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### “The Cost of Poverty”: Transaction Costs and the Struggle to Make Aid Work in the Education Sector in Tanzania

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**‘The Cost of Poverty’:  
Transaction Costs and the  
Struggle to Make Aid Work in the  
Education Sector in Tanzania**

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## Executive Summary

This paper was written at the end of 2004 at a critical time in the development of the education sector in Tanzania and of rapid changes in the wider picture of government / development partner relations - characterised by rapid moves towards harmonisation, the development of a Joint Assistance Strategy for Tanzania, and 'Mkukuta' the first of the 'second generation' Poverty Reduction Strategies.

One of the most frequently quoted expectations of donor harmonisation is reduced transaction costs (TCs), as an early step towards increased aid effectiveness. This paper attempts to look at the different kinds of TC – administrative, tying and fiscal, to see how they play out through different funding instruments: projects, pooled fund support to the education sector, sector support, and what are their likely implications in the context of moves towards increased budget support.

It is argued that TCs do exist only as discreet units (missions, reports, audits etc) which can be cut down upon with consequent increases in efficiency. Rather they form the most visible part of a spectrum that should blend into sustainable partnership and commitment to doing what is necessary to eradicate poverty. In practice this is not the case. Despite dramatic improvements in the primary education sub-sector through the Primary Education Development Programme (PEDP), and very significant increases in donor funding, relationships between government and DPs have over the past few months been very poor. Acrimony, particularly over the release of funding by the pooled fund partners and reporting of it, have led to very unpredictable financial flows to district and school level, with damaging effects on the quality of education.

It is necessary to step back and look at the bigger picture of what is going on, including from a historical perspective. Reform of the education sector is only one of a whole range of reforms, covering public service, financial management, local government, civil service, legal sector and others. They are driven by an analysis that in themselves projects and sector level reforms in the past have not generated the changes that would eradicate poverty and are not likely to do so in the future. More fundamental structural change is required, as an end itself and to mitigate some of the risk of putting more money into Budget Support. All of this is to be supported by on-going high level dialogue to ensure that key decision makers are actively engaged. This, it is argued, may be expensive in the short term TCs, but the potential long term gains justify the cost.

To ensure that these gains in terms of aid effectiveness, government effectiveness and ultimately poverty eradication, this paper has highlighted a number of recommendations. It is central to appreciate that they have to be mutually supportive and proceed together. If DPs 'harmonise' without effective communication with government, for example, it can be constructed as donors 'ganging up'. OECD DAC gives good advice about working in sector wide and more harmonised approaches. These are taken as given, and the following are additional points arising from observation of the education sector in Tanzania.

## Summary of Key Recommendations

### 1. For Government of Tanzania

- Greater realism and assertiveness about needs and priorities. For education this needs to be based on a national debate about the role of education in national development, and what ordinary and poor people say about what they need from the schooling system to help them eradicate poverty
- Focus on capacity building, articulated through a clear long term strategy, and building out from the existing knowledge and understanding within MOEC and PO-RALG about how to run the sector
- Finalise, including through legislation, an effective division of labour and of financial procedures between MOEC and PO-RALG
- Despite the emphasis on reform programmes and processes which take up time of many senior level officials, it is necessary that the core business of government goes on as efficiently as possible: existing management practices adhered to, audit queries responded to promptly and so on.
- Greater risk taking to take advantage of the opportunities currently offered by DP enthusiasm for the reforms of the Mkapa leadership, at the same time as confidence in rejecting aid and / or new reforms when the costs seem likely to outweigh the benefits.

### 2. Good Practice Between Government and DPs.

- Invest the time to come to a genuine understanding; this is a serious challenge against the current imbalance of power in donor / recipient relationships and the Tanzanian historical familiarity with 'being told what to do', either during colonialism or by a top-down planning tradition. High-level dialogue in the education sector, which the donors demand, is particularly difficult to sustain in the absence of a clear philosophy, such as formerly existed with the Education for Self Reliance policy. There needs to be a clear and common understanding of the terms 'leadership', 'ownership', 'partnership', 'accountability', and their practical implications.
- Prioritise a few strategic interventions, communicate them clearly to all stakeholders at all levels of society; move forward effectively on a few things rather than ineffectively on many. Acknowledge the long time frame that is going to be necessary for strategic reforms. 'Failing to plan is planning to fail'.
- Acknowledge and work to address the capacity gaps which exist on both sides. The literature is stronger on the aid recipient side than on the donor side; shifts away from 'blue print approaches' to development problems are certainly in the right direction, but much more can be done by insisting that DPs do more to understand country specific issues and challenges.
- Money is not the only solution to development problems; there needs to be clear thinking about the kinds of issues which can often be addressed by an injection of cash (such as classroom shortages) and those that require at least as much thinking and learning as spending (such as building local accountability)

- Ensure that new equally damaging mind-sets are not being created, like donor dependency, or individual enthusiasm for reform based on workshop allowances which supplement a meagre salary, as opposed to embedding training around strategic reforms to improve government services into an individual's core job.

## 2. Good Practices in Relationships Between DPs

- Take responsibility for building common ground with bi-lateral and UN agencies that currently have different approaches, whether 'like minded' and predisposed towards harmonisation, or not. Regularly reassess what is being achieved in terms of long term sustainable progress, and what is not, through current approaches, whether these are projects and conventional use of technical assistance or increasing budget support. A position of 'pushing the debate forward' amongst DPs has risks of (i) fragmenting the DP group (ii) undermining the coordination role of UN agencies (iii) pushing faster than GoT can move; the short comings of project approaches are better known but there are circumstances where they could be the most effective means of support.
- Pooling of funding can help reduce the burden on government so long as the pooling arrangements does not create additional unworkable demands.
- Silent partnerships and exiting from sectors can be helpful not only for government but also for overall DP effectiveness and coherence. Education DPs in Tanzania cannot all come together for a meeting with less than about 3 months notice as there are so many institutions and individuals involved.
- Building institutional memory among DPs so that new expatriate staff arriving in country get a collective DP picture, rather than from a single agency.
- Working strategically in collaboration. A day or so set aside for 'retreat meetings' can be more effective than 2-4 meetings a month for an hour or so at a time, where bigger picture issues cannot be resolved. Education DPs in Tanzania have currently identified 16 distinct issues that they need to be working on<sup>1</sup>, with limited sector specialists, no one agency can take responsibility for all of these effectively, so clear roles and responsibilities amongst DPs are critical. Education specialists need to collaborate on developing inputs to other reform processes, rather than just doing this work within single agencies.
- Doing the work of collaboration within the collaborating agencies, rather than relying on consultants. If a consultant is used, then that person often finishes up with a better understanding than the body that commissioned the work, since all they get is the product. Buying in the work is sometimes a symptom of collaboration being an add-on rather than being seen by the agency as central to harmonisation<sup>2</sup>.

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<sup>1</sup> Education and core reform processes, education and local government reform, education and budgetary / resource planning processes, HIV/AIDS, equity, environment, gender, MDGs and EFA, Mkukuta, Poverty Reduction Budgetary Support, PETS, sector review processes, audit issues, future funding options, reporting and monitoring, high level dialogue.

<sup>2</sup> In addition, if the work is done unsatisfactorily by a consultant, DPs can collaborate in blaming the consultant and not use them again. If the work is done less than satisfactorily by one of their own number,

### 3. Good Practices in Individual Agencies

#### 3.1 Human Resources

- Taking a long-term perspective on poverty and reform; staff induction to focus on historical perspectives as well as the immediate situation in a sector.
- Consider longer tours of duty for expatriate staff
- Draw effectively on the expertise of their own local staff
- Professional appraisal of individual expatriate staff could give credit for depth of understanding of country specific issues as much as for keeping up to date with international debates, and for credibility with GoT partners as well as in the DP group. Team players are more useful than officers keen to make an individual mark over a single tour of duty;

#### 3.2 Internal Consistency around Harmonisation

- There is no point in an individual agency being ‘at the cutting edge’ of harmonisation work, if more work is not put into ensuring that others are travelling on the same path.
- Legal and audit departments need to be as responsive to harmonisation trends as programme departments
- There is a need to identify and eliminate the confusing signals that are given out by shifting to sector or budget support and developing new projects at the same time. A better way is to be clearer about the comparative advantage of different funding instruments (project, sector support etc) in different circumstances, and use them accordingly.
- Sector specialists and Heads of Aid are not always consistent about harmonised approaches. Some agencies have sufficient latitude in their policy documents to cover quite widely differing approaches, which generates difficulties with personnel changes or when, for example, education specialists interact with governance specialists. Strengthened internal communication and dialogue would help eliminate some of this.

#### **Background Note:**

This paper was written to serve two purposes: one to contribute a background paper on the education sector to the work of the Independent Monitoring Group in Tanzania, and the other a background paper to the UNHDR 2005, which is looking at aid effectiveness. This has necessitated more background information than many readers already familiar with the education sector in Tanzania might require, and a deviation from the formal style of previous IMG reports.

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it exposes capacity gaps and the challenge then of solving them, but this can be the means of reaching new levels of understanding and collaboration.

