Systemic Constraints on Aid Policy and Aid Outcomes: The History of Canadian Official Development Assistance to Tanzania

submitted by

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ABSTRACT

This thesis examines the aid process to discover why aid so often fails. It does this through an investigation of the determinants of Canadian aid policy, the forces which have shaped the manner in which it has been implemented in Tanzania, and how this has affected the outcome of these efforts. The study examines in detail three significant policy decisions taken with respect to the Canadian aid programme in the past fifteen years: the decentralization and recentralization of aid administration 1989 – 1993; failed efforts in the DAC to further untie bilateral aid in 1999; and the termination of Canadian bilateral aid to Tanzania and the rest of East Africa in 1993. In addition, Canadian assistance in Hanang District, Tanzania between 1967 and 1999 is examined as a means to identify the numerous obstacles encountered by aid officials in the course of implementing aid agreements, and the forces which influence their decision-making process.

Particular attention has been paid to the influence exerted on the Canadian aid programme as a result of its participation in international organizations like the Development Assistance Committee of the OECD and the World Bank. The study also identifies constraints on the effective use of aid resources inherent in the institutionalized processes of aid which inhibit the capacity of the Canadian International Development Agency to respond effectively to evidence of policy failure and improve aid practice. It is argued that bureaucratic processes have an enduring power to shape the policies they were designed to administer. In addition, that the institutional structure of the aid programme has made it extremely vulnerable to the pursuit of economic and political objectives which conflict with the stated purpose of Canadian ODA as an instrument for poverty alleviation in recipient countries.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>TITLE PAGE</td>
<td>1</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>2</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>3</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>7</td>
</tr>
<tr>
<td>ACRONYMS</td>
<td>8</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td>10</td>
</tr>
<tr>
<td>EPIGRAM</td>
<td>14</td>
</tr>
<tr>
<td>INTRODUCTION</td>
<td>15</td>
</tr>
<tr>
<td>0.1 The problem and the hypothesis and its problems</td>
<td>15</td>
</tr>
<tr>
<td>0.2 Research questions</td>
<td>26</td>
</tr>
<tr>
<td>0.3 Structure of thesis</td>
<td>26</td>
</tr>
<tr>
<td>0.4 Methodology</td>
<td>30</td>
</tr>
<tr>
<td>0.5 Limitations to Study</td>
<td>31</td>
</tr>
<tr>
<td>0.6 Contribution to Knowledge</td>
<td>32</td>
</tr>
<tr>
<td>PART I: POLICY-MAKING</td>
<td></td>
</tr>
<tr>
<td>CHAPTER ONE</td>
<td></td>
</tr>
<tr>
<td>COMPETING INFLUENCES ON CANADIAN AID POLICY</td>
<td>33</td>
</tr>
<tr>
<td>1.1 The theoretical rationale for aid</td>
<td>34</td>
</tr>
<tr>
<td>1.2 The origins of aid</td>
<td>38</td>
</tr>
<tr>
<td>1.3 The Cold War</td>
<td>40</td>
</tr>
<tr>
<td>1.4 The pursuit of commercial interests abroad</td>
<td>42</td>
</tr>
<tr>
<td>1.5 The international aid regime</td>
<td>44</td>
</tr>
<tr>
<td>1.6 Aid as a bureaucratic process</td>
<td>55</td>
</tr>
<tr>
<td>1.6.1 Tendency to inertia</td>
<td>56</td>
</tr>
<tr>
<td>1.6.2 Goal displacement</td>
<td>58</td>
</tr>
<tr>
<td>1.6.3 Malfunction of oversight/corrective mechanisms in public institutions</td>
<td>59</td>
</tr>
<tr>
<td>1.6.4 Incentives</td>
<td>62</td>
</tr>
<tr>
<td>1.6.5 Accountability</td>
<td>66</td>
</tr>
<tr>
<td>1.6.6 The generation, circulation and use of information</td>
<td>69</td>
</tr>
<tr>
<td>1.6.7 Relative autonomy</td>
<td>92</td>
</tr>
<tr>
<td>1.7 The determinants of Canadian aid policy</td>
<td>73</td>
</tr>
<tr>
<td>1.7.1 The influence of the Cold War on Canadian aid policy</td>
<td>74</td>
</tr>
<tr>
<td>1.7.2 Humane Internationalism</td>
<td>75</td>
</tr>
<tr>
<td>1.7.3 The Dominant Class explanation</td>
<td>76</td>
</tr>
<tr>
<td>1.7.4 The pluralist perspective</td>
<td>80</td>
</tr>
<tr>
<td>1.7.5 The statist interpretation</td>
<td>82</td>
</tr>
<tr>
<td>1.7.6 The international aid regime and Canadian aid policy</td>
<td>84</td>
</tr>
<tr>
<td>1.8 Conclusion</td>
<td>86</td>
</tr>
</tbody>
</table>
PART II: POLICY IN PRACTICE

The aftermath of aid: the Tanzania-Canada Wheat Project, the Hanang Participatory Development Fund, and CIDA's capacity to learn from experience

INTRODUCTION TO PART II .................................................................226

CHAPTER FIVE
THE TANZANIA-CANADA WHEAT PROJECT 1967 - 1993 .................238
5.1 Chronology of the Tanzania-Canada Wheat Project ......................238
5.2 A description of Hanang District, Tanzania .................................244
5.3 The origins of the TCWP .................................................................245
5.4 The Arusha Declaration and Tanzanian commitment to food self-sufficiency...246
5.5 Why wheat .....................................................................................252
5.6 Why Hanang ..................................................................................253
5.7 The decision to support the project: Canadian support for the objectives of the Arusha Declaration .........................................................256
5.8 Why mechanized production ............................................................258
5.9 The decision to expand the TCWP in 1976 ......................................262
5.10 The economic viability of the Hanang Wheat Farms .......................266
5.11 The conflict over land rights in Hanang ..........................................269
5.12 The Kisanga Commission .................................................................270
5.13 The decision to expand the project into Phase III ...........................273
5.14 The long-term impact of the TCWP .................................................275
5.15 Conclusions .................................................................................279

