor countries for providing aid to Tanzania could not bear a new crisis of this kind. The donors viewed a development towards greater aid dependence as unacceptable when the authorities were not giving priority to fighting tax evasion and corruption. Norway adopted a high profile at the meeting, and indicated that other forms of sanction might also be considered.42

41 DAR. X-1, CG-møte 1994, 93/01069-12, ‘CG-møte for Tanzania. Lokal oppfølgning.’
42 DAR. X-2, CG-møte 1994, 93/01069-14, ‘CG-møte for Tanzania. Lokal oppfølgning.’
Would the God of Tanzania soften the hearts of the donors?

A new CG meeting was scheduled for February 1995 to follow up on the 1994 meeting. However, the tax report required by the donor community would not be ready for the meeting. According to an official of the Treasury, the Tanzanian government was required to collect up to 25 per cent of the outstanding revenues, mainly import duties and sales tax, as a condition for credit consideration. Plugging loopholes in the tax exemption facility was also an area of concern. None of the conditions set by the donors were met before the scheduled CG meeting took place. Treasury officials consulted by the Business Times were optimistic, nonetheless, and thought that the meeting would prove a success for the GoT. The editorial on the same day also expressed great optimism and seemed certain that the donors would give Tanzania their blessing as they had done so many times in the past. It demonstrated an acute awareness of the Samaritan’s dilemma: “The funds are going to be released not because Tanzania has met all the conditions, but rather because God is on our side. The God of Tanzania has softened the hearts of the donors.”

The World Bank also appeared to have assumed that Norway, together with several other donor countries, would behave in a conciliatory fashion, and probably release frozen aid.

At the informal CG meeting in 1994 a Joint Evaluation Mission (JEM) had been appointed. The Mission visited Tanzania on 6–15 February 1995 to review the status of the donor-financed import support programme and the Government’s programme for curbing tax evasion and strengthening the enforcement of trade procedures. This resulted in an Aide-Memoire, reflecting the donors’ serious concern about bad governance in the field of fiscal policy and revenue collection. It contained a number of measures to secure effective and functioning tax and duty collection and criminal prosecution of the culprits. The recommendations/conditions were presented to the GoT on 14 February 1995.

The Norwegian position was made painstakingly clear at the February CG meeting. Serious concern and disappointment were expressed on behalf of the Norwegian Government. The message from the meeting in November 1994 was reiterated; frozen funds would be withheld. BoP support was made conditional on evidence of serious commitment to eradicating corrupt practices and the Tanzanian Government’s implementation of the measures contained in the Aide-Memoire from the JEM and the recommendation in the Auditor-General’s report. For 1995, the Norwegian Government

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45 UD. 815.16-Tan-CG, ‘Consultative group meeting for Tanzania. February 27 and 28, 1995.’
had set aside NOK 50 million for BoP support. This support would be released at a later stage, but only once the conditions mentioned above had been met.

But Norway was afraid of being standing alone and feared that it would be among the harshest critics at the CG meeting. The Tanzanian delegation was therefore informed in advance about the Norwegian position. Still, the Norwegian message came as a surprise to the GoT. The Tanzanian side appears to have believed that despite the warning Norway would disburse aid as planned and as usual.

At the meeting most donors expressed rather harsh criticism of the GoT. Tax evasion and duty exemption were seen as an expression of growing corruption in Tanzania. Most of the bilateral donors made it a condition for BoP disbursement that the recommendations from the SPA/JEM (Special Programme of Assistance for Africa/Joint Evaluation Mission) were followed up. If the suggested measures were not implemented, the whole aid programme would be in jeopardy; this was the main message from the bilateral donors.46

This was not an empty threat anymore. Several donors took concrete action and maintained their positions from 1994. The World Bank estimated that Tanzania needed USD 1.13 billion in economic aid in 1995, but the pledges were just under USD 1 billion. In other words, there was a substantial decrease in the aid volume, if not a massive cut. Pledges fell far below expectations. Since the outcome of the pledges had normally not reflected the severity of the criticism expressed by the donors, the seriousness of the donors seemed thus to be communicated clearly to the Tanzanian government. It was decided to hold an informal donor meeting later in 1995 to consider whether the conditions had been met. The conditions would thus mean continuous pressure on the GoT, which was clearly disappointed, having apparently expected the pressure to subside and the situation to normalise after the meeting.

Nevertheless, what appears most surprising is the posture of the IFIs, both of which had chosen to soften their criticism. The Bank was still negotiating the next SAP, and preferred to await its Board’s report on the previous SAP. At the CG meeting the Bank representatives ended up as the strongest lobbyists on behalf of the Tanzanian government, trying to persuade the bilateral donors to release their BoP support! The behaviour of the IFIs was in many ways the opposite of what had been the case in the 1980s. This time too the IMF and the World Bank temporarily froze further lending, but
while in the 1980s the IFIs wanted the Nordic countries to reduce their aid, now they wanted them to continue to disburse BoP support. Nonetheless, the God of Tanzania had not managed to soften the heart of all the bilateral donors; however, the question now was how long they could endure suffering disutility.