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## Abbreviations

BEDC	Basic Education Development Committee
DfID	Department for International Development
DP	Development Partner
ETP	Education and Training Policy
GoT	Government of Tanzania
ICT	Information and Communication Technology
LMG	Like Minded Group
MDGs	Millenium Development Goals
MOEC	Ministry of Education and Culture
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
Mukukuta	Tanzania's Second Poverty Reduction Strategy – The National Strategy for Growth and Poverty Reduction
OECD DAC	Organisation for Economic Cooperation and Development – Development Assistance Committee
PEDP	Primary Education Development Programme
PER	Public Expenditure Review
PETS	Public Expenditure Tracking Study
PF	Pooled Fund
PO RALG	President's Officer – Regional Administration and Local Government
PFP	Pooled Fund Partner
PRS	Tanzania's first Poverty Reduction Strategy
SEDP	Secondary Education Development Programme
TASAF	Tanzania Social Action Fund
TWG	Technical Working Group

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## 1. Introduction

‘The overall story of PEDP is a positive one. Changes are occurring within the Primary Education sector across Tanzania. Considerably more children are in school than ever before, far more resources are being put into the sector as part of the GoT’s Poverty Reduction Strategy (PRS), the end users of the system, pupils, teachers and parents, are pleased that new and improved facilities are arising before their eyes, and especially so that their children are beginning to have books, more motivated teachers and improved teaching and learning environments. The recorded increase of 43% in enrolment in Standard One in 2002 is an extraordinary achievement, perhaps unique in the world. Currently total enrolments in primary schools are more than 300,000 in excess of the stated PEDP Target for 2003.’ [MOEC (2003) Annual PEDP Review]

Despite these significant achievements and fine words in 2003, the European Commission report on the sector about a year later notes, ‘there is a growing perception especially in the Ministry of Education and Culture that donors and government are becoming two separate and possibly opposing camps’<sup>3</sup>. Mostly these derive from misunderstandings on both sides about needs and intentions, the nature of leadership, ownership, partnership and transparency.

Whilst there is increasing academic and development professional interest in transaction costs (TCs), and their role in increasing aid effectiveness, there is a risk that it is a case of ‘not seeing the wood for the trees’. There is a great deal of rhetoric about how TCs can be reduced through more harmonised approaches and moves to budget support, not least through attention given to breaking them down into more manageable components – administrative costs, tying costs, fiscal costs. This paper contends, however that:

- TCs do not exist only as discreet units (missions, reports, audits, meetings etc) which can be cut down upon, with consequent increase in efficiency. Rather they are part of a spectrum, the most visible part of which may be the missions, reports etc, but they should blend into sustainable dialogue, partnership and in the ideal case, a genuinely owned and shared commitment to doing what is necessary in terms of aid (as well as trade, and related issues) to eradicate poverty.
- Without attention to some of the real underlying problems between government and donors in a particular sector, TCs (in the form of meetings, reports etc) will be shifted from one part of an agency to another, and from one part of government to another – which may relieve the current burden of frustration with them from some shoulders - but it will not ultimately contribute to greater aid effectiveness.
- Part of the problem is lack of clarity on the part of the donors (collectively and individually) about what is the overall objective of their TC inducing activities: is it accounting for money (‘accountability to donors’)? ensuring technical advice is followed (‘donors as lobbyists’ / ‘technical advice as conditionality’)? or

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<sup>3</sup> European Delegation (2004) Evaluation of EU Support to Primary Education Development Plan (PEDP)

- promoting sustainable reforms and development, ultimately through accountability to Tanzanians? These objectives can be mutually exclusive, particularly in a situation when donor government relations are poor.
- The need of government officers to devote energies to working with and keeping up with the changing modalities and differing priorities of development partners, and the different kinds of costs involved, is what is referred to in the title as ‘the cost of poverty’, a phrase used by one of the interviewees in this research

## 2. An Historical Perspective

It is vitally necessary to take a long perspective on recent developments in the education sector, because they have bear on the capacity gaps and ‘need to change mind-set’ that is the common currency of much donor comment on short-comings in the management of the sector.

### 2.1 On Education

In the early years of independence, Tanzania developed an education policy tailored closely to the needs of a newly independent nation, with big skills shortages at the upper end of the educational spectrum, and very high levels of illiteracy at the other. The 1967 policy of ‘Education for Self Reliance’ set out directly and explicitly to redress historic imbalances in access to education, address manpower shortages, and to promote values of self reliance, self respect and African socialism. Julius Nyerere, the first President of Tanzania, said the need was that, ‘our primary and secondary schools must prepare young people for the realities and needs of Tanzania’. This policy was made concrete in the Musoma Declaration 1977 which provided for universal free primary education. The expansion of enrolment to almost 100% followed by a fairly rapid decline in quality of education, and subsequently then of enrolment, is a well-known story. By the early 1990s, parents were being asked to pay a Universal Primary Education fee, of approximately \$2 a year, to try to maintain a basic minimum quality of education. The early 1990s were also a period of heavy donor disenchantment with Tanzania, Tanzanian failure to meet the demands of economic structural adjustment, and a feeling that things had to change.

What changed in the education sector was the development of a new Education and Training Policy (ETP) in 1995, spurred not least by donor indications that they would not be happy to work in the sector without a clear and acceptable policy framework. The difference between ETP and Education for Self Reliance is very significant. Gone are all the references to the needs of Tanzania as an emerging nation and the knowledge, skills and values necessary for her people, and education as a tool for liberation. ETP is a generic document, embracing a more liberal idea of education being to enable individuals to fulfil their potential. With the possible exception of small references to pastoralist and fishing communities, it would be appropriate to many nations around the world. Shortly after ETP, came the Basic Education Master Plan (1997), followed by the idea that support to basic education should fit within the context of a wider sector development, and hence the Education Sector Development Programme (1998). Discussions about education reform continued through a Sector pre-Appraisal in 1998, and full Sector Appraisal in 1999 (involving 40 consultants working simultaneously for a week in Dar es

Salaam's most prestigious hotel). Much was the frustration in the late 1990s that children that had entered their primary education when ETP was approved in 1995 were at the point of completing it without seeing any of the fruits of government / donor discussions on the way forward in the education sector<sup>4</sup>.

Discussions of the later 1990s, finally emerged into the Primary Education Development Programme (PEDP), stimulated not least by Tanzania reaching HIPC completion point, and education being identified as one of the priority sectors to benefit from debt relief, as well as a new World Bank loan. In the first half of 2001 there was a flurry of planning activity between all stakeholders in education at the national level. Activity involved a sector study carried out under close guidance of the World Bank, several large-scale national workshops, a number of international consultancies and a lot of follow-up hurriedly convened meetings. In a matter of months the Primary Education Development Programme (2002 – 6) was put together. It was unveiled in July 2001, but really took off in January 2002 with the new school year, and a 1.6 m surge in enrolment in primary school pupils. It was greeted with much enthusiasm. Detractors who raised early questions about the quality of education were silenced by Presidential logic:

‘We can continue to debate the quality of education. Even in rich countries they still do. But not before the kids are in school!! If you do not agree, tell us, whose children would you want to keep out until the quality of education has improved? Yours?’<sup>5</sup>

Detractors still raising questions about the on-going level of debt payments, the lack of public discussion about the new World Bank loan which partially supports it, and the link between expanding numbers and real poverty eradication have not gone away. Below the surface in many discussions with government officers, particularly at a more local level, is a sense that there is still a great deal of value and relevance in the Education for Self-Reliance policy, that dependence on donor support may not be sustainable in the long term, and could be a double edged sword.

## 2.2 On Other Reforms

Alongside reform in the education sector, are a raft of other reforms, aiming to move away from what are seen to obstacles to development and poverty reduction. These include Civil Service Reform, the thrust of which is to slim down the size of the civil service, and to enable salaries to be paid which are more in line with what people with comparable skills could expect to be paid in the non-state sector. It is combined with approaches to work falling under the umbrella of ‘changing mind-set’. This means a shift

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<sup>4</sup> See for example, Malcolm Mercer, Kathleen White and Naomi Katunzi (2000) Joint Mid- Term Evaluation of EC, DfID and IA Support to the Education Sector Development Programme Design, Preparation and Management Process. This argued that huge amounts of time, and hundreds of thousands of dollars had been spent on promoting sector reform with very little in the way of tangible benefit. Interestingly, most donor staff currently in post were not in Tanzania at the time that this report was written, and few are even aware of it.

<sup>5</sup> Opening Address By The President Of The United Republic Of Tanzania, His Excellency Benjamin William Mkapa, At The Inaugural Tanzania Development Forum, Golden Tulip Hotel, Dar Es Salaam, 24 April 2003

away from a 'directive culture', which developed in government service from the 1960s, alongside an approach of 'accounting for inputs' and demonstrating that procedures had been correctly followed, as opposed to newer workplace cultures of results based management and taking a proactive approach to planning and implementation. Local Government Reform is aiming to decentralise decision making, to enable decisions to be taken closer to, and reflect more strongly the needs of, the end users of a government service. There are also a whole raft of financial and budget reform measures, such as the introduction of MTEF, Public Expenditure Reviews and Public Expenditure Tracking Studies and so on which are meant to help ensure budgetary allocations are made in line with stated policy priorities, that the spending is made in line with allocations, and that the money does actually reach the service delivery unit. Numerous sector reforms are combined with a consistent demand for 'high level dialogue' with the ministries concerned

### 2..3 Conclusion

The point of this diversion into recent history, is that the substantial problems which delayed education reform in the 1990s, were not actually solved by the flurry of activity prior to the unveiling of PEDP, they were merely shelved. Key problems remain, not least of which is a history and mindset for many Tanzanians of being told what to do by outsiders or those more powerful. Education for Self Reliance was an attempt to break with this; it is by no means clear that all these supposedly 'nationally owned' reforms are. Again, it is hard to sustain a high level dialogue without an underpinning philosophy to bring to the discussion; what remains is a process of second guessing what the other participants in the dialogue want you to say<sup>6</sup>.

Again, as the education sector is gradually drawn into the other reform processes, gaps in understanding about needs and priorities for the sector become apparent, so do tensions around linkages with the other reform processes. Different people stand to be winners and losers in this process, helping to ensure that whilst dialogue with potential winners may be relatively smooth, progress in implementation is less likely to be so.