CHAPTER SIX
THE HANANG PARTICIPATORY DEVELOPMENT FUND 1989 – 2000 .......283
6.1 The origins of the HPDF .................................................................284
6.2 The identification of project objectives ...........................................286
6.3 Attempts to identify an Executing Agent .........................................290
6.4 A reevaluation of project objectives ...............................................292
6.5 CIDA's handling of the land issue ....................................................296
6.6 The identification of a counterpart agency .......................................303
6.7 CUSO's role in shaping events in Hanang ........................................310
6.8 The establishment of an administrative structure for the project .........315
6.9 Conclusions .................................................................................317

CONCLUSIONS ......................................................................................322
7.1 International influences on Canadian aid policy ...............................324
7.2 The pursuit of economic advantage through the aid programme ..........328
7.3 The aid programme as a bureaucratic institution .............................332
7.3.1 The relative autonomy of CIDA ................................................................. 332
7.3.2 The principal/agent problem ................................................................. 333
7.3.3 Oversight mechanisms: monitoring and incentives .......................... 335

BIBLIOGRAPHY ................................................................................................. 343

APPENDIX I (List of interviews conducted in the course of research) ........ 370

APPENDIX II (Summary description of all CIDA projects comprising the Tanzania-Canada Wheat Project) .............................................................. 373
LIST OF FIGURES

Figure 3.1  Canadian Commodity Agreements with Tanzania......................... 143

Figure 5.1  The Tanzania-Canada Wheat Project............................................ 243

Figure 5.2  Map of Hanang Wheat Complex................................................... 245

Figure 5.3  Wheat Production at the Hanang Wheat Complex 1967 – 1998........... 262
LIST OF ACRONYMS

AMEB  Africa Middle East Branch of CIDA

CCIC  Canadian Council for International Cooperation

CEA   Canadian Executing Agency

CG    Consultative Group (for Tanzania)

CIDA  Canadian International Development Agency

CIS   Commodity Import Support

CLWR  Canadian Lutheran World Relief

CPR   Country Programme Review

CUSO  Canadian University Service Overseas

DAC   Development Assistance Committee of the OECD

DFAIT  Canadian Department of Foreign Affairs and International Trade

EAITC External Affairs and International Trade and Commerce (former name of DFAIT)

EAO   External Aid Office

EU    European Union

GDP   Gross Domestic Product

GNP   Gross National Product

GOT   Government of Tanzania

HCDP  Hanang Community Development Project (first label of HPDF)

HPDF  Hanang Participatory Development Fund

HQ    Headquarters

IDRC  International Development Research Centre

IMF   International Monetary Fund

KIPOC Korongoro Integrated People Oriented Conservation
LDC  Least Developed Country
MLHUD  Tanzanian Ministry of Lands, Housing and Urban Development
MOF  Ministry of Finance (of Tanzania)
NAFCO  National Agriculture and Food Corporation
NGO  Non-governmental organization
NMC  National Milling Corporation
ODA  Official Development Assistance
OECD  Organization for Economic Cooperation and Development
OGL  Open General License
PDG  Project Development Group (of the HPDF)
PER  Public Expenditure Review
SADC  Southern African Development Community
SAGIT  Sector/Service Advisory Group on International Trade (ad hoc committee in Canadian Department of Foreign Affairs and International Trade)
SCEAITC  Parliamentary Standing Committee on External Affairs, International Trade and Commerce (now Standing Committee on Foreign Affairs and International Trade)
SDR  Special Drawing Rights
SWAP  Sector-Wide Approach
TCWP  Tanzania-Canada Wheat Project
UNDP  United Nations Development Programme
URT  United Republic of Tanzania
USAID  United States Agency for International Development
WUSC  World University Service of Canada
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The completion of this project owes a great deal to many other people I have encountered along the way, too numerous to mention them all by name. While in natural science one is at the mercy of the forces of nature in conducting research (waiting for the fruit flies to multiply or whatever), I have been conscious over the past four years of the extent to which doing social science research depends on the simple good will of other people to take the time to answer my questions, help me track down the right documents, and suggest useful leads to pursue. For most of these people, helping me did not form any part of their job description, yet everywhere in the Canadian International Development Agency, the Canadian Department of Foreign Affairs and other federal offices, various international development organizations, the Government of Tanzania, the Canadian High Commission in Dar es Salaam, and in CIDA funded projects in Tanzania I met with good will, generosity and cooperation. Poverty and the history of aid in Africa are depressing topics, and this research has reinforced my belief that aid as it exists does not work. However paradoxically, it has at the same time served to reaffirm my faith in humanity. I met many people in Canada and Tanzania genuinely trying to do something to help those who live in poverty, and working very hard at it. I am grateful that they took time out to assist me with my research.
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There is a hole in everything. 
That’s how the light gets in.

-- Leonard Cohen
INTRODUCTION

This thesis examines the aid process to discover why aid so often fails. It does this by investigating the determinants of Canadian aid policy, the forces which have shaped the manner in which it has been implemented in Tanzania, and how this has affected the outcome of these efforts. Although a number of studies have concluded that the impact of aid on recipient countries is very difficult to define with any precision,\(^1\) the history of Canadian aid in Tanzania suggests that ODA there has largely failed in both its officially proclaimed objectives of fostering economic growth and reducing poverty and, in most instances, in achieving the more modest goals of individual aid projects. In the words of one Canadian official, "We have put one billion dollars into Tanzania, and you can’t see it."\(^2\) This study should help us understand why this is so.