**How long could the ‘Samaritan’ endure suffering disutility?**

Prior to the informal donor meeting in July 1995, interest was directed to whether suspended BoP support would be released this time around. Tanzania’s Minister of Finance, Kikwete, announced that the government’s efforts since January had improved tax collection. He said that the 1995/96 budget was a ‘crisis budget,’ partly because aid volumes were so much lower than expected. He therefore requested the donors’ cooperation and quick release of BoP support to avoid a deeper macro-economic crisis and the economy getting out of control.

The IMF was at this point in the process of preparing a new ESAF agreement with the GoT, but the immediate outlook for reaching agreement was rather bleak since revenue collection had been quite weak during the first quarter of the fiscal year. Nonetheless, similarly to the World Bank, the IMF encouraged the bilateral donors to release frozen BoP support.

Prior to the meeting the bilateral donors had tried to harmonise their stands. It had been agreed that the Netherlands and Norway would announce that some BoP support would be released. This was, in fact, not the first priority of Norway, which was prepared to withhold frozen funds a bit longer, since a majority of the agreed conditions had not yet been met. All the same it was seen to be of paramount importance to join the other bilateral donors in this case. It was moreover agreed that Sweden should declare that withheld debt relief would be disbursed. Sweden and the European Commission (EC) would advise the meeting that suspended BoP support could be released if Tanzania reached a new ESAF agreement with the IMF scheduled for August. So in reality the bilateral donors had chosen to soften their erstwhile conditions somewhat by not linking disbursement of BoP to the JEM conditions. However, the joint stand collapsed when the EC subsequently announced that no EU country would release BoP support at this point.

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As mentioned above, the Norwegian decision to release some of the BoP support was based on the joint agreement with the Netherlands, Sweden and the EU. Since the EU changed its policy, Norway announced early at the CG meeting that the Norwegian decision to freeze BoP support would be upheld. Norway kept a high profile at the meeting and made a critical statement. Even if Norway agreed with the Tanzanian Minister of Finance and the IFIs that some positive results had been achieved – such as the recovery of illegally exempted taxes – it was believed that the many setbacks overshadowed the positive signs and maintained that in its statement:

We are inclined to say that in a situation when highly placed officials in a host country have been involved in authorising tax exemptions leading to misuse of funds, donor governments would fail in their responsibilities, at any rate towards their taxpayers, if they did not take appropriate action including withholding disbursements, until the situation improves.49

Norway was prepared to suffer disutility a little longer and Kikwete was evidently both surprised and disappointed at the outcome of the meeting.50

This case illustrated that even though Norway was prepared at first to release some of the funds, it assumed a persistent attitude vis-à-vis Tanzania in this case. Norway did not backtrack at the first and best opportunity. How can the Norwegian reaction be explained? I have argued that the Nordic reaction must be understood in the light of a number of factors, but can it also be explained by the fact that corruption had become particularly rampant in the first half of the 1990s in Tanzania? It is difficult to ascertain how pervasive corruption had become in the early 1990s, since there are no historical records for comparison. Corruption was by no mean a new phenomenon in Tanzania.51 However, scholars indicate that corruption was escalating during Mwinyi’s presidency, especially during his second term.52 This was also the general perception among the donors at the time. This general perception and evidence of extensive corruption added to the feeling of general dissatisfaction.

How did the other actors interpret the Norwegian reaction? James Adams believes that the reason for the harsh Nordic attitude in 1994/95 had to do with moral integrity. It had to do with aid not having as much impact as expected.53 Adams chaired the last CG meeting in 1995. He maintains that he tried to calm down the majority, but there was absolutely no

51 See Fjeldstad and Semboja 1999.
52 See e.g. Bigsten and Danielson 2001.
53 Interview with James Adams. Dar es Salaam: 8 September 1999.
dialogue at the meeting. He tried to make a press statement, to convey an impression that at least something positive had come out of the meeting.\(^{54}\) Adams also tried to explain the situation to the Tanzanian delegation in order to pre-empt accusations that the Bank had orchestrated the situation. The Bank as well as the GoT had presumed that the outcome would be more positive.