### 3. Current state of primary education sub-sector

The focus of this paper is on the primary education sub-sector, since that has been the priority issue under the PRS, and is the primary locus of changing dynamics about aid modalities and aid effectiveness. A Secondary Education Development Programme (SEDP) will shortly come on stream, but is still at the final planning stage. Changes are taking place very fast at the present time, with the EU having made a decision within the past few weeks to shift from a pooled fund to sector budget support, and changes to the Memorandum of Understanding between government and donors to the pooled fund are being discussed at the time of writing. Heads of the various development partner agencies have already met once with the Minister of Education and Culture to express

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<sup>6</sup> cf : the attitude of 'Tell us what you want and we will do it to get the money' – a symptom of the problem caused by micro-management in the sector, according to Donald Hamilton, World Bank Education Adviser, Tanzania.

frustrations and more meetings are planned over coming weeks; it remains to be seen whether this level of dialogue makes substantial changes in sector development. Despite these shifting grounds, PEDP provides key examples of what is happening over the medium term in the education sector and provides good ground for understanding TCs.

The plans for PEDP were ambitious, and its early successes were cited at the beginning of this paper. A sector briefing out deriving from Tanzania's Participatory Poverty Assessment, showed clearly that much of what government was doing was seen as positive and constructive by research participants, but they also noted a desperate need for the following<sup>7</sup>:

- Better skills teaching: of literacy and numeracy, but also the need to acquire skills like critical and analytical thinking, rather than the absorption of information
- Knowledge and Information related to daily life: More than 80% of those completing primary school do not proceed, and these should have a syllabus that is appropriate to them, to enable them to reduce poverty.
- Values which would assist with daily life: hope and optimism, as opposed to the sense of hopelessness which afflicts the most vulnerable; closing the cultural gap between home and school; cooperation; participation, equal opportunities and rights for groups such as children with disabilities

One of the recommendations of the report was to promote a broad national debate about the role of education in poverty reduction and national development – something which had been squeezed out of donor government 'dialogue' of the previous decade, with its increasing focus on the narrow and technical, and the speed of the planning, out of which PEDP finally emerged.

This year's annual review<sup>8</sup> tries to remain enthusiastic about achievements at school and community level, but notes that increases in enrolments have not kept to targets. Repetition rates are high – up to 10% in some classes. Classroom construction while dramatic, reached only 72.7% of the target, with a more than 19,500 classrooms awaiting completion. Teachers' housing is a particular problem, as is shortage of desks and pit-latrines. Teacher recruitment is below target. The focus of this year's report is on quality of education, and much is written about capacity building, teacher training, developing a reading culture in schools, how to address cross cutting issues and concerns such as special needs education<sup>9</sup>. Despite the intended focus on quality, the overwhelming attention of the report is to institutional arrangements between ministries and financial arrangements – issues which continue to stand in the way of educational quality, PEDP really achieving its vision, and the needs of some of poorest Tanzanians being met.

In the words of the 2004 review:

'There is a contrast between positive developments at school and community level and perceived levels of dysfunction at the centre. Senior officials and directors

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<sup>7</sup> TzPPA (2002/3) 'Education and Vulnerability to Poverty in Tanzania' Policy Briefing Paper, Working Draft, October 2003.

<sup>8</sup> URT, Ministry of Education and Culture (2004) 'Joint Review of the Primary Education Development Programme (PEDP)'.

expressed disquiet over the lack of coherence in strategic planning, management and accountability, especially within MOEC. Criticism by ministries of other ministries involved in PEDP, and critical concerns expressed by funding partners of GoT's performance, and vice versa, left the Review Team questioning what added value the superstructure is providing in the task of enhancing the experience of schooling for primary school pupils in Tanzania. PEDP is not simply about books and buildings, but about a process of community participation and the way people think, feel and value education. It is also about how education is prioritised in their lives. To an informed observer, providing more money and responsibility to schools, releasing them from burdensome bureaucratic controls and delays and contradictory directives, and making schools the locus of change seems to make good sense.<sup>10</sup>

This seems to be transaction costs writ large in relations between donors and government, at the same time as a failure to address some of the internal ministry to ministry problems. Both of these are standing in the way of what needs to be enabled at grassroots level, and the critical issue in terms of TCs, is the extent to which donor government interaction in education has become part of the problem and not the means to its solution.

## 4. Transaction Costs: Some working definitions

### 4.1 'The line doesn't go through that point'

This was the response of one interviewee, conveying the point that the time involved in working through the necessary reforms to make aid effective, and reduce poverty, are not simply costs. There is no blue-print of how, for example, to make national accountability work in a situation where the lion's share of the development budget, as well as a proportion of the recurrent budget, is funded through aid<sup>11</sup>. In a situation where there are capacity gaps, amongst both donors and government, a genuinely working partnership can be about developing a common understanding of feasible ways forward in a particular national context, and towards achieving a shared goal.

Such partnerships in education at national level in Tanzania, can only be said to exist to a very limited extent, and usually for a short period of time, for example around the process of producing a particular report or study. Given the different perspectives that different stakeholders bring to the table, and given that their underlying assumptions are not discussed, this is perhaps hardly surprising.

### 4.2 Administrative Costs

These refer largely to the costs terms of meetings, reports, and arrangements for release and reporting of money and so on, which take up donor and government time. In Tanzania, there are 20 'development partners' in the education sector, reflecting its

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<sup>10</sup> Ibid page vi

<sup>11</sup> In 2001/2 Approved funding of PEDP was 71.9% from government, with the remainder from external financing. In 2002/3 government share fell to 60.4% and again to 46.6% in 2003/4. (URT, Education Public Expenditure Review, prepared by ESRF, April 2004, page 41.

priority in Tanzania's first PRS. The sector is widely regarded as oversubscribed, and the Like Minded Group (LMG) in Tanzania (which includes both those involved in direct budget support and Pooled Fund support to PEDP) recently commissioned a mapping study, and stimulated a self-evaluation exercise with a view to encouraging more silent partnerships, and exiting from the sector by the development partners making smaller financial contributions.

In researching transaction costs, the effort was made to quantify them, but this has proved impossible. Almost all those interviewed bemoaned the high level of TCs, but no one interviewed is actually trying to quantify them. There were a number of suggestions as to TCs might be measured, including the number of reports, missions, meetings, separate (as opposed to collective across all donors) legal instruments, separate audit requirements, and ultimately whole staff members, particularly sector specialists, who would become surplus to requirements through a shift to Budget Support.

It does appear that there are some entire jobs which are largely about administrative transaction costs. On the DP side, one officer estimated her time was more than 80% spent in liaison and networking to promote donor harmonisation and establishing common ground over sectoral issues. In another agency, sector level staff priorities have been established as being information gathering, synthesising and sharing, largely through all the sector meetings, second only to urgent demands for information from HQ. The added value of all these meetings in terms of aid effectiveness is not being assessed, except by default – that the shift towards sector or budget support would mean that some of these posts become redundant.

There are also some government officers whose jobs appear to be largely a transaction cost. They work as a buffer, mediating between mainstream business of running the ministry, and ensuring that donor requirements are met, so that financial support continues to flow. One such officer referred to the number of meetings which are 'not government meetings', and whilst regretting the time they take, referred to them as 'the cost of poverty'. In line with stated government preference, he advocated greater use of budget support, but was clear also that the need was to keep as many donors in support as possible. With a large financing gap on the national budget in the absence of heavy donor support, the need is to maximise whatever support is available in whatever form it comes.

#### 4.3 Tying Costs

Tying costs are not being addressed explicitly in this paper, since they are negligible in comparison to the other TCs. Apparently the issue of tying was raised around textbook procurement for the forthcoming SEDP, but it was shelved in favour of the ordinary government tendering mechanism. Textbooks for primary education are procured at local government or school level, as are materials for school construction. The scope and scale of TCs, should not blind us to the advantages of not having to contend with formally tied aid.

However, there still remains the issue of choice of consultants. Whilst not formally tied, there is an issue in that capacity for PER and PETS work, of a standard acceptable to donors, is higher in outside Tanzania rather than in local institutions – not least since these instruments were developed outside Tanzania. There is frequently some jockeying amongst donors over the choice of preferred consultant, and decision making over choice of consultants then frequently adds to administrative TCs discussing selection criteria, and subsequently ensuring that the report is of a standard acceptable to all.

#### 4.4 Fiscal Costs

These are the costs relating to financial flows and aid modalities. Funding comes through four different modalities:

- Project support including the following areas: teacher education, classroom construction, school mapping.
- Pooled Fund support to PEDP
- Sector Support to the primary education sub-sector (PEDP)
- Budget Support to Government of Tanzania.

In what follows, the administrative and fiscal costs of the different modalities are considered together, since as will be demonstrated below in the context of pooled fund support to the education sector, where the administrative (planning and reporting) requirements are too high, this has an impact on fiscal costs in terms of level and predictability of funding.

## 5. Projects

One of the major reasons given for a shift towards a sector wide approach was that the high number of projects within MOEC was creating in effect a parallel structure of TA outside the mainstream government budgeting, decision making and administration structures. One of the largest of these projects was the huge District Based Support to Primary Education (DBSPE) which at its height worked in over 70 of Tanzania's 120 + districts. The decision was made in 2000 that all projects should be mainstreamed partly in order that more resources should be captured within the main government budget. This has to some extent been achieved, and very large projects like DBSPE have slowly been wound down.

However, even now, there are an estimated 110 projects still on the books, with an average size of \$906,000<sup>12</sup>. New projects are also being talked about, for ICT and special needs education, even from LMG donors who are supposedly those most committed to moving towards budget support. Some of these plans are in response to direct requests from government for project support, which tends to imply also that MOEC ownership of the sector wide approach concept is not strong.

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<sup>12</sup> Mapping Exercise of Interventions of the Likeminded Development Partners in the Context of the Tanzania Joint Assistance Strategy (JAS), Commissioned by the Embassy of Ireland (on behalf of the LM Group) Dar es Salaam, October 2004.