0.1 THE PROBLEM AND THE HYPOTHESIS AND ITS PROBLEMS

This research project began as an investigation of the extent to which Canada’s participation in international organizations and the institutionalized processes of development assistance shape Canadian aid policy and provide an explanation of aid failure. The original hypothesis was that a number of policy trends over the life of the Canadian aid programme, and particularly in the last decade and a half, have combined to reduce the capacity of Canadian aid to respond effectively to the requirements of aid recipient countries. Aid policy among western donors has always been relatively similar in substance and form. The end of the Cold War and the identification of structural adjustment as a priority by the World Bank/IMF in the 1970’s moved the aid agenda to the level of macro-economic policy interventions. This required increased donor coordination and facilitated the emergence of a consensus among donors as to appropriate forms of aid. In this process, control over development doctrine was concentrated in the hands of the Bretton Woods Institutions, in practice if not in formal terms.

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\(^1\) Cassen; Riddell; Toye.

\(^2\) Interview.
In Canada, this shift was accompanied by a number of other significant policy changes. Beginning in the 1980’s and accelerating in the early 1990’s, CIDA (the Canadian International Development Agency) privatized virtually all aspects of aid delivery (project identification, design, implementation, evaluation, and, to an extent, policy analysis). A brief experiment with decentralized aid administration was cancelled in 1992, and management of the aid programme returned to CIDA HQ in Canada. Since 1989, the Canadian aid budget has been cut by almost half. The working hypothesis of this research was that these trends, and especially the delegation of the initiative at both ends of the aid process – in the formulation of policy directions and in aid delivery – have narrowed the scope for innovation in the Canadian aid programme and committed it more deeply to established modes of assistance. The Canadian aid programme was established in the 1960’s to administer the type of aid which was deemed appropriate at the time: technical assistance and large turn key modernization projects. As the aid programme expanded, a large bureaucracy developed to administer it. While history has shown that this approach to development has proven inadequate, bureaucracies develop a momentum of their own which can trap them into established patterns of behaviour. Bureaucratic practices also have an enduring power to shape the policies they were designed to administer.

While it is hoped that the following chapters will demonstrate that these claims are in their general contours justified, the research conducted over the past four years and presented here revealed that certain modifications had to be made to this original thesis. Why Canadian aid takes the form it does and how this affects its outcomes is not so neatly explained, alas. The “Washington consensus” on aid doctrine has had a powerful influence on the shape of the Canadian aid programme in Tanzania and elsewhere, as the discussion of structural adjustment and the application of policy conditionality in Chapter Four illustrates. However, the strength of this influence varies from issue to issue and policy initiatives originate at various points within and outside of the agency. For example, support for structural adjustment as a programme priority as discussed in Chapter Four originated in the office of the CIDA President following his return from a stint at the IMF. The decision to decentralize the administration of Canadian aid discussed in Chapter Two followed the recommendations of a Parliamentary Committee which had held public hearings.
across the country in 1987. The drastic cuts in the volume of aid to Tanzania also described in Chapter Four were primarily the result of a consensus among donors voiced in the annual Consultative Group meetings that Tanzania was failing to adhere to the conditions attached to international aid flows in the early 1990’s. The resumption of Canadian aid to Tanzania was primarily a response to a well orchestrated public protest by the NGO lobby in Ottawa. Different actors exert a varying degree of influence on Canadian aid policy at different times.

Another problem arose with respect to how to analyze the policy decisions which preliminary research had identified as significant. The privatization of virtually every aspect of aid delivery is arguably the most important change in Canadian aid policy in the past two decades. Chapter Two examines the origins of this decision. How this has affected the quality of Canadian assistance in Tanzania and elsewhere is an extremely important question. The Groupe Secor Strategic Management Review of CIDA in 1991 concluded that privatization had contributed to an increase in aid delivery costs. A review of CIDA funded projects in Tanzania suggests that a comparative evaluation of the effectiveness of private commercial contractors, non-profit organizations and public servants as implementing agents for Canadian aid projects is an issue which merits serious examination. These matters are, however, beyond the scope of a single country study conducted by one researcher. The impact of the privatization of aid delivery is addressed here indirectly through an analysis of the generation and circulation of knowledge gained in the field and the integration of the lessons of experience into aid practice. The result of privatization and the recentralization of aid management, it has been suggested, is that CIDA is not a repository of knowledge about development, but simply a conduit for the disbursement of aid funds.³ It could be argued that while the practice of subcontracting aid delivery creates the potential for Canadian ODA to be applied more effectively and efficiently (depending on the agent chosen), it also permits the erosion of a fund of knowledge about poverty and development within the agency on which policy decisions can be based. Benefiting from the knowledge gleaned by contractors in the field depends on a mechanism for the exchange of information between CIDA and its executing agents to permit the accumulation of knowledge and

³ Pratt, 1994; DFAIT files.
the adaptation of practice. To the extent that this interaction does not occur, or that there exists no mechanism to incorporate the lessons of experience into practice, there is a possibility that policy will be made on the basis of an increasingly shallow consideration of ‘development’ issues, reducing the agency’s capacity to adapt to changing conditions and entrenching existing practice. Under such conditions it is possible to imagine the calcification of the institution of aid in its current form and a pattern of path dependence in policy formation.

With respect to the idea of a policy consensus among donors, there are, in fact, significant instances of policy divergence among donors. The discussion of Canadian procurement regulations and international negotiations to untie aid in Chapter Three highlights an issue on which Canadian policy stands in violation of international principles. The evidence presented here strongly indicates that a number of other factors exert an overriding influence on Canadian aid policy; most importantly domestic economic and political interests. A number of these influences have previously been identified by other researchers, and this literature is examined in Chapter One. In addition, a review of Canadian aid to Tanzania, while overwhelmingly a bleak tale of ill-conceived projects and disappointing results, reveals several examples of innovative policy initiatives which fly in the face of the idea that CIDA’s store of new approaches is depleted.