The strong Nordic reaction was apparently fairly well understood by the Tanzanians. Several Tanzanian informants thought that it reflected a general shift in Nordic aid policy. Mgonja argued that even if from 1986 onwards the Nordic countries supported the policy of the IFIs, ‘the effect of the change in politics was not felt until 1994/95, when these countries said that we are not disbursing anything to Tanzania until you have done 1, 2, 3.’\(^{55}\) When the donors held back funds in 1994 and raised issues such as ‘lack of payments of counterpart funds, tax, corruption, etc., those things were not raised before.’\(^{56}\) Mgonja said:

> […] before 1994 we were not frank […]. We knew that we were not doing things right, some of the money that we were given to implement projects was not used properly. And many of the donors knew that very well.\(^{57}\)

What was achieved and how significant was it that the Nordic countries and perhaps Norway in particular as an all-weather friend with a certain amount of moral credibility\(^{58}\) that took the toughest policy line on this issue? James Adams is adamant in his assessment of the role of the Nordics in this case: ‘The Nordic stick was a very effective one.’\(^{59}\) He thinks that the role of the Nordics in Tanzania has been underestimated. Adams believes that what the Nordic countries achieved in the mid-1990s was more than they had achieved in decades past and that it was very significant that it was precisely the Nordic countries that took such a tough stand:

> These are something of a moral superpower […] The Nordic message in 1994/95 was a very important signal – and a very strong signal. The Nordic countries held a strong moral integrity in Tanzania.\(^{60}\)

Although, he conceded, partly proportional to the amount of aid they had disbursed to Tanzania over the years, the strong moral position enjoyed by the Nordic countries was not compromised thereby. Thus, no other group of countries could have achieved anything

\(^{54}\) Interview with James Adams. Dar es Salaam: 8 September 1999.
\(^{55}\) Interview with Gray S. Mgonja. Dar es Salaam: 9 September 1999.
\(^{56}\) Interview with Gray S. Mgonja. Dar es Salaam: 9 September 1999.
\(^{57}\) Interview with Gray S. Mgonja. Dar es Salaam: 9 September 1999.
\(^{58}\) For further elaboration on the issue, see Selbervik 2003, Chapter 2.
\(^{59}\) Interview with James Adams. Dar es Salaam: 8 September 1999.
\(^{60}\) Interview with James Adams. Dar es Salaam: 8 September 1999.
comparable. The Bank would have been suspected of harbouring ulterior motives, Adams maintained. Tanzania was used to having fights with the IFIs, and could live with that, ‘but the fact that the Nordic countries turned their back on them was something they could not live with. That was a stronger message than anybody else could have sent.’

He believes that this spurred the GoT into getting the economy back on track, and that the GoT seriously started to mend fences with the donors. Sten Rylander believes that the Nordic countries played an important role in 1994/95.

Norwegian informants have been slightly more cautious in their assessments. Eik holds that there was no ‘revolution’ in the aftermath of the ‘freeze decision’, but believes that it could have had a disciplinary effect on the GoT. He thinks that the trusting relationship that existed between the two countries may have contributed to making the Norwegian reaction particularly constructive.

Mgonja admits that what happened in 1994 was an important lesson and contributed to increasing domestic resource mobilisation in Tanzania. The government learned that it was possible to get things going with less aid. Mgonja was of the view that until then there had been ‘too much and too easy money’ particularly from the Nordic countries. He still maintained that the change of attitude did not contribute to ruining the relationship between the GoT and the Nordic countries. Nevertheless, at the time the relationship was strained.

**Mending fences**

All the Nordic countries were keen to patch up their differences with the GoT. From one perspective it may seem peculiar that the donors were so eager to restore good relations with the GoT. One would expect the GoT to be most concerned with mending fences, but the Nordic countries felt a strong responsibility vis-à-vis Tanzania for making things work there. Lots of resources had been disbursed to Tanzania over the years, and the Nordic countries were eager to justify their activities.

So when the relationship between the GoT and the donors deteriorated significantly in the early 1990s several initiatives were taken to restore the relationship. At the initiative of the Danish government the Canadian economist Gerald Helleiner and four other economists were headhunted to undertake a study that could assist in improving relations. The group of economists was to carry out an independent assessment of the development

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61 Interview with James Adams. Dar es Salaam: 8 September 1999.
63 Interview with Arild Eik, 23 April 2002.
co-operation between the GoT and the donors. The report was completed in June 1995 and discussed at the CG meeting in 1995. Even though the group had been asked to make an independent assessment, the report was equally an exercise in high-level diplomacy. The group seems to have struck a delicate balance in its criticisms of the GoT and the donor community.\textsuperscript{65} The Helleiner report certainly played a role in improving the dialogue between the GoT and the donor community. Also the upcoming multiparty elections in 1995 contributed to a more lenient Norwegian attitude.