A major sticking point in the shift away from project support is the position of the smaller contributors – they feel that their distinctive voice will be lost in the context of a larger and more comprehensive contribution to Government of Tanzania, and that the best way to maintain their individual ‘leverage’ is through projects. Quite what they want to achieve through this individual leverage is not articulated, beyond general references to ‘sector dialogue’. The danger is that this wish for ‘dialogue’ too easily becomes the use of dialogue to press pet concerns, and puts donors into the position of being lobbyists for a particular issue, or using technical advice as *de facto* conditionality, since the dialogue is so closely tied to provision of funding. Insufficient attention is often given as to why those concerns – are not coming up through local institutions, and how far pursuing these concerns could be blocking genuine Tanzanian ownership of the education and other reforms.

Some bilateral agencies who are seeking to move strongly away from project support, are not actually in a position to know if their government is supporting projects in a sector, as they come through a different arm of government, or even from their domestic line ministries. This all creates a confusing picture for recipient governments when the rhetoric of reducing projects does not add up to the reality of what is being supported.

Projects are not in themselves the problem. It is when they create ‘perverse incentives’ that there are difficulties. These incentives can be at the level of TTCs – toys (computers), trips overseas, and cars, to enhance commitment to the success of the project, or they can be that it is easier to approach a donor for project funding than to go to the Ministry of Finance to argue the case for prioritization of funding for a particular sub-sectoral concern. As an indication that they are not in themselves a problem, the Ministry of Finance is reportedly interested in financing an initiative to fund Marie Stopes Clinics – which have demonstrable benefits for pregnant women living in remote rural areas, through the national budget.

Moving away from project support can also mean moving away from area based programmes, which had the benefit of enabling donors to get a better perspective on the impact of programme and reform implementation from outside Dar and outside their own sectoral area of interest

Despite the transaction costs that exist with these projects, no one interviewed volunteered information or identified projects as problems, except in so far as some agency’s wish for them is seen as an obstacle to achieving the greater gains in terms of poverty reduction arguably obtainable through budget support.

Looking beyond the confines of the sector, one of the most controversial of the ‘projects’, is the Tanzania Social Action Fund (TASAF). ‘TASAF activities are designed to improve basic social and economic services and protect vulnerable groups, including young children, while the positive impact of the ongoing structural adjustment and administrative reforms take hold’<sup>13</sup>. Run out of an office in the heart of Dar es Salaam, close to the Prime Minister’s Office and the State House, TASAF is defined on the World

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<sup>13</sup> <http://www.worldbank.org/afr/tz/tasaf.htm> 15<sup>th</sup> November 2004.

Bank website as a ‘community based development initiative’ with numerous ‘sub-projects’<sup>14</sup>. Activities include the construction of 1,888 classrooms, 481 teacher houses, 277 modern school latrines. It is mentioned here not primarily out of concern with transaction costs it may or may not generate - the President himself has warmly endorsed TASAF activities, not least because of a reported 87% of project funds going to beneficiaries with very low costs in administration - but the fact that the way it operates seems to be inconsistent with other on-going reforms, including over decentralisation and public sector finance. It causes frustration in some government quarters because of this. Despite the Bank’s own initiatives to promote public sector financial reform, TASAF expenditures are not captured in the national budget. MOEC officials are completely in ignorance of their planned expenditure, and sometimes so also are district level officials. Arguably this is naturally the case, since the planned activities are identified at grassroots level, but the scale of the operations and the lack of clarity as to how they coordinate even with district level plans, led one central government interviewee to comment with disappointment on the ‘obvious duplication of efforts’.

## 6. Pooled Fund and Sector Support to PEDP

### 6.1 Administrative Arrangements and Costs

Pooled Fund and Sector Support to PEDP are different, but they are being considered together as they both support PEDP directly, and have related administrative TCs since the decision making structure within MOEC and PO-RALG<sup>15</sup> connects them both. Ironically, whilst the intention was that PEDP would be the primary sub-sector component of a sector wide approach<sup>16</sup>, one of the most frequent criticisms it comes under is that it is in fact a ‘giant project’. In the budget the PEDP is identified as a project (number 4321). ‘The use of the word ‘project’ in the budget may be unfortunate terminology by the government, nevertheless, from interviews with government officials, it is clear that the Government perceives PEDP as having become a ‘project’ because they feel it is micro-managed and controlled by the donors.’<sup>17</sup>

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<sup>14</sup> *ibid*

<sup>15</sup> The ministry responsible for the administration of education at local level.

<sup>16</sup> It is further ironic that donors can be wrapped over the knuckles about the following terminological distinctions, when many of their partners, have not internalised its basic premises: ‘A SWAP has various characteristics, as defined above, which include Government ownership of a programme; increased coherence between policy, spending and results; and reduced transaction costs. These characteristics may be applied to a sub-sector and in the TOR for this evaluation it is stated that a sector wide approach is applied to PEDP. However, applying the comprehensive characteristics of the sector wide approach to a sub-sector is not the same as a comprehensive approach to a sector as a whole. Sector Wide Approach means comprehensive planning for the whole sector (sometimes written as SWAp which refers to the **process**); by extension a comprehensive approach to planning a sub-sector is also (misleadingly) called a SWAp. (SWAp should be distinguished from SWAP which is a Sector Wide Approach **Programme**). Although a SWAp has been applied to PEDP and it has been comprehensively planned as a sub-sector, PEDP lacks linkages to secondary education and the rest of the sector. It is therefore incorrect to say PEDP is a coherent part of a SWAP.’ European Delegation *op cit* page 31

<sup>17</sup> *ibid* page 15.

The decision making structure, involves the following committees. The key one is the Basic Education Development Committee (BEDC), which is supposed to be chaired alternately by the Permanent Secretary (PS) of MOEC and the PS of PO-RALG, as the main two stakeholder ministries. All donors are represented in BEDC, as are other stakeholders including NGOs. BEDC is supposedly supported by the following technical working groups (TWGs), each chaired by a Director:

- Enrolment expansion – making recommendations as to what needs to be done to increase net and gross enrolment, reach out through non-formal education and so on
- Quality improvement – recommendations about actions to improve the quality of education
- Institutional Arrangements – responsibility for effectiveness of working relations between the two key ministries and all the levels of administration from school, through district to national level
- Resource Allocation, Cost Effectiveness and Funding (RACEF), which is also the education sector public expenditure review (PER) TWG
- Cross-cutting issues: primarily focussing on gender, environment and HIV/AIDS

The work of BEDC is streamlined through a body called the Task Force, which serves as a clearing house to ensure that matters can be dealt with in the much larger BEDC quickly and efficiently.

Despite its apparent logic, this structure is dysfunctional. Not one interviewee was found who spoke in its favour. Donors complained of lack of senior enough representation at the meetings of BEDC, despite it being for them their main forum of engagement. Government complained of too many meetings ‘which are not government meetings’<sup>18</sup>. NGOs complained that ‘real decisions’ were made elsewhere than through this structure, which defeated the point of attending. No one is happy, and it is apparent that the administrative TCs of working in this way are very high. Neither, however, is there much real movement to change the administrative structure, as it has been laid out in the original PEDP document which, project-like, is due to come to an end in 2006.

Part of the reason for this structure, is to carry out business which is required under either the Pooled Fund Memorandum of Understanding (MoU)<sup>19</sup> or other work such as the PER. This work involves mainly planning and reporting:

- Quarterly and annual progress reports – giving quantitative and qualitative data on progress of activities identified in work plans
- Financial monitoring on a quarterly basis – funds expended against activities and outcomes. The transfer of funds for each item is reported against the budget amount. There is a time lag of one quarter to allow data to be collected and processed

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<sup>18</sup> These complaints are rooted in the same problem – since the meetings are not mainstream business for government, deputies are frequently sent to meetings. Since they are often not well briefed, they often do not speak out at the meeting, which leaves donor frustration that the meetings are not ‘moving things forward’.

<sup>19</sup> The Pooled Fund involves 9 donors and is governed by an MoU which was signed by the original 5 partners in 2001.

## Final version

- Annual audit – with provision being made for this to be by an international firm, rather than the government's own auditors
- Financial tracking – the first PETS study was carried out in 2004, involving tracking funds through MOEC, PO-RALG and MoF.

These activities are now widely regarded as highly problematic for three reasons:

- They constitute a parallel process
- They are not feasible to carry out
- The purpose and use to which the various documents are put.

The parallel process comes from the fact that these planning and reporting processes duplicate government ones. One donor sector specialist noted that after having spent hours trying to connect PEDP activities with government votes and subvotes, it became apparent that MOEC had provided data to MoF in high level of detail, including GSF codes and in line with MTEF, but that this information was not the same as the information given to donors, leaving them confused and angry. It appeared were 2 sets of plans and budgets in circulation serving different needs. Auditing is another parallel process which causes frustration this time to government. Government auditors are generally respected and responding to their queries is a priority. Having to respond to another set of queries, this time from Deloitte and Touche, doubles the work load, and does not necessarily have any linkages back into strengthening government systems.

It is now generally agreed that the demands of all these activities on a quarterly basis is unrealistic – not least Tanzania is a very large country, and building up a picture of work plans from the operational level (more than 12,000 schools, some in remote rural areas, reporting to district offices where there are no computers) is not feasible. There was some feeling that it was not realistic, even when the MoU was signed, but it went through nonetheless, and some donor sector specialists have been trying to stick to the letter of the agreement ever since, which is a cause of on-going friction.

Another source of friction is differences of opinion about the quality of the reports, their purpose and the use to which they are put. It would appear that rather than seeing reports as the basis for making changes in future plans and priorities on the base of past performance, which is what the donors expect, government has tended to see the production of the report as an end in itself, and little or no subsequent action is taken. For example 2004 Review is peppered with comments about the situation not having changed since the review the previous year, which was carried out by the same lead consultants. On the other hand, it is also reasonable to take the view that the annual review for example, can only sample a small number of districts, and that rather than act on the basis of a small sample, it is better to cross check against more systematic data coming through government's own feedback mechanisms, and act on the basis of that. Whilst this may be a positive example of government sensibly relying on more systematic data sources, it leaves frustration on the part of donors that their efforts, which are in line with the legally sanctioned MoU, are being visibly marginalized. The perception is also that neither is there comparable effort on the part of government to build capacity to improve

government’s own reporting mechanisms so that they contribute more to results based management.