In light of these caveats to the original thesis, the more interesting question became the identification of the constraints inherent in the institutionalized aid process which inhibit the effective use of aid resources and the capacity of CIDA to adapt and improve aid practice. In addressing this question, and in explaining Canadian aid practice and its outcomes, theories of bureaucratic failure have ultimately proved more useful than the concept of an international aid regime and the disciplinary power of its norms as codified in World Bank directives and the DAC Principles of Effective ODA. In particular, they highlight bureaucratic inertia and rigidity; the functioning of adequate oversight mechanisms for the aid programme and the possible existence of perverse incentives inherent in the aid process; the autonomy of the aid agency to formulate and implement policy; and the ambiguous identification of the ‘principal’ whose interests are meant to be served by the aid
programme as important issues to be considered in this context. The research presented here reveals that due in large measure to constraints inherent in its bureaucratic structure, the Canadian aid programme has proven extremely vulnerable to domestic politicking to the detriment of the pursuit of its avowed objectives. Likewise, it has been very slow to incorporate the lessons of experience into aid practice.

In their study of the activities of American, Chinese and Swedish bilateral aid donors in Tanzania, Hyden and Mukandala have noted that the literature on aid falls mainly into two categories: macro-level studies of the efficacy of aid in promoting economic development and as an instrument of foreign policy, and micro-level studies of individual aid projects in the field. They suggest that there is a gap in the literature at the meso-level: in the examination of the role played by aid agencies themselves. They say: “Implicitly, if not explicitly, they have been treated as only part of the solution of foreign aid, not as a problem associated with this activity.” In a similar vein, Saasa and Carlsson note the paradox between aid success at the micro-level (a questionable assumption, but it might be accepted if success is defined as number of classrooms built, babies inoculated, etc.) and negligible positive impact perceptible at the macro or national level. They argue that the key must lie in what happens in between: i.e. in the institutions which act as conduits for aid in the donor and recipient countries.

In identifying aid institutions as objects of analysis in trying to explain aid failure, it must be noted that this definition is not limited to the aid agency, in this case CIDA. An examination of the practice of policy-making and implementation must include not only the activities of the aid agency itself, but the whole aid process as it involves other Canadian government departments, international organizations, recipient government institutions, and the executing agencies which implement Canadian aid as well as other parties which claim a stake in the aid process in its various stages: the intended beneficiaries, Parliament, NGOs, in-country donor

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4 Hyden and Mukandala, 1999. See for example Cassen et al; Riddell; Toye; Lele; Ferguson.
5 Hyden and Mukandala: 2
6 Saasa and Carlsson: 11.
working groups and sundry other interests. Therefore, the object of study is identified here as the institutionalized aid process rather than the aid agency alone.

Although the policy decisions examined here have been selected as particularly dramatic examples of the way in which aid practice can run counter to the declared objectives of aid programmes, this study should not be read as a dismissal of development assistance as an international obligation or as a condemnation of aid officials individually or collectively. As the cases discussed below will illustrate, the point is rather that CIDA officials are generally very well aware of the problems and potential problems which plague the aid programme, yet established practice has proven painfully resistant to substantial alteration. CIDA has demonstrated a capacity for self-reflection in the past. In fact, Morrison suggests that the agency's almost continuous restructuring and redefinition of its mandate is one of its defining characteristics.7 It would be false to suggest that the Canadian aid programme has made no effort to adapt aid practice to the lessons of experience. As an example, there is CIDA's gradual inclusion of various pre-investment impact studies into the aid process. Canada is seen as an international leader in the incorporation of gender analysis into aid practice. Yet, as recently as 1988, a Canadian consultant hired to conduct an evaluation of the Tanzania-Canada Wheat Project discussed in Chapter Five addressed the issue of the impact of the project on women by recommending that something useful be found for the cooperants' wives to do in their spare time.8 The central question this study seeks to answer is why has it proven so difficult to change aid policy and practice when its failings are generally so obvious to all concerned? At issue is the aid programme's vulnerability to domestic politicking and CIDA's capacity to assimilate lessons from experience and to adapt practice accordingly.

In a discussion of the causes of aid failure, some acknowledgement must be made of the limitations of Canadian aid and of ODA in general in efforts to end poverty in Tanzania and elsewhere. The problems discussed here with respect to the Canadian aid programme are part of a much bigger issue concerning the structure of the international aid system and its role within the global economic system. Focusing

a study of the causes of aid failure on the determinants of aid policy ignores the larger issue of whether aid is in fact the most effective policy instrument for the task with which it is officially charged, rather than trade policy, for example. In addition, Canadian aid to Tanzania is currently around ten million dollars a year. Enormous claims for and demands upon are made of this sum — to end poverty, to change lives. As the research presented here will show, the potential benefit of aid is reduced by the fact that it is put in the service of objectives other than economic development and poverty eradication. The sum that is directed at developmental purposes is further dissipated by obstacles encountered in the recipient country: corruption and bureaucratic inefficiencies, a lack of the resources necessary to use aid effectively, and by the fact that sometimes, a lack of money is not the problem.

In a discussion of the causes of aid failure, the almost complete lack of coordination of donor activity in Tanzania over the past forty years suggests itself as an obvious and significant factor in aid failure. In its first years of independence, aid composed a small proportion of Tanzania’s revenue, and the noble objective of self-reliance embodied in the Arusha Declaration seemed for a time within the realm of possibility. However, through the 1970’s and ‘80’s, aid flowed into Tanzania in ever increasing volume as donors enthusiastically supported the Tanzanian development vision. The ODA/GDP ratio increased from 5 per cent per annum in the 1970’s to 57.3 % in 1992. Between 1986 and 1992, ODA made up 26.8 per cent of Tanzania’s Gross Domestic Product (GDP). Between 1990 and 1994, aid composed forty-four per cent of GDP, “making Tanzania into one of the most aid dependent countries in the world.” 1994/95 budget depended on external aid for 86.6 % of expenditures. According to World Bank figures, approximately one third of Tanzania’s public expenditures are currently funded by external aid. This includes around ninety per cent of the development budget and a portion of recurrent expenditure.