\textbf{Between carrot and stick and difficult trade-offs}

In the early 1990s the third wave of democratisation was sweeping Africa. Norway similarly to many other bilateral donors started introducing requirements for political reform as a condition for aid. The bilateral donors followed the elections closely and were funding many of them generously. Norway applauded the fact that in October 1995 Tanzania carried out its first multiparty election in 27 years. Would that be sufficient to soften the heart of Norway and lead to the release of frozen funds? A new ESAF agreement with the IMF had not yet been reached, and the GoT had done little to follow up the SPA/JEM recommendations. Nevertheless, Norway and large parts of the donor community put great faith in the newly-elected Tanzanian president Benjamin Mkapa. To what extent should he be held responsible for the sins of his predecessor? Should the new government, of the same party and with many old-breed corrupt politicians still in central positions, be given a fresh start in a newly established and fragile democracy? Facing these questions, Norway was confronting another dilemma: while welcoming Tanzania’s move towards democratisation, it did not want to lose credibility over earlier stipulated conditions. If Norway now released aid it could be interpreted as a sign that those conditions had been relaxed on the economic front.

At the annual consultations with Tanzania in 1996, Norway tried to perform a difficult balancing act. Norway stressed that progress with regard to the implementation of the JEM recommendations would be a key factor in Norway’s consideration of whether to resume BoP support to Tanzania. On the other hand, the Norwegian delegation expressed satisfaction with the economic situation and the fact that Tanzania and the IMF had reached an agreement on a Shadow Programme. He declared that Norway would release

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\textsuperscript{65} Helleiner et al. 1995.
NOK 23.7 million in the second quarter of 1996, as a sign of goodwill towards the new government.\textsuperscript{66} Several other donors followed suit.

How to understand the softer approach taken by the donors? After the reform-oriented Mkapa had been elected president, the attitude of the donors seemed more lenient, even if the GoT hardly had fulfilled the conditions set by the donors.\textsuperscript{67} The donors’ satisfaction was largely related to the results of the Shadow Programme, which was meant to be the point of departure for a new ESAF agreement. This indicates that the SPA/JEM conditions had become secondary. One important factor which had contributed to the change of attitude among bilateral donors was their inclination to give the newly elected government a chance. Therefore, they signalled a more positive attitude than there was substantial basis for. With few exceptions at the CG meeting in 1996 the donors expressed a generally positive stance and a pious hope that things would be different this time. As formulated in a Norwegian report:

\[\text{[…]}\text{ donors are cautiously optimistic, guarding some hope that things will be different this time around and the GoT will continue steadily on the road to reform without the backsliding, which has unfortunately so often characterised its performance in the past.}^{68}\]

In this regard, Norway followed the predominant trend, even though it was one of the few really critical voices at the 1996 CG meeting. Norway argued that despite progress within some areas the shortcomings were many and serious and the Tanzanian government had failed to implement the SPA/JEM recommendations.\textsuperscript{69}

Had the donors achieved what they wanted or had the donors’ more lenient attitude weakened the GoT’s incentives to implement previously agreed conditions?\textsuperscript{70} The IFIs were primarily concerned with macro-economic indicators and put less emphasis on the SPA/JEM conditions, which, in turn, seems to have weakened the GoT’s incentives to meet these requirements. Why were some of the funds released when the agreed conditions remained unfulfilled? According to Asbjørn Mathisen, Norway wanted to be supportive of the historical multiparty election that Norway had been keen to push forward.\textsuperscript{71} It was realised that it may have been a disincentive to the GoT to implement the

\textsuperscript{66} NORAD 1996: 3, \textit{Agreed Minutes}.
\textsuperscript{67} UD. 801.6, CG-Tanzania.
\textsuperscript{68} DAR. 018 – CG, 96/00846-9, ‘Tanzania Consultative Group Meeting, Paris, July 18–19, 1996.’; see also UD. 801.6-Tan-CG, 96/11249.
\textsuperscript{69} UD. 801.6-Tan-CG, 96/11249-12, ‘Norsk innlegg på CG-møte for Tanzania, 18–19 juli 1996.’
\textsuperscript{70} According to a consultancy report, only 10 per cent of the SPA/JEM recommendations had been implemented. It had been agreed earlier that these recommendations were to be fulfilled by 30 April 1996. This deadline had not been met.
\textsuperscript{71} Interview with Asbjørn Mathisen, 17 April 2002.
SPA/JEM recommendations. Still, Norway showed a remarkable perseverance in pursuing these issues, at a time when many donors had started to tone down their criticism. At the annual meeting with Tanzania in 1997 the issue of the SPA/JEM was raised again. The Norwegian delegation informed that the remaining BoP funds would not be released, due to the lack of progress in the implementation of the SPA/JEM recommendations. At the CG meeting in 1997 Norway was the only country to raise the issue. At later meetings although the conditions remained unfulfilled, the issue was not on the agenda. Had Norway and the other donors given up on the SPA/JEM recommendations? One Norwegian informant said that Norway by the end of the 1990s had largely given them up despite the fact that the GoT had made little progress in dealing with them. This case seems to highlight the many dilemmas and trade-offs involved in applying multiple conditionalities and balancing different concerns. Donors were faced with difficult decisions when Tanzania quite successfully started implementing a shadow programme, but failed to implement the SPA/JEM recommendations. The reform programme had not been off track since 1996 and the macro-economic figures were considered satisfactory. Moreover, the bilaterals wanted to give Mkapa a fresh start and trusted that he would take tough action on corruption.