Disagreements between Pooled Fund Partners (PFP) and the World Bank have also diverted attention away from a focus on achieving sustainable and predictable financial flows, let alone promoting local accountability. Relations between the PFP and the World Bank education specialist have ranged between cool and hostile, with suspicion on the part of the PFPs that the Bank has encouraged MOEC to see the pooled fund in a very poor light, fomenting some of the frustration with the demands of the MoU, and apparent lack of willingness to carry it out. There is a sense in MOEC that meeting ‘prior actions’ agreed as part of the loan agreement is easier than trying to meet changing and undocumented PFP expectations, over for example the quality of a particular report, and expectations of its follow up.

The underlying problem with these dysfunctional structures and mechanisms is that it is hard to construct them as part of an ultimately benign spectrum where meetings and reports blend into genuine dialogue and partnership towards a common goal. Through the goodwill and hard work of particular individuals, enough has been done to keep the ‘partnership’ from complete collapse, and hence financial flows from drying up. As will be described below, however, the demands of reports and meetings have had a negative effect on the predictability of financial flows. Just reducing the number of meetings or reports, or shifting to budget support, may reduce the frustration of individual government or donor officials, but it will not substantially increase the effectiveness of aid, because of the underlying fiscal and other problems that risk being untouched.

## 6.2 Fiscal costs

### 6.2.1 Unpredictability of Financial Flows - Quantity

Releases from both sector support and pooled fund have been consistently problematic and dogged with uncertainty.

The sector support is a loan from the World Bank; once government has fulfilled the ‘prior actions’ laid out in the loan agreement, tranches of funds are released directly to exchequer. According to the 2004 PEDP Review, the sector support tranche due by June 2004, still had not been received as of October. The following IDA flows are recorded:

Institution	Year 2002/03		Year 2003/04		Year 2004/05	
	Budget	Actual	Budget	Actual	Budget	
	Tshs. Billions	US \$ mill.	Tshs. Billion	Tshs. billions	Tshs.	
IDA	48.1	55.95	87.23	56.3	26.09	

Source: PEDP Review 2004, quoting MOEC/PORALG records

The Pooled Fund arrangement has two phases of releasing funding into the government financial system. The first involves individual donors releasing funds into a Holding

Account on the basis of conditions stipulated in the MoU and individual cooperation agreements with the government of Tanzania. The second phase involves release of funds from the holding account into treasury, after all partners are agreed that the MoU conditions – audits, reports and so on described above - have been met.

In the words of the review: ‘The pooled fund manifests characteristics of uncertainty on both issues of release of funds to the holding account and clearing of funds to the exchequer account. The pattern observed in year 2002/03 is repeated in year 2003/04. Apart from there being no regular release of funds on a quarterly basis, the release of funds available did not observe quarterly needs.’<sup>20</sup> The release of funds to exchequer bears little relationship to how much funding there is in the holding account, as shown in the table below. When more is approved or endorsed than is actually in the account, it adds to frustration on the part of government, that they are being asked to bear heavy transaction costs for insufficient benefit<sup>21</sup>.

Table 1: Comparison of amount approved by Pooled Fund Partners with Holding Account balance

Dates	2002/2003		2003/2004		
	October	May	February	April	August
Balance in Holding Account	12,202,003	18,661,085	13,041,646	29,034,814	
Balance approved by BEDC	12,524,400	128,071,738 <sup>22</sup>	81,478,357	122,744,188	
Amount endorsed by PFP	12,524,400	49,005,665	50,702,076	(Approval in August)	11,430,100

Sources: (i). Balance in holding account according to MOF data

(ii). BEDC and PFP according to information compiled by Secretariat (Coordinator’s office).

When this is translated into actual quarterly disbursements, the following is the picture for 2003/4. In the past there have been no disbursement for some quarters due to poor audit reports.

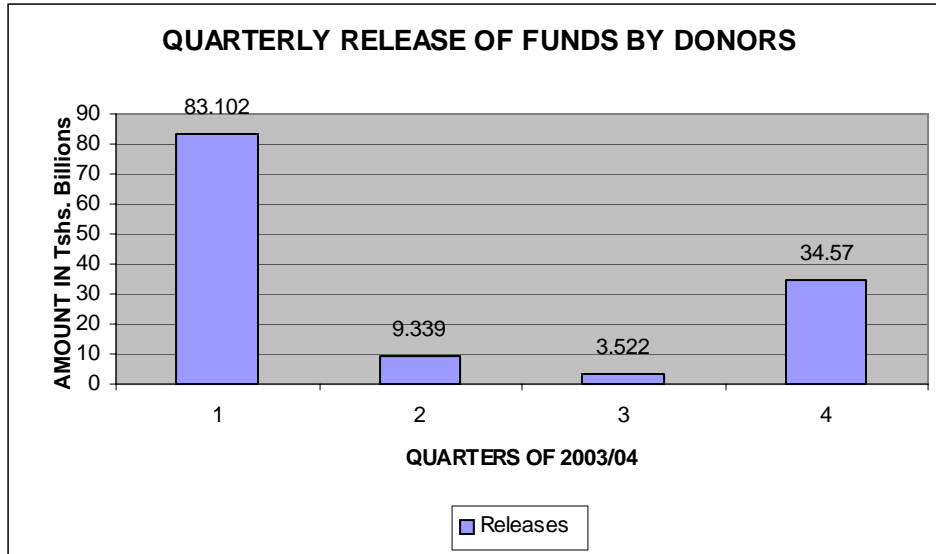
Figure 1: Releases of funds by Donors<sup>23</sup>

<sup>20</sup> MOEC (2004) op cit page 14.

<sup>21</sup> Because of problems with when PFPs put funding into the account, they do sometimes approve more for withdrawal than is actually there. This results in government having to withdraw what is available at different times. On one occasion, more was withdrawn than had been authorised – and this was publicly apologised for. This has resulted in PFPs now requiring to see actual bank statements to check on levels in the account – an indication of how far micro-management and lack of trust can take you.

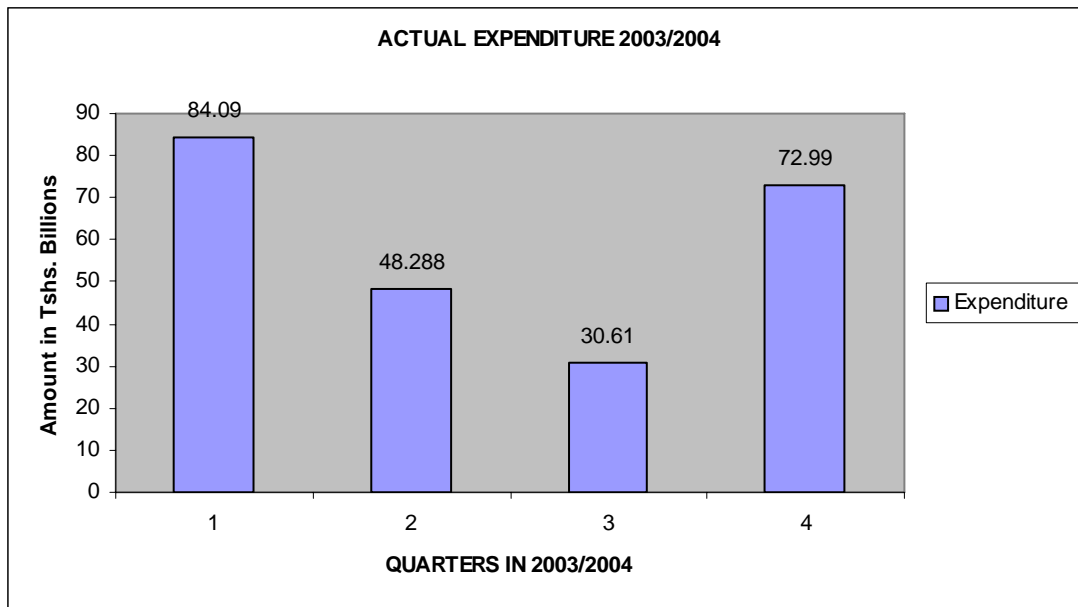
<sup>22</sup> Even if one were to take into consideration the expected release from IDA amounting to some US \$ 55.95 million whose credit in the holding account took in place in June 2003, still the amount approved is far larger than the expected balance.

<sup>23</sup> MOEC (2004) op cit page 15.



This is then also mirrored by disbursements from central government, showing the distorting effect of delays in disbursement from the pooled fund.

Figure 2: Levels and patterns of actual spending on PEDP in 2003/04



### 6.2.2 Unpredictability of Financial Flows – targeting

The emphasis on the 2003/4 was on improving quality in PEDP. Plans and budgets were drawn up to reflect this, but the Annual Review notes that whilst emphasis in terms of planning was put on quality enhancement, in terms of disbursement there has been little deviation from previous spending patterns.

### 6.2.3 Results of Unpredictability

The result of these problems is that the timing and level of disbursements bears little relationship to plans prepared by the end users – ‘unpredictability of funding flows, irregular timing of disbursements and uncertainties over the levels of funding are leaving schools, teachers colleges and Council officials asking why they should plan when they have no control over these areas’<sup>24</sup>. This risks undermining the thrust not only of PEDP but of other reforms which have the potential to immensely improve service delivery, including fiscal decentralisation and local government reform.