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9 See Raffer and Singer,1996.
10 Bagachwa:173.
11 Sobhan:141.
12 Bagachwa:173.
expenditures as well.\textsuperscript{13} Aid and the activities of donor agencies are, therefore, a very important element in Tanzania’s development efforts.

Although they comprise a significant portion of the nation’s resources, seventy per cent of ODA flows to Tanzania are not accounted for in the national budget.\textsuperscript{14} These resources enter Tanzania through a variety of alternative channels: as the result of direct negotiations between donors and individual ministries or local governments; through NGOs; via special accounts established by donors to transfer aid funds; or they are paid directly to suppliers and consultants in the donor country and never pass through the Tanzanian Treasury. Although the Ministry of Finance is the official authorizing agent for all aid agreements made with other sovereign governments, this agreement is often obtained after the fact. In preparing its annual budget, the government therefore has little idea exactly how much revenue it will receive from external sources in any given year, or indeed, the full extent of its commitments to provide counterpart funding and the recurrent costs for aid assisted projects negotiated by other government departments. The vast majority of projects supported by external donors have not been initiated as the result of any kind of systematic prioritization of investment needs or as part of a national strategic development plan. This problem has been compounded by the fact that until 1997, the formulation of the development budget and the recurrent budget took place in two separate government departments.

A further demonstration of the limited integration of aid into any kind of coherent national management plan is the way in which the country’s sovereign debt is managed. Tanzania’s current debt load amounts to one hundred and thirty per cent of GDP.\textsuperscript{15} This has meant that debt service payments due over the past three years (excluding IMF loans) have averaged seventy-eight per cent of domestic revenue annually. Debt service actually paid has averaged thirty-five per cent of domestic revenue annually for the past three years. Tanzania’s external debt is managed by the Bank of Tanzania, and the 1998 Public Expenditure Review (PER) reported that although the Ministry of Finance prepares the annual budget (formerly in conjunction

\textsuperscript{13} Kessy, 1998.
\textsuperscript{14} URT/World Bank, 1998; URT, Public Expenditure Review 1999.
with the Planning Commission), the "MOF [Ministry of Finance] is not always aware of when foreign debt has been paid by the Bank of Tanzania...At present, MOF has no records on external debt." In addition, the 1998 PER reported that GOT figures on its IBRD debt do not coincide with World Bank records. Since these problems have been identified, steps have been taken to attempt to correct them, but the fact that this has been the state of affairs up to recent times illustrates the lack of control the government has been able to exercise in managing its external revenue and expenditures. The amount Tanzania is obliged to pay for debt servicing and when it is paid has a direct impact on the government's ability to plan for investment in development, particularly now that Tanzania is operating on a cash budget. Knowledge of the complete extent of its commitments is therefore important. However, the government has not been alone in failing to reconcile these two aspects of financial management. As highlighted by the 1995 Helleiner Report, donors also continue to separate their discussions of Tanzania's debt and its aid requirements between the meetings of the Paris Club of creditors and the annual Consultative Group meetings despite the fact that one clearly has a direct affect on the other.

After 1986, bilateral balance of payments support in aid of the structural adjustment of the Tanzanian economy was quite carefully orchestrated under World Bank/IMF leadership and tight donor consensus in the Consultative Group. From the mid 1980's to the early 1990's this type of assistance comprised a large proportion of ODA to Tanzania, around fifty per cent. However, following the OGL debacle in 1993/94 discussed in Chapter Three, programme aid of this type has subsided drastically. Project aid (capital goods and technical assistance granted in discrete projects) currently comprises seventy per cent of ODA to Tanzania and is almost completely uncoordinated. The Helleiner Report stated that there were at that time more than two thousand active donor assisted projects in Tanzania. The 1998 Tanzania Public Expenditure Review reported that in 1997/98 the public investment portfolio of projects had been pruned from fourteen hundred to fewer than eight hundred through consolidation, elimination and the hiving off of activities to other

\[15\] PER 1999.
\[16\] URT/World Bank, 1998.
agencies. However, in attempting to improve its management of aid and donor activities in Tanzania, the government still confronts a myriad of project implementing agents and administrative structures. According to the UNDP, in 1996 Tanzania received aid from sixty international donor agencies. In addition, an estimated eight hundred non-governmental organizations are involved in development oriented work in the country. The central government, with limited resources and administrative capacity, has found it difficult to control and direct this diversity of activity. The government has no firm idea of the volume of aid flows entering Tanzania on an annual basis, let alone the full extent of donor activity in the country, nor are donors aware of what their counterparts are doing, or even, sometimes, what they themselves have done in the past. This situation makes the notion that external aid has been applied to development priorities in Tanzania in any kind of systematic way unlikely. Given this state of affairs, the question of why aid so often fails might more usefully be posed as how could it ever be expected to work?