The issue of corruption

The scandals that were being revealed in the mid-1990s were no doubt part of the growing problem of corruption in Tanzania. As mentioned above, in the early 1990s the donors started to raise the issue of corruption more generally, but as we shall see although enthusiastic at first towards the end of the decade the donors’ early enthusiasm had waned. The preoccupation with corruption had subsided on the part of the donors and the government alike. How can that be explained? Prior to the 1995 elections, the donor community signalled clearly that corrupt practices were unacceptable, and declared that continued aid would be dependent on the GoT’s performance in curbing corruption. Mkapa took this cue and ran for the Presidency on an anti-corruption programme. During his election campaign he announced that he would embark on crusade against corruption. Mkapa declared that he would take all the wrongdoers to court, and ‘take tough action against all corrupt elements in the country regardless of their position or standing in society.’

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72 DAR. X-4, 97/00824-17, ‘Giverlandsmøte for Tanzania Dar es Salaam, 10–11. desember 1997.’
73 Quoted in Family Mirror, 23 April 1999.
Soon after Mkapa’s inauguration he appointed a presidential Commission on Corruption, the so-called Warioba Commission, to inquire into the causes, extent, and the best means of controlling corruption. The Commission presented its report in December 1996. It was extensive in scope and unique in its kind, documenting rampant and escalating corruption at all levels of society. As a result, the Minister of Finance, Simon Mbilinyi, resigned in December 1996 and so did the Minister of Housing, Juma Ngasongwa. The Commission, moreover, came up with a number of recommendations on how to tackle the malpractices. Even domestic government critics applauded the brave move, and so did the donor community.

After a few years neither the donors nor the opposition and the media were impressed by Mkapa’s implementation endeavours. Warioba had reportedly remarked several times, ‘I do have a report, but I do not know where to take it.’\textsuperscript{74} The Tanzanian newspaper \textit{The African} summed up Mkapa’s corruption endeavour in the following way: “the crusade launched against the evil by presidential candidate Mkapa has stalled under the President Mkapa”.\textsuperscript{75} Few seemed to believe that Mkapa would at this point take further action.\textsuperscript{76} \textit{The Family Mirror} wrote, ‘Mkapa is not capable of eliminating corruption, for he does not seem to have the will nor the guts to take the bull by the horns!’\textsuperscript{77} To the extent that the government had taken action it had focused on petty corruption, while the political leadership had remained largely untouched. By 1999, Mkapa had lowered his ambitions, and announced that he would not act as a grand inquisitor.\textsuperscript{78}

Why did Mkapa not keep his promises, and why was Norway or some of the other bilateral donors not more ‘pushy’ on corruption?\textsuperscript{79} Had Mkapa’s war on corruption been only lip service to satisfy the donors? Tanzanian governments had developed a reputation of being masters in adapting their policies and rhetoric to donors’ requests to keep up the aid flow.\textsuperscript{80} Whether or not their motivation was to attract foreign aid, successive Tanzanian governments had been good at foreseeing what was in the offing. Whether the

\textsuperscript{74} Interview with several donor representatives. Dar es Salaam: autumn 1999.
\textsuperscript{75} \textit{The African}, 29 September 1998.
\textsuperscript{76} In 1999, Tanzania was ranked as the fifth most corrupt country among the 99 rated, the same rating as in 1996 (International Transparency Index 1999, http://www.transparency.org/cpi/1999/cpi1999.html). Obviously, there are many methodological problems with this index, but the ratings serve as an indication, and reconfirmed that corruption was rampant.
\textsuperscript{77} \textit{Family Mirror}, 23 April 1999.
\textsuperscript{78} Mkapa was quoted from a meeting with donors on corruption 19 April 1999 (DAR. 307, 97/00149. Norwegian Embassy, Dar es Salaam: 27 April 1999).
\textsuperscript{79} Classified memos from this period reveal that it was discussed whether Norway should apply sanctions if the disappointing development in Tanzania continued; still, any drastic reduction in Norwegian aid was unlikely.
proclaimed crusade against corruption was only a tactical move to satisfy the donors or a serious effort to try to combat corruption, the appointment of the Warioba commission initially gave Mkapa considerable sympathy in the donor community.

Especially the bilateral donors were at first eager to see the recommendations of the Warioba report implemented. In particular, Great Britain, Sweden, Denmark and also Norway on some occasions raised the issue of corruption at almost every meeting with Tanzanian bureaucrats and politicians. However, by 1999 the donors’ interest in corruption seems to have waned. Norway was not prepared to apply further sanctions against the GoT, despite the latter’s extremely poor anti-corruption performance. Why did the bilateral donors corruption efforts wane? One donor explained why they eased up on pushing corruption as part of the policy dialogue:

[…] it was simply bad diplomacy, the strategy led nowhere and the Tanzanian government felt humiliated. The way the donors handled the issue was counterproductive. Criticising the government openly would not at all work. An IFI representative was also critical of the way in which some bilateral donors had handled corruption:

We also tell the government a lot of things, but we do it behind closed doors. We do not scream it in the papers, but I think that – the bilateral donors would like to see some big fishes caught, but I do not think that you will find a big enough frying pan.