### 6.2.4 Explanations and the Development of a Vicious Circle

**The administrative structure of TWGs, BEDC and Task Force has not been effective in ensuring the timely and targeted use of PEDP resources.** On the contrary, it is arguable that the energies of key government officers taken up in meetings ‘which are not government meetings’, may actually have delayed the process. For the current year, one PFP official noted spending about 15 hours making alterations to the PEDP budget to ensure it was in line with plans approved by BEDC, and finding it impossible to get consistency between the various figures in circulation. A government official independently expressed frustration over the same exercise, seeing it largely as a paper one, just to keep the PFP happy. Where proponents of one instrument (sector support) have been undermining support for the pooled fund, this seems to have contributed to worsening relations and to an avoidance of the key issues.

**Lines of communication have not been open towards solving problems:** Despite the MoU requirements that GoT and PFP would work together in a spirit of openness, transparency and consultation, this has not characterised their relationships around annual planning and budgeting. PFP sector specialists have sought ways to resolve the problem. One has been to complain to the PS MoF through the PER structures about how MOEC is not keeping to timetable or apparently seeing the point of, for example, the PER. This has had little success, as MoF is not able to discipline line ministries in this way – such an initiative would have to come through the Prime Minister’s Office. It also reveals the lack of understanding by some DPs of government processes. They have also raised the issue with their own Heads of Aid, and in recent weeks there has been the first of what is anticipated as being a series of meetings with the Minister of Education and Culture, to try and open doors towards a better understanding. It is too early to say what the outcome of such ‘dialogue’ will be. However, the interest and focus of many of the Heads of Aid is now on shifting to budget support, with a consequent down-grading of interest in the details of problematic sector dialogue.

**Sight of the bigger picture is lost:** Partly because of the lack of means of solving problems, discussions between government and donors tend to fix on whether or not a particular report has been produced in line with the MoU, rather than the more

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<sup>24</sup> Ibid page vi.



substantive point of ensuring that funds are available and are disbursed in line with plans, so that the vision of decentralised local management of education is achieved.

In the mutual frustration, it is harder still to get at the deeper lying issues around capacity. Whilst the EU review of pooled fund support regrets that no analysis was done of government capacity to deliver the programme, and the annual reviews recommend that such a study is carried out, it becomes increasingly difficult to discuss the nature of the ‘**capacity gaps**’. First and foremost it has to be said that these are on all sides. Not all of them related to exposure to and enthusiasm for current reforms – in both DPs and government there are challenges with conventional business of supervision and follow-up of workplans, and effective division of labour. Donor weaknesses are apparent in their understanding the Tanzanian context, poor institutional memory, and as a group, very different levels of understanding of the reform picture outside the education sector. However, the capacity gaps which are generally spoken of are those in government, which not unnaturally makes for some defensiveness, and hence greater difficulty in discussing honestly ways forward. Again, current arrangements have achieved little in trying to address these problems, despite the fact that they are at the heart of aid effectiveness.

Part of the bigger picture is also the numerous other reforms that are going on simultaneously with PEDP implementation. Some are better embedded and owned than others, and government is not monolithic – so some ministries have more to gain than others, and so have some individual officers. For example:

- Public sector financial reforms enhance the power of MoF over line ministries – who can no longer negotiate a loan directly, but only via MoF; budgeting in order to achieve specific poverty focussed outputs, as opposed to traditional ‘incremental budgeting’, risks opposition from those who cannot demonstrate how their particular post contributes to that outcome. This relates to -
- Civil Service reform is threatening to those who for whom government service, whatever its disadvantages of relatively low pay, offered at least the benefit of long term security;
- Local government reform and decentralisation diminishes the authority of the traditional high spending line ministries like education.

The 2004 Review documents substantive problems that exist between MOEC and PO-RALG<sup>25</sup>. These derive from the division of responsibility of the two ministries, with PO-RALG having responsibility for ensuring that schools are run efficiently and resources used appropriately and MOEC giving direction on issues of quality, educational standards, curriculum and teacher training. Problems exist in that MOEC still transfers money directly to schools, contrary to government circular no 1 of 1998 which says that sector ministries should communicate with councils only via PO-RALG. There are also anomalies in the position of the District Education Officer, who is accountable to MOEC, rather than the District Executive Director, unlike other members of the management team at district level. Legislative amendment is believed to be underway, but the revised bill not yet made public. Relations between MOEC and PO-RALG are strained over

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<sup>25</sup> MOEC (2004) page 7-8

funding issues, and the perception that MOEC is unwilling to relinquish its former hold over every aspect of education from the classroom to the central ministry. The Review report is peppered with comments indicating the lack of progress on issues of relations between PO-RALG and MOEC, with explanations of the implications of this lack of progress.

Neither the MoU nor World Bank sector support has been an effective instrument to expedite progress towards these changes. Frustration of DPs leading them to push towards more BS without Government resolving, and then enforcing, through legislation the division of labour between MOEC and PO-RALG could compound the problem.

Proponents of either instrument, have given very little attention to ensuring the sustainability of gains made, or to promoting local accountability. The fact of NGO participation in the various TWGs and committees, as well as review processes, has been taken by some to be sufficient, with little attention given to how to institutionalise that accountability through local structures, whether at national or local level. There is a DP/Government 'Governance Working Group', which is currently starting to look at 'the demand side of accountability', but it is composed of governance specialists, and educationalists are not in effective communication with them.

### **6.2.5 Conclusion**

The substantive points from this discussion of pooled fund and sector support are that:

- Transaction costs, administrative and fiscal, around support to PEDP have been substantial
- Attention focussed on ensuring adherence to the MoU, might have been better spent on creating an enabling environment for some of the other issues, such as identifying and setting out to systematically address capacity gaps, or improving relations between MOEC and PO-RALG, including their legal basis, or promoting local accountability, all of which might have had a better long term impact on poverty reduction.

## **7. Budget Support**

Development Assistance through budget support currently amounts to \$451,200,000. DfID is the major donor to BS rather than education sector support. They are still involved, in so far as it exists, in sector dialogue.

### **7.1 Growing Enthusiasm for Budget Support**

Government is increasingly enthusiastic about moves towards budget support. In the words of the just retired PS of MOEC:

'The Basket-Funding and/or Pooled Funding arrangement is regarded as an interim measure towards the budget support. We regard this as an interim measure because it is an indication of mutual understanding among the development partners to manage their resources collectively but outside the

Government budget management system. This approach though better than the project financing approach, causes a lot of stress in Government because the same is forced to have two parallel finance management systems. The pooled funding approach is also an indication of reluctance or lack of faith on the Government finance management system. Although it is never openly expressed so by the development partners, one is inclined to believe so otherwise the solution would have been to go budget support. On the other hand this financing arrangement is an indicator that the donor Governments have not fully reformed their financing policies to go fully into budget support',<sup>26</sup>

Budget support would do a great deal to ensure predictability of aid flows, and more control by GoT, than the problems discussed in detail above about the pooled fund.

Donors are also increasingly enthusiastic about it, particularly in the context of the newly launched 'second generation' PRS, the National Strategy for Growth and Poverty Reduction – known as 'Mkukuta' - and work towards the development of a Joint Assistance Strategy. Tanzania is leading the world in terms of harmonization, as the November 2004 conference in Dar es Salaam showed, and there are high hopes, for example within DfID of achieving Millenium Development Goals through channeling significantly higher levels of funding through BS.

## 7.2 Likely Implications for Transaction Costs

Time and again the rhetoric of reduced transaction costs is used. It is frequently argued that the initial coordination costs will be high, but that relatively soon it will be possible to see gains in terms of fewer missions, meetings, reports and the 'sending home of some sector technical assistants', because of the increased use of 'silent partnerships' and withdrawal from some sectors. However, even with the technical issue of transaction costs, initial signs are not particularly good. The current review of Poverty Reduction Budgetary Support, notes shifts towards a higher administrative burden on MoF 'although this reflects a deeper involvement in reform processes, as well as a more extensive dialogue with development partners',<sup>27</sup>.

This point is key. Much as government would wish to see more flexible financing and much as some donors appreciate that MDGs cannot be met out of the current levels of project and sector funding, they are not going to write a cheque and walk away. There is the firm belief that funding alone is not sufficient and that a whole raft of reforms is necessary to ensure that it is used appropriately. These include the various sector reform programmes, financial reform, legal reform, local government reform, civil service reform, amongst many others, as well as the overarching Poverty Reduction Strategy. All

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<sup>26</sup> *Making Services Work for Poor People Modes of Financing: The Tanzanian Experience*. M J Malale Permanent Secretary (extract from a paper presented at Making Services Work for poor people Workshop Berlin July 2002)

<sup>27</sup> Daima Associates and ODI (2004) Joint Evaluation of General Budget Support, Tanzania 1995-2004, Phase 2 Report: Preliminary Assessment of Efficiency and Effectiveness of Budget Support and Recommendations for Improvements; Report to GoT and the PRBS Partners, page 37

of these require donor engagement and dialogue to ensure that they happen, and happen in the way that donors envisage – subject always to dialogue. What is envisaged in terms of Mkukuta for example, is that rather than the priority sectors of the first PRS, there are now priority poverty focussed outputs, many of which are cross sectoral, so that instead of the monthly and time consuming DP sector group meetings, there will be informal and ad hoc groups meeting to contribute to ensuring outputs are met. An optimist would anticipate that this could mean fewer meetings, but it must not be forgotten that the projects and the sector support and pooled fund are still on-going, so that whilst an individual donor opting for budget support may be attending fewer meetings, it is by no means clear that this would be the case for government<sup>28</sup>.