On several occasions during the course of reviewing its activities in Tanzania over the years, CIDA has criticized itself for pursuing a programme of disparate and unconnected parts. As the following chapters will discuss, Canadian aid commitments and those of other bilateral donors are dictated by a variety of factors: current agency priorities; recipient government priorities; donor capabilities; domestic political and economic imperatives; and the pressure to disburse accumulated funds and the opportunities to do so at a particular point in time. These factors contribute to the asymmetrical development of bilateral aid programmes. In addition, if the Canadian aid programme in Tanzania has historically lacked internal coherence, the operation of individual donors in isolation from one another has led accordingly to this problem writ large. The search for the magic solution, be it environmentally sustainable development, gender sensitive aid or structural adjustment, for example, has in the past led donors to shift their aid from one area to another to the expense of other priorities. According to some sources, the social services sector (health and

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19 CIDA, Tanzania Country Programme Review, various years.
education) in Tanzania is currently inundated with aid, while water and agriculture are now comparatively neglected by donors.\textsuperscript{20}

As the case of Canadian assistance to the Tanzania-Canada Wheat Project (TCWP) presented in Chapter Five, as well as numerous other examples from the annals of aid history illustrate, aid projects often fail as a result of what, for want of a better term might be called 'externalities'. For example, the TCWP was very successful in demonstrating that northern varieties of wheat could be adapted and grown on the fertile plains of Hanang. However, the lack of vital supporting infrastructure, i.e. a quick and reliable road or rail link with the major market in Dar es Salaam, inflated production costs to an insupportable level. Another commonplace example might be the construction of classrooms to accommodate more children where there are no funds to hire teachers or the teachers are so poorly trained and textbooks and other teaching aids so lacking that parents are wasting their hard earned money in sending their children to school at all. This depressing example might be extended to asking what becomes of those children who work hard and actually succeed in getting a decent education, only to find that there are no jobs for them at the other end. James Morton has ridiculed the myth of the 'key sector' in development practice, and the pursuit of successive fads among aid donors in their search for the key to development.\textsuperscript{21} What the sorry history of aid in Africa seems to demonstrate most vividly is that there is no escaping the imperative to attack poverty on numerous fronts. This campaign, must, however, be waged systematically, so that huge acerages of wheat are not planted where there is no serviceable road to transport it, and so that the activities of one donor in a particular sector or community compliment those of another and do not conflict with or duplicate them. And as aid donors, Canadians need to clarify just what exactly the objectives of their international assistance programme should be.

\textsuperscript{20} Interviews.
\textsuperscript{21} Morton, 1994.
0.2 RESEARCH QUESTIONS

The primary tasks of this thesis are the enumeration of the various influences on Canadian aid policy at each stage in the aid process, and a demonstration of how they effect the outcome of aid efforts. Particular attention has been paid to the influence exerted on CIDA by its participation in international organizations where aid policy is discussed, namely the World Bank and the Development Assistance Committee of the OECD, and to constraints on aid effectiveness inherent in established practices of assistance. In very crude terms, the issue addressed by this paper can be problematized thus: noble statements of purpose input at one end of the aid process emerge at the other in the form of failed projects and policies. What happens in between? The specific research questions it seeks to answer in the context of an examination of Canadian ODA to Tanzania are as follows:

Firstly, what is Canadian aid trying to do; i.e. what are its objectives, official and undeclared.

Secondly, how are these objectives determined; that is, what are the major influences on Canadian aid policy?

Thirdly, what affect have these various factors had on the outcome of Canadian aid projects in Tanzania?

Fourthly, what is CIDA’s demonstrated capacity to incorporate the lessons of experience into aid practice?

0.3 STRUCTURE OF THESIS

There is a tendency in some writing about CIDA both in the popular and academic press and in certain quarters of the NGO community to view CIDA as a monolith in the service of one interest group or another. This conception obscures the contestation of policy within the agency and between it and other governmental bodies as well as the structural constraints under which aid officials act. Unraveling
the decision-making process, tracing the course of cause and effect and locating the critical power points within aid institutions is complicated by the symbiotic relationship among its various parts. Although a linear model of the aid process is employed here as an heuristic device to organize the analysis of the constraints on the effective use of aid, policy-making and implementation is a decidedly non-linear process. CIDA has by one estimate seventy-six internal committees concerned with various aspects of policy operating at different levels within the agency\textsuperscript{22}, not all of which are active, record their activities, or follow their stated mandate. There are also numerous interdepartmental committees, and international organizations in which Canada participates and signs policy agreements which affect its aid policy. Analyzing aid policy-making and delivery practices is further complicated by the fact that there have been numerous changes in government regulations and CIDA’s internal structure over the past forty years. In an attempt to get a handle on this unwieldy process, in addition to the various political and economic interests identified in the literature on aid as influences on aid policy, the theoretical literature on the function and malfunctioning of bureaucratic institutions is useful. This literature is reviewed in Chapter One in order to identify variables to be examined in relation to the cases presented in later chapters.

Three significant policy decisions taken with respect to the Canadian aid programme over the past fifteen years and the history of Canadian assistance to Hanang District in northern Tanzania over a period of thirty years have been selected as cases for examination. Chapter Two looks at the 1988 decision of the Canadian government to decentralize the administration of bilateral aid in accordance with the recommendations of a Canadian Parliamentary Committee, and in line with measures taken by a number of other western donor agencies around the same time. Early reports from the field were that placing Canadian aid officials closer to the intended beneficiaries of Canadian aid was having a positive impact on the quality of assistance CIDA was offering them. However, flaws in the administrative structure for decentralized administration became apparent and the policy was unpopular with a number of interest groups, most significantly the Canadian commercial sector. In 1989, just over a year into decentralization, the process was reversed. One hundred

\textsuperscript{22} Secor, 1991.
and fifty million dollars had been spent shifting operations overseas before the
process was halted and the administration of aid recentralized in Canada.23

The fact that Canadian ODA is heavily tied to the procurement of Canadian
goods and services has always been a contentious issue in Canada. As outlined in
Chapter Three, the evidence is quite conclusive that tying aid both reduces its
purchasing power and creates a number of other problems for recipient governments
in maintaining donor-assisted projects. CIDA's restrictions on procurement have
loosened somewhat over the years, yet the Canadian government, subjected to
strenuous lobbying from Canadian manufacturers and commercial contractors, has
resisted calls from the Canadian NGO lobby and international bodies like the World
Bank and the Development Assistance Committee (DAC) of the OECD to further
untie Canadian aid. In 1999, members of the DAC sought a new agreement on
untying bilateral aid. After contentious interdepartmental wrangling and public
consultations, the Canadian government agreed to support the new measure.
However, the agreement subsequently fell apart within the DAC, and Canadian policy
has not changed from guidelines established in 1987.