Several informants claimed that when Mkapa appointed the Warioba commission he had no idea that the problem was as extensive as was later documented. Putting a substantial part of his Cabinet as well as the top leadership of the CCM in jail would certainly not have been a strategy for political survival. Moreover, the courts would have been overburdened if people involved in petty corruption had also been charged.

Nevertheless, if it were true that corruption had in fact increased one would have expected some action to be taken. Since Norway, as well as several other donors, had announced that aid would be linked to performance on corruption, how could Norway maintain credibility as long as the GoT’s inaction in the area had few, if any, consequences? At the same time Norway wondered whether Mkapa had gone as far as he could on the issue of corruption.

81 Interviews with a number of bilateral donors, representatives from the IMF, the World Bank, the UNDP, as well as Tanzanian bureaucrats.
82 Cf. a number of restricted Norwegian memos produced in this period.
83 Interview with Isolde Moylan. Dar es Salaam: 14 October 1999
These were the difficult questions that Norway as a bilateral donor was grappling with. It was a fine balancing act between for example assisting agents of restraint and pursuing more confrontational strategies and conditionality. Norway and other donors had low credibility on the issue since inaction on the part of the Tanzanian government was of no consequence. That would probably in itself have weakened the GoT’s anti-corruption work. Norway, like many other donors, may at first have been too optimistic on what could possibly be achieved, at least in the short run. Hence, the expectations had to be lowered. But how long could Norway wait until a more confrontational position was taken in response to inaction by the GoT?

Brigish doubted that Norway or any of the Nordic countries would be prepared to take further action on corruption:

Because Tanzania is so important to the Nordics for many reasons – as their biggest recipient of aid. For them it would be heart-breaking and nearly impossible to impose sanctions on Tanzania. There are too many vested interests involved in their relationship with Tanzania.\(^\text{86}\) Does this tell the whole story? Norway did apply sanctions in 1994, so why would it be unwilling to do so again? The 1994 incident showed that Norway in certain circumstances could be willing to freeze aid to Tanzania for some time, albeit only temporarily. In the course of the 1990s the level of corruption did not seem to diminish, but the context was different. Despite an underlying mistrust, Norway’s relationship with the GoT had improved dramatically, and so had the GoT’s relationship with the other donors. Few donors, if any, were ready to apply sanctions against Tanzania. It was unlikely that Norway would act single-handedly. Moreover, the macro-economic benchmark was satisfactory and the economic reform programme had not been off track since 1996.\(^\text{87}\) These were important factors explaining Norway’s behaviour.

Norway was not convinced that Mkapa had done as much as he could. The sources suggest that it was believed that when Mkapa was elected president he had a historic opportunity to do something fundamental about corruption. It seems as if Norway’s continuous line was based on the good relationship with the new president and the GoT’s achievement of macro-economic benchmarks. Another consideration had also to been taken into account towards the end of the decade: the second upcoming multiparty elections in 2000. One informant summed up the new dilemma in the following way: “I do

\(^{85}\) Cf. The United Republic of Tanzania: 1999a and 1999b.
not know how he [Mkapa] can make drastic changes without destroying his own chances of being renominated as president. […] Half the Cabinet is corrupt […]”. 88 It was believed that Mkapa’s reshuffling of his Cabinet, bringing in several Ministers with a somewhat dubious reputation, was a purely strategic move to secure his position before the 2000 election. This move was a great disappointment to Norway as well as the other donors. Still, they chose to support Mkapa. Mkapa was the presidential candidate that Norway and the other donors wanted. Mkapa was perceived as “clean”, but rather isolated in government. The bilateral donors in particular perceived themselves as one of Mkapa’s most important supporters. 89 This partly explains why the donors were unwilling to exert stronger pressure.

**Discussion**

Norway strongly wished that things should work out well for Tanzania, and felt a deep responsibility for the country’s development. In addition, Tanzania was still one of the poorest countries in the world. Norway has, therefore, been rather reluctant to punish Tanzania for not complying with the agreed conditions. When in the mid-1990s Norway chose, all the same, to withhold aid to Tanzania it must be understood in the light of a number of factors that have been explored in this paper. What triggered the Norwegian reaction in 1994 was the exposure of massive tax and duty exemptions. The Norwegian freeze reflected a feeling that enough was enough. I posed the question whether it was significant that Norway as a friendly country with a certain amount of moral credibility was the first donor to suspend aid. This question was answered in the affirmative.