Similarly, it is more plausible to think in terms of shifting costs rather than reducing them. Donors want sustained ‘high level dialogue’, as opposed to what they see as the on-going meetings with lower, more technical level officials without real decision making power, which add to donor TCs, without little benefit from their perspective. Donor sector specialists who are retained are expected to spend more time ‘in the field’ – at least a week a month was quoted by one interviewee - seeing first hand the real impact of the reforms, rather than locked in meetings in Dar es Salaam. It is only to be anticipated that they will seek to feed their findings through into government processes, however. This to the pessimist looks like shifting and changing the meetings rather than necessarily reducing them. The problem with thinking in terms of raising the level of sector dialogue to, say PS level, is that the numbers of people who really have an overview of all the various reforms, strategies, instruments and so on is very few – and there is a risk that expecting these officers also to be taking a bigger share of the donor dialogue will either (a) be disappointed or (b) have an opportunity cost of delaying the deepening and enhanced GOT ownership of those very processes.

Donors appreciate that risks are involved in higher levels of budget support – hence in general terms the wide range of reforms being supported. More specifically, risks are seen in terms of loss of control by donors, and hence potential domestic damage should ‘something go wrong’. Particular fears are the absence of free and fair elections in 2005, or the eruption of a major corruption scandal that would embarrass a donor government whose domestic constituency is already concerned about the wealth of some leaders of impoverished African countries. Both of these issues would tend to imply a great deal of work is necessary to promote local accountability within Tanzania, on the basis that both are, at root, matters of good governance. Improved governance is more likely to come in response to sustained demand over time, rather than as a spill over from years of accounting for donor money. As has been mentioned above, however, there has been little thinking about how to work on this point in the education sector. Indeed some of the demands for accountability to donors under the pooled fund mechanism may have actually stood in its way, by distracting attention from the issue.

Some donor moves towards budget support are combined with the hard-headed line that development aid is a decreasing priority for the domestic constituency of donor

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<sup>28</sup> Enthusiasts for Budget Support have even recommended that TAS should set a limit to the use of project funding, Daima Associates op cit, page 49.

countries, and hence that there is less pressure to spend than in the past. For some donors, the cost of peace-keeping operations is covered out of the aid budget, and with an eye on their domestic audience some development ministers are looking for high profile wins through this route, rather than through long term development assistance ... in other words more money could be made available more flexibly, but some donors at least are not desperate to spend and are happy to walk away. This would be an optimistic scenario, from the point of some observers, who see a stronger risk of collusion between government and the donor community in ignoring corruption because of the upheaval it would imply if donors were actually to pull out.<sup>29</sup>

In short, whilst opportunities are opened up by Budget Support, it is critical that a shift in this direction is not taken on the rebound from unsatisfactory relations at sector level. Development issues in a particular sector will not go away just because they drop below the DPs radar. Similar challenges around leadership, prioritization, communication, capacity and so on, will also be present in the areas of focus which Budget Support would lead DPs to focus on.

## 8. Ways forward

This long description of issues and challenges around aid effectiveness in the education sector, begs the question of what is to be done.

In fact, much of this is already well documented – in for example, the OECD DAC ‘Good Practice Note on Providing Support to Sector Programmes’<sup>30</sup> – and do not need repeating at length. Guiding principles are laid out: support government ownership and leadership, work with government to strengthen institutional capacity, take a long term strategic view, set the sector programme in context to achieve coherence with other programmes, be pragmatic and flexible and so on<sup>31</sup>. ‘Essential factors’ are also noted: leadership at sector level, commitment to the process elsewhere in government, broad consensus between government and donors on key policy and management issues, reasonable degree of macro-economic and political stability, as well as ‘facilitating factors’ many of which are in place. The desirability of all of these is not in doubt.

The issue is around the judgement calls, such as was/is there sufficient consensus between government and donors on key management issues. Given the current dissatisfactions, it would be easy to be negative. However, this is with the benefit of hindsight. In the view of many who signed the pooled fund MoU in 2001, it was good enough. Certainly from the point of view of government, it was ‘as good as could be achieved at the time’ – more flexibility given to government over for example audit

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<sup>29</sup> See for example, Brian Cooksey (2003) Aid and Corruption: A Worm’s-Eye View of Donor Policies and Practices, paper presented to the 11<sup>th</sup> International Anti-Corruption Conference, Seoul,

<sup>30</sup> Draft of 13 October 2004, still being finalised.

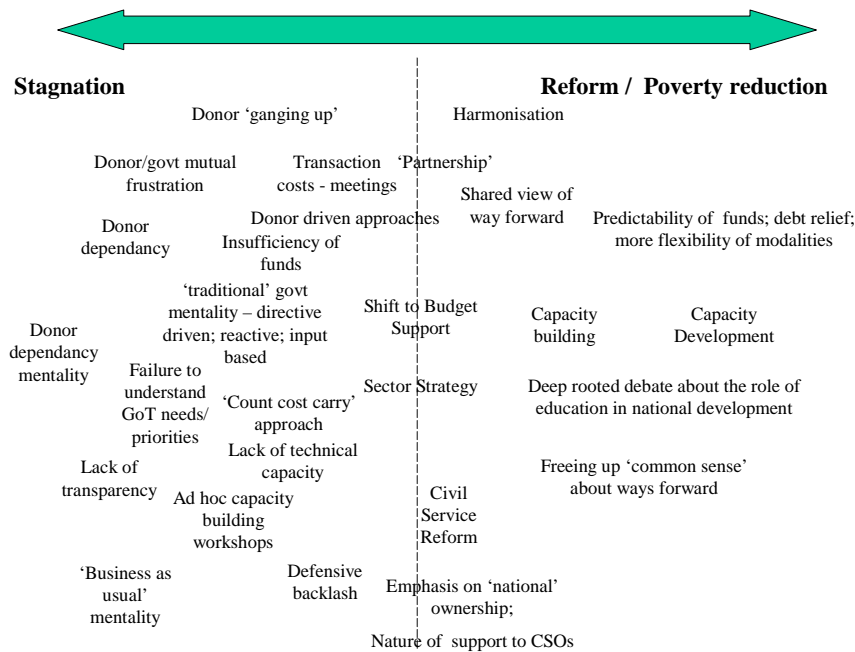
<sup>31</sup> Ibid page 4

arrangements would have meant that some DPs could not have signed. In the context of current frustrations, this is often forgotten. It leads to the key recommendation for both government and donors:

### 8.1 For Government and Development Partners: Come to a Common Understanding

A great deal of work needs to be done to generate relationships when it is possible to be open about needs and priorities; and to raise the same concerns in formal meetings as in informal groupings. The magnitude of this challenge is not to be underestimated: it has to be set in the context of a long history of domination, and very unequal power relations. The years of the independence struggle are still very much within the memory of many government officers – not so the often much younger expatriate sector specialists; a strategic focus on reform is a luxury, when the strongest domestic demand is for ‘more of the same’ – more schools, textbooks etc, so that government has to prioritise meeting its practical financial needs. If a way to achieve these is to agree to proposed reform agendas, so be it, and it cannot be doubted that various key people in powerful positions have embraced them fully and for their own merits. But this does not imply that every government officer has the same enthusiasm – either for reasons of lack of exposure to what could be achieved by the reform, or to the technical side of how to implement it, or because of a natural caution that the reform will actually make a difference – a point with particular resonance for those with extended family members still living in poverty in rural areas - or that the extra demands of the reform process will be sufficiently personally worthwhile, since they are in addition to existing workloads, not the core of them.

Set against this background the following diagram tries to contextualise TCs in the bigger picture of government / donor relations. Points further to the left or right of the diagram will have the strongest negative or positive impact. Those near the centre could have an impact in either direction. For example, donor dependency in the budget risks being negative, but short term dependence on foreign funding is not half so damaging in the long run as the mental attitude that donor funding is the way forward indefinitely. Many more issues could be added, but these were the prime ones which came up in the course of discussion and literature review.



Some terminologies need explaining: **Capacity building** is understood as a more limited exercise than capacity development. Capacity building can orient a staff member to use of a computer or to PETS methodologies, so that they are able to do something they were not able to do before. **Capacity development** is more open ended, and concerns the use to which a particular skill is put – taking a tool and using it imaginatively and constructively towards a desired end. Many government officers, for example in MOEC, lack exposure to new methodologies and ideas, but they are deeply rooted in the school systems they have been administering. Freeing up their **common sense view of what is feasible**, and what capacity building and development needs to take place to enable it to happen is an important way forward in deepening ownership of PEDP, especially in the context of a broader national debate about the role of education in national development<sup>32</sup>. **Workshops** are a necessary means of communicating understanding for issues which cannot be covered by a government circular. However, their **ad hoc** use for capacity building, without a coherent strategy of capacity building needs, risks further distortions, including prioritization of the importance of a workshop by the per diems available, and the mindset of personal gain of core government business.

DPs increasingly make a distinction between government and **national ownership**, as part of their concern that a change in government should not lead to a change in policy

<sup>32</sup> The issues of private schooling and English language teaching are concerns to many ‘average’ Tanzanians but they do not figure highly in ‘sector dialogue’, despite their importance to national development. See for example, Maarifa ni Ufunguo (2003) ‘Private Primary and Pre-Primary Schooling in Tanzania’s Education System: Evidence from Arusha and Kilimanjaro’

that there has been so much, not least in transaction costs, to generate. There needs to be a stronger sense of what local accountability can look like in the context of Tanzania in the early years of the 21<sup>st</sup> century, and how it can be generated. Some support to some CSOs to encourage a ‘watchdog’ and ‘challenge’ role is not necessarily appropriate, and risks generating the opposite of what it is designed to achieve. **‘Business as usual’ mentality** refers to a risk avoidance approach – on the part of both donors and government - which sees every emerging opportunity as just a phase to be lived through, rather than assessing it honestly on its merits and seeing how it can contribute to positive change.

What this diagram tries to illustrate is that for many constructive actions, which could lead to positive change, there are many possible responses and reactions, and it is necessary to invest the time in understanding what is happening. For example, a high number of meetings can be negative by promoting mutual frustration, or they can be part of a positive process of developing a real understanding of ways forward. Donors trying to harmonise amongst themselves – for example in producing a collective response to the PETS – can be seen positively as reducing transaction costs for government in that they are not having themselves to collate comments from more than a dozen DPs, or it can be seen negatively as donors ‘ganging up’ on government to tell it what its response should be. Similarly the shift to budget support could be positive in freeing up resources and making aid flows more predictable, but tied to reforms for which there is not ownership in depth, or which bring additional TCs, could generate disappointment and frustration on both sides in the future.