In 1993, the Canadian government announced that it was terminating its aid
programmes in East Africa, including its assistance to Tanzania. At that time, the
Tanzania programme was not only CIDA's largest in sub-Saharan Africa, but
Tanzania was also, according to U.N. statistics, the third poorest country in the world.
The government's decision was condemned by the public, the media, the NGO lobby,
and by members of Parliament from all political parties. Nevertheless, the cuts were
in line with a dramatic reduction in aid flows to Tanzania from several of its major
donors in that year. CIDA proceeded with its plans to wrap up most of its major
commitments in Tanzania, and when the newly elected Liberal government restored
aid to Tanzania the following year, it was at one third its former volume, a level it has
since maintained. Chapter Four examines the determinants of the governments'
course of action in this matter.

23 Unless otherwise noted, all figures are in Canadian dollars.
As described in Chapter Five, in 1967 the Canadian government received a request from the Tanzanian government for assistance in increasing its wheat production. The initial feasibility study stated in no uncertain terms that the project was not economically sound. After the initial success of adapting northern wheat strains to grow in Tanzania, Phase I of the project went badly with poor crop yields over several years, yet the project was expanded fivefold in a second phase. Evaluations of the project conducted during Phase II concluded unanimously that the project was not economically viable. In addition, violence and social conflict had erupted on the farms over the issue of land rights. Yet the recommendations of these reports and the claims of local residents were ignored and the project was extended into a third phase, and CIDA continued to provide funding for the project until 1993. Chapter Five addresses the question of why CIDA funded and continued funding this project when numerous reports concluded that it was not economically viable and was failing to achieve its objectives.

The Hanang Participatory Development Fund (HPDF) discussed in Chapter Six was initiated by CIDA in response to local resistance to the wheat project and in reaction to public criticism in Canada. Despite the ardent wishes of all the major players involved at the outset, and particularly those of CIDA, that the HPDF be implemented as soon as possible, it was nevertheless ten years between the conception of the project and the first disbursement of aid funds. During this period, the project objectives were redefined a number of times, the identity of the proposed Canadian executing agency changed five times, and a variety of administrative structures were considered. Project planners also struggled to identify a Tanzanian counterpart agency. The project was cancelled once, resurrected, then put on hold again before it finally got off the ground in 1996. Chapter Six examines the lengthy and troubled gestation of this project, which reveals the range of factors which continue to shape aid policy through the process of implementation.

What unites the three policy decisions examined in Chapters Two through Four with the history of Canadian involvement in Hanang District as discussed in Chapters Five and Six is the fact that in each case there was significant support from the parties involved that Canadian policy follow what was generally believed to be the
most beneficial to the intended beneficiaries of Canadian aid. Yet for a variety of reasons, in the first three cases, official support for this position could not be affected or maintained, and in the last case, it took ten years to achieve, and then it was on a much smaller scale than had originally been sought. It is believed that these cases provide clear illustrations of the constraints inherent in the aid process as it currently exists which inhibit the capacity of aid to achieve its declared objectives and to respond effectively to evidence of policy failure. They also provide insights into CIDA’s capacity to incorporate the lessons of experience into its aid practice.

0.4 METHODOLOGY

The cases analyzed here were selected as particularly significant and dramatic policy decisions which provided optimal conditions in which to examine the various forces acting on Canadian aid policy. Canadian aid to Tanzania was selected as the context in which to study the issues outlined above on the basis of several considerations. Firstly, I am a Canadian citizen, and access to the relevant government documents related to the aid programme and to aid assisted projects in the field was most readily obtained in that country. Secondly, within Africa, Tanzania stands as the preeminent example of a country which sought, through a boldly articulated plan, to overcome poverty and to foster an economic prosperity which was to be enjoyed equally by all. Aid donors from east and west embraced Nyerere’s vision with enthusiasm, and until its cancellation in 1993, Canada’s aid programme in Tanzania was its largest in sub-Saharan Africa. The failure of the Ujaama policies and the donor community’s gradual disillusionment with Tanzania as discussed in the academic literature and in the following chapters makes Tanzania an intriguing case through which to examine the aid process. In addition, the Canadian assisted wheat project in Tanzania described in Chapter Five and Six was extremely controversial, and thus makes an interesting case through which to examine the decision-making process surrounding the implementation of aid projects and how CIDA as an aid agency responded to a failure of such dramatic proportions.

24 See Coulson; Pratt, 1976 and 1979; Hyden; Campbell and Stein; Sobhan.
Looking at the three policy issues and the implementation of Canadian aid in Hanang as described above allows the examination of the aid process from several vantage points. The method employed was to trace the decision-making process from the identification of macro-level policy objectives through programming decisions, project identification, implementation and evaluation, in order to identify key influences at each stage and the structural constraints inherent in the aid process which compromise its developmental effectiveness. As the emphasis was on the decision-making process within the Canadian aid programme, this approach involved an examination of Canadian policy documents, project files, the recorded minutes of various meetings where the issues in question were discussed, and related memoranda held in CIDA and DFAIT files and in the National Archives of Canada. Press coverage and relevant files and reports prepared by sources outside the government were also reviewed. This research was conducted primarily in Ottawa over a period of twelve months between January 1998 and December 1999. This material was supplemented by a series of semi-structured interviews conducted with Canadian and Tanzanian aid officials and with independent observers as recorded in Appendix I. In order that respondents might feel more able to speak openly on the topics under discussion, it was agreed that their comments would be non-attributable. Interviews with Canadian and Tanzanian aid officials, and with representatives of various other aid agencies active in Tanzania, observation at CIDA funded project sites, and a review of additional documentary material held at the Canadian High Commission in Dar es Salaam was conducted in Tanzania between March and August 1999.