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87 Bigsten et al. 2001.
89 Selbervik 2003a.
As demonstrated above, in 1994 Norway decided to apply sanctions by withholding BoP support. The decision was met with great surprise by Tanzania because disbursement had been Norway’s dominant strategy previously. A new situation had arisen, which may be depicted as the game shown in Figure 1.

If the actors move simultaneously, there are two equilibria, making it impossible to predict the behaviour of the donor and the recipient. If the donor chooses to withhold its funds, the recipient does better by reforming its policies than by standing firm: as can be seen, the pay-offs are 2 and 1, respectively. Should the donor disburse aid, however, the recipient prefers no reform to reform. Looking at the situation from the side of the donor, we see that if the recipient reforms its economic policies the donor receives the highest pay-off from not opening its purse. Handing over resources is the best option if the recipient sticks with the status quo policies, though. Then the donor gets a pay-off of 3, compared to only 1 if it holds back its support. Hence, two possible combinations of actions are such that given the choice of the other actor an actor does not benefit from switching strategy. If the donor withholds aid, the recipient opts for reform, and vice versa. If the recipient chooses the status quo option, the donor prefers to disburse funds; and if it does so, the recipient finds that it is better off by not reforming economic policies.

However, in a sequential game of the type illustrated in the figure, only one of the strategy combinations just outlined is an equilibrium. Which one depends on who acts first. If the donor decides to impose sanctions before the recipient has made up its mind, the latter will implement reforms. If the recipient is committed to no reform, on the other hand, the donor will disburse aid all the same. Thus, the donor is better off if it is somehow able to tie itself to keeping the purse firmly locked.

It should be kept in mind, of course, that such models are only stylised illustrations of dominant patterns of behaviour. Even so, the above model aptly describes the relationship between Tanzania and Norway in 1994. When some donors applied sanctions and the structural adjustment programmes went off track, the Tanzanian government implemented a shadow programme very successfully. The paradox of this situation was that the World Bank ended up as the strongest lobbyist on behalf of the Tanzanian government, despite the latter’s failure to meet the conditions. Some economists have suggested that one way
of solving the dilemma of the Samaritan would be to delegate power to an agent which is less altruistically disposed.\textsuperscript{91} The IFI may serve as such agent. From 1986 to 1992/93 Norway had partly solved its dilemma by free-riding on the IFIs on the issue of economic reforms and conditionality.\textsuperscript{92} Nonetheless, I have demonstrated that when Norway eventually withheld a substantial part of its aid as a response to corruption and economic mismanagement the World Bank and the IMF put pressure on Norway to release the funds all the same, and hence did not function as an effective agent for the Samaritan, Norway. How can this be explained? If the bilateral donors cut back on their BoP support, the IFIs feared that it would be even harder to get the structural adjustment and stabilisation programmes back on track. The IFIs had considerable prestige attached to the reforms and wanted them resumed. The consequence was that the IFIs were, in effect, undermining the bilateral donors’ credibility on the conditionality issue.

In contrast to the situation a decade earlier, in the mid-1990s Norway did in fact freeze the level of aid. While Norway had only threatened to do so in the mid-1980s, a decade later it was relatively unflinching in its position, despite pressure from both the IFIs and the GoT. The fact that Norway chose to apply sanctions in 1994/95 also marked a somewhat more independent stance vis-à-vis the IFIs than what had been the predominant course of action since 1986.

It was not only moral credibility and deviation from expected behaviour that mattered. Of equal importance was the fact that there was a massive reduction of aid in this period. By such a statement the answer to the next question has been anticipated: to what extent did conditionality work? It did work, even if it worked only temporarily and only partially. As has been mentioned earlier, most of the literature holds that conditionality has failed as a tool with which to buy economic reform through aid.\textsuperscript{93} This may hold as a general observation, but tells only parts of the story. Whether conditionality works or not is also a matter of degree and depends on the conditions under which it is applied. This qualification was to some extent taken into account in the World Bank report \textit{Aid and Reform}, in which Tanzania served as one case study.\textsuperscript{94} In Tanzania conditionality had a strong impact on the reform process but only under special circumstances, largely because

\textsuperscript{91} See Hagen and Svendson.
\textsuperscript{92} This was so even though the IFIs did not function as effective agents, since disbursement was often their preferred strategy as well due to various organisational and political factors (Killick 1998).
\textsuperscript{93} See e.g. Killick 1998; Collier 1997.
\textsuperscript{94} Bigsten et al. 2001.
aid contributed so much to the economy. In periods when the donors’ conditionalities were only empty threats, they had, unsurprisingly, little effect. However, in contrast to what was argued generally by Shantayanan Devarajan et al, in Tanzania conditionality has been effective and played a role beyond the first rapid phase of reform.