First and foremost the need is for a common understanding of what is happening and what could be ways forward.

## 8.2 For Development Partners

### 8.2.1 Take a Longer Term Tanzania Based Perspective

There are no quick fixes to poverty and reform. At the very least, institutional memory needs to be built consistently within agencies and between agencies – reports written before a particular officer arrived in Tanzania tend to be regarded as of historical interest only, whereas for many government officers – and indeed Tanzanians working within DP agencies - it is frustrating to see the same issues emerging time and again. Longer postings for expatriate personnel might help in this regard. With 2-3 year postings, it is very possible to become the ‘oldest’ expatriate DP in a DP working group within only a few months of arrival.

Many DPs pride themselves on their role in ‘pushing the debate forward’ – indeed very often their future careers depend on being able to demonstrate change achieved in the short period of time before they move on to another country. It would help if expatriate DPs applied themselves more thoroughly to understanding their Tanzania work context, and if their agencies gave them more incentive, for example through professional appraisal, to do so. The problem is that ‘pushing the debate forward’ in practice usually involves keeping up more strongly with the debates’ international dimensions than with



its local applications. Often this comes over as ‘continually moving the goal posts’ – PER introduced, participatory PER introduced, timing of PER changed to fit better with the annual budget cycle – in such a way that no one process is properly embedded, understood and owned before it is altered – leaving many middle ranking government officers always in a position of trying to keep up. This they try to do without the benefit of much internet access or of Knowledge Management systems to make access to relevant information easily available, quite apart from a work culture which encourages it. ‘Changing mind-sets’ takes a generation, and cannot just be left to the ‘risk and assumptions’ column of a log-frame.

### **8.2.2 Assess a Wider Range of Risks**

Development aid is well known for its changing fashions and priorities. What if shifts to BS is just another of them? What needs to be done to ensure that is not the case?

One challenge is of DPs, like USAID and JICA who do not share the same analysis. Unicef and UNESCO, at least in Tanzania are not in the forefront of education sector, and certainly do not play a coordinating role, despite their UN mandate. DfID and the World Bank tend to show impatience with other smaller and technical assistance agencies whose focus remains more project based and sectoral. Whilst not advocating moving forward on the basis of ‘lowest common denominator’, there are risks involved in not having greater consistency and coherence in DP approaches.

One such is the gaps moving to BS might leave, and how they could be filled. Despite the intention that the budget process should be all encompassing, there are risks of gaps in its coverage, due for example, to problems with getting from identifying a priority to reflecting in the budget. Such gaps could well be filled by projects and funds, over which the government budget has little or no control. Some of the biggest non-governmental players, could fill perceived gaps with sufficiently large projects or funds (such as area based programmes, or education funds on a TASAF model) to distort at least local government planning activities, with off-budget and non-accountable interventions.

### **8.2.3 Be Clear and Consistent**

**Consistency within agencies:** Within agencies, audit and legal departments at HQ remain behind their officers in the field over moves towards harmonisation. Not only does this maintain transaction costs, it gives confusing messages about the seriousness of reform. Sector specialists are similarly not always in line with their own policy analysts or Heads of Aid. New projects being discussed at the same time as budget support is being promoted is similarly sending out confusing messages.

**Rhetoric and reality:** Sometimes activities supported by donors create incentives which are the opposite of what they intend. One such is ad hoc workshops, often arranged to support a priority concern<sup>33</sup>. When government officers are paid as resource people, a number of issues emerge:

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<sup>33</sup> As opposed to workshops within the context of a strategy of capacity development

- There is an opportunity cost of workshops in terms of delays caused in processing files and making decisions: core government business not carried out. The funder of the workshop may not see the problem, and they benefit in terms of demonstrated achievement in workshop held, and good attendance by government officers, but it is experienced in other parts of the government system, and by end users of government services
- It promotes a mindset of increasing transaction costs – the attitude that some decisions cannot be made until there has been a workshop on the subject, and workshops are also personally remunerative to those involved. This is a mindset which donors have helped to generate despite their rhetoric of reducing transaction costs.
- It goes against other efficiency reforms in the public service. Paying officers as resource people to carry out training, as a ‘perk’ involving duties beyond an existing job description, is not as sustainable and effective as funding the civil service properly and, where required, building a training role into a job description so that the training is part of that officer’s job, and doesn’t have the opportunity cost mentioned above.

### **8.2.3 Promote Local Accountability**

Sustainability will come ultimately through good governance based on local accountability, and yet promoting this has been one of the weaker areas of donor activity to date. National as opposed to government ownership, would be hard distinction to make judgement on in many donor countries. The role of civil society is much less thought through than many of the other developments, and tends to be left with more junior officers in the various agencies. Government concerns about the dangers of national fragmentation caused by CSOs that are seen to be hostile and negative are insufficiently understood. At the same time, the rapid speed of ‘pushing forward the debate’, means that in practice very few CSOs are able to keep up with, let alone engage constructively in dialogue about the on-going reforms.

Local accountability needs to be institutionalised. The way PEDP has put money down to school level, backed by training of school committees is an excellent start. It can be built on through the promotion of district education boards and other forums, so that consultations and information, education and communication (IEC) loops are not always ad hoc.

When local accountability and participation is promoted, as was done usefully over the development of the new PRS, it needs to be done comprehensively, and take the opportunity to inform the public about the much less discussed conditionalities, which go along for example, with the Poverty Reduction and Growth Facility, so that citizens have a real understanding of what they are engaging with and how far their views will be taken on board.

### **8.2.4 Communicate Clearly and Openly**

This underpins much of the argument about coming to a common understanding with government about sector level developments. At a more macro-level, there have been potentially constructive moves to ‘leave government alone’ during quiet periods, such as during budget preparation, when visiting missions and so on would be particularly disruptive. It is not an easy job to sit back and wait while key documents like the PRS or the JAS are developed. There seems to be a pregnant silence on the part of donors waiting on the sidelines, but ready to pounce with the collective force of a range of high powered analysis, on whatever is produced. Before such a document emerges, the language is used of ‘signalling to government’ – which produces images of flags being waved in semaphore, and government officers having to second guess what they need to write in order to meet with donor approval.

More specifically there has to be clear discussion of what key terminology like partnership, ownership and leadership actually means. In practice this rarely gets beyond platitudes about ‘government being in the driving seat’, followed by jokes about ‘but not as the chauffeur’. Some DPs see the way forward in shorter and simpler MoUs, which take less time to discuss and get approval for. However, the fewer the words, the more the risk that they are imbued with a meaning by one group, which is not shared by another. It is often the behaviour after the MoU which causes the problem, and these issues need to be clarified between the people who will implement it, rather than rushed through just to get the funds flowing. One way forward would be an MoU which has a short section on principles and a longer section with more administrative details and agreement as to adherence to the MoU is to be monitored, which could be amended with greater flexibility, rather than the kind of MoU which the PFP have now, which is widely regarded as cumbersome and out of date.

## **8.3 For Government**

Many of the recommendations are similar to those for donors, about clarity and pursuit of clear aims and objectives and effective communication of what these are. In addition, however, the following would be constructive.

### **8.3.1 Ensure Current Management and Practices are Well Carried Out**

Despite the tying up of some key officers in processes of forwarding reform programmes, or in the transaction costs of donor liaison to access funding, ordinary work still goes on, and it is necessary to ensure that it goes on well. Work plans must be well written and followed through, existing structures, such as the directorate system, adhered to, and audit queries responded to, and so on<sup>34</sup>. MOEC is better than some ministries, but to build confidence of all stakeholders in the system, good practice and proper procedures must be seen to be adhered to.

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<sup>34</sup> MOEC still has 43 audit queries outstanding since 1996/7, and 44.7m TSh of ‘irregular and questionable payments. URT (2004) Education Sector PER, page 10.

Legislative amendment to clarify the roles of responsibilities, particularly in terms of financial flows, of MOEC and PO-RALG, is a priority.

### **Greater Realism and Assertiveness**

There is a great deal to be gained from being more realistic about what can and cannot be achieved. DPs by and large want to support success, and if they are persuasively shown that the way forward is different to what they are proposing, many of them will listen.

This realism could usefully be based on:

- promoting national debate about the role of education in development, and what poor people say they need from their schooling to help them eradicate poverty
- focussing on capacity development, building out from the basis of existing civil service capacity to run the sector, to move away from the situation where a few officers are pulled into a dominant role in overseeing PEDP, without the strength and depth to see sector reform through.

### **8.3.2 Greater Risk Taking**

This is an exciting time for Tanzania. Being the focus of donor enthusiasm for the kinds of reforms President Mkapa's leadership has brought about, opportunities are available now which may not be there indefinitely. It is critically necessary to take advantage of the opportunities – by taking the risk to say no when proffered aid has more costs than benefits, and by taking the risk to take more from the aid process where its terms and conditions can bring sustainable benefits.

## **9. Conclusion**

None of the stakeholders in the education sector at national level is comfortable with the current situation: frustration and disappointment abound, but fortunately alongside a strong sense that things could be different and better. There is a need for all players to step back and appreciate the saying that 'when you point the finger at somebody else, three fingers are pointing back at yourself', and to reflect honestly on the confusing signals about needs and priorities which are being made, and to move forward towards a few genuinely shared and strategically chosen goals. These need to focus on the process as well as the product of the relationship, rather than just dressing it in the comfortable language of 'development partnership'. The alternative is continuing with the kind of transaction costs which bear little fruit in terms of genuine partnership, and which are really only another of the costs of poverty.

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