Conditionality did work in Tanzania in the mid-1980s and the mid-1990s. In both cases the Tanzanian economy was in a state of crisis, and the reduction of aid was substantial. As I have argued elsewhere, in the early 1980s the Nordic countries contributed to delaying reforms by sustaining their aid levels. In the mid-1990s the role of Norway was different. This time Norway was at the forefront in putting pressure on the GoT by withholding aid. This posture, together with the other factors outlined above, seems to have been of great importance in getting the economic reforms back on track, at least in achieving macro-economic stability in the second half of the 1990s.

The answer to whether conditionality worked or not in Tanzania in the 1990s seems dependent on the magnitude of the aid reduction, the depth of the economic crisis and the credibility of the actors. Substantial aid cuts in a situation of crisis made it more likely that the GoT would give in to external pressure, at least enough to keep the money flowing. However, the ‘ownership’ of the reforms on the Tanzanian side has often been weak and may explain why results often have been poor. It would seem that the effect of the reforms would have been better if the donors had been more resolute before re-entering the scene. As soon as some marginal improvements had been achieved the donors came running back with their cheques.

As demonstrated in this paper the situation in the figure above did not last very long, even though the GoT had not met the conditions that triggered the Norwegian reaction. Norway and several other bilateral donors then decided to disburse some BoP support, as a sign of goodwill towards the new government. This may partly be explained by ‘the honeymoon thesis’, which holds that economic reformers are likely to enjoy greater freedom of political manoeuvre immediately after they have taken office, when problems and mistakes can be blamed on the previous government. This thesis is most commonly used to explain a government’s relationship with the legislature, but it may also be relevant to explaining the government’s room for political manoeuvre vis-à-vis the donor

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96 Devarajan et al. 2001a.
97 See Selbervik 2003
98 This is similar to Killick’s argument (see Killick 1998).
community – the recipient government’s international constituency. In Tanzania the donors were among the most important constituencies. The argument also seemed valid during the ‘wedding preparations’. In late 1999, the GoT had already started giving some attention to the 2000 general elections. Would the Tanzania government also this time be blessed both during the wedding preparations and while on honeymoon? Was it likely that the elections would have an impact on the pace of the economic reform process as well as on the government’s anti-corruption work? The answer from one of my informants was rather blunt: “I have no doubt, there is going to be a long slowdown” and the donors have adjusted their aid strategies accordingly.

By the end of the 1990s the relative share of Norwegian total aid to Tanzania had been reduced and Tanzania was no longer a sacrosanct recipient of Norwegian aid. Norway still felt a strong moral responsibility for Tanzania. The messages given by Norwegian informants are interesting and point up the dilemma. Nils Johan Jørgensen holds that in the course of the 1990s NORAD and the NMFA had become very critical towards Tanzania. Even if it was felt that a new scandal in Tanzania would be unbearable, he said that Tanzania would probably be the last country Norway would give up as an aid recipient. The GoT knew that. That was Norway’s dilemma.

In the late 1990s Norwegian aid run into an additional problem, this contributed to increase Norway’s dilemma. The main message from the World Bank report Assessing Aid from 1999 was the launching of the principles of selectivity and good governance. This overall policy and view was strongly supported by Norway. Aid would have a significant impact on a country’s growth performance, but only where a good policy environment was in place. In poor policy environments aid would instead have a negative effect. One therefore had to practise greater selectivity. In an assignment for the NMFA, two World Bank researchers wrote in 2001: ‘Also, Norway tends to ‘over-

102 Less altruistic motives pointed in the same direction, i.e., the fact that Norway had built up a considerable expertise on Tanzania over the years. This constituted in itself an incentive for continuing an extensive aid relationship with Tanzania. Norwegian aid flows had been remarkably stable over the years, which attest to the inertia militating against changing from one main partner country to another. For a thorough study of all the various interests linked to aid flows, see Raffer and Singer 1996.
104 The findings presented in the World Bank report have been by disputed by scholars, who have criticised the robustness of the findings and hold that it is possible to see an unconditional positive effect of aid on growth (see Hansen and Tarp 2000).
finance’ some moderate policy countries such as Tanzania and Zambia. After the reduction of aid to sub-Saharan Africa in the early 1990s in the late 1990s Norway, similarly to many other donors and even to the World Bank, decided to increase and earmark a larger share of its aid budget to countries in sub-Saharan Africa, but based on the principles of selectivity and good governance. On many economic indicators Tanzania did in fact quite well in the late 1990s. After the economic reform programme was resumed in 1996 it remained on track. As Ron Brigish maintained: “When it comes to performance comparatively speaking, Tanzania is doing very well. And the GoT knows that”. Again I referred to Brigish: “In Africa there are few good performers. We are all caught in the same trap, due to the politics of aid.” And as another informant concluded: “Tanzania ‘might be as good as it gets.’ Hence, Tanzania benefited from a substantial increase of aid in this period and the donors’ engagement on the issue of corruption waned.

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