0.5 LIMITATIONS TO STUDY

This study focuses on Canadian bilateral aid to Tanzania to the exclusion of Canadian contributions to multilateral aid programmes and the activities of Canadian NGOs. It has employed a linear model of the aid process as a device through which to examine the forces which shape the decisions taken by aid officials at each stage and how this affects the useful application of aid resources. In attempting to trace a coherent line from policy formulation through the programming, project identification, design, implementation and evaluation phases of the aid cycle, several related and important elements have been left aside. As noted above, within CIDA
alone, there are dozens of committees and offices which have a responsibility for formulating Canadian aid policy. In conducting this research, the decision was taken to focus on selected issues, rather than on the role of all participants in the process. Therefore, the role of the CIDA President's Committee, the Interdepartmental Committee on Economic Relations with Developing Countries, the Special Advisory Group on International Trade, and the relevance of Canadian participation in international conferences on various development issues, for example, are not explored in any depth here.

Likewise, the selection of issues for examination was somewhat arbitrary. In examining the cases chosen for this study, the ideal approach would have been to trace each policy decision through its implementation and make an assessment of its subsequent impact on the effective use of Canadian aid resources. Unfortunately, that was not always possible. For example, it is impossible to calculate with any degree of certainty the impact of the decentralization of aid administration in 1989 on the quality of Canadian assistance to Tanzania before in comparison with what went before, or the precise degree to which Canada's tied aid policy determined the design and outcome of the Tanzania-Canada Wheat Project. However, it is hoped that the evidence reviewed in the following chapters will provide some useful insights into these questions. It would perhaps be useful to conceptualize the work presented here as a series of snapshots of the aid process taken from various vantage points which when viewed together, it is believed, provide a credible composite of how Canadian aid policy is determined and how this affects its outcome.

Two other significant limitations of the study must be noted. Firstly, the emphasis here is on the Canadian policy-making and implementation process with much less attention paid to similar processes within Tanzanian institutions which deal with aid. For example, although the history of Canadian aid in Hanang District as presented in Chapters Five and Six addresses the role of local conditions in shaping Canadian policy there, important issues such as the internal management of NAFCO, the parastatal which owns the wheat farms, and the evolution of local government in Tanzania are not examined in any detail. Thus only half of the question of why aid has the results it does is addressed. To complete the equation would take several
more years of study and more information than is currently available to the researcher. This does not, however, negate the validity of the observations made here.

Finally, this study suffers from a limitation common to all “small n” case studies: the extent to which its findings can be claimed to be generalizable beyond the specific cases it considers. It is hoped, however, that this limitation is offset by the degree of detail which this type of study permits, which in turn identifies seemingly important issues which can then be examined in other situations.

0.6 CONTRIBUTION TO KNOWLEDGE

It is hoped that the research presented here contributes to an understanding of the causes of aid failure. Its principal merit is in providing a detailed exposition of the aid policy-making process and the implementation of specific agreements made between one donor and one recipient country. In doing so, this study has provided a confirmation in concrete instances of certain claims as to the nature of the Canadian aid programme which have been made by other researchers at a more general level. In particular, claims that Canadian ODA is heavily influenced by Canadian commercial interests. By focusing on institutionalized aid practices and the contestation of policy decisions, the study also dispels both the idea that CIDA is a monolith in the service of one interest group or another and the notion that aid agencies are neutral conduits for aid resources.
CHAPTER ONE
Competing Influences on Canadian Aid Policy

As a consequence of the extensive consultations undertaken with stakeholders, CIDA is changing...from old and outdated methods used to define and deliver international assistance programmes during the past two decades...to a new system that is more efficient, effective, transparent and relevant to the strategic interests of Canada, while being responsive to the needs of the developing countries and reflecting the goals and aspirations of our stakeholders. These changes will provide organizations in Canada with new opportunities to propose innovative development projects for the various countries and regions in which CIDA operates, thus giving Canada stronger links to international markets.


This chapter reviews the various interpretations of aid policy found in the literature. The list of influences shaping aid policy which have been identified by scholars and enumerated here will form the basis of the examination of the aid process in the cases examined in subsequent chapters. This review is framed in the context of an analysis of the extent to which these factors can explain trends in aid policy, and its generally poor results over the past forty years.

1.1 THE THEORETICAL RATIONALE FOR AID

Since the establishment of the first development assistance programmes in the 1950's, academic debates over aid have centred on three primary questions: the role of aid in inducing ‘development’; whether or not aid is effective in meeting its objectives; and whether or not the objectives outlined by various theories of aid are legitimate or desirable. These debates have produced a variety of views on the utility of aid in the development process, each with specific policy implications and allocating particular roles to donors and recipients in promoting ‘development’ in
The first official aid programmes followed the dictates of modernization theory as articulated by Rostow, Chenery and Strout and others. Modernization theory and the assistance programmes it informed defined development as economic growth. Rostow outlined a series of stages through which, it was argued, all countries must pass en route from traditional society to an industrialized, high mass consumption economy. The crucial stage was 'take-off', when an economy achieved self-sustaining growth. Rostow argued that for take-off to occur, three conditions were required: an increased rate of investment, a spurt of growth in one or more sectors of the economy, and an institutionally favourable environment. The proponents of modernization theory did not suggest that aid was either necessary or sufficient for development, but that it would accelerate the process by inserting additional resources into the economy.

Drawing on Rostow's model, Chenery and Strout argued that the recipe for economic growth was the following: an increase in human skills, an increase in the level of investment and of domestic saving, the adoption of more productive technology, changes in the composition of production output and employment, and the development of new institutions. Chenery and Strout pinpointed two gaps in underdeveloped economies which hindered their growth: a lack of skills and domestic savings for productive investment, and later, a shortage of foreign exchange when export earnings had not yet reached a level sufficient to finance the increasing volume of imports necessary for industrial production and consumption. Aid could be used to bridge these two gaps. It would be comprised of capital for industrialization and for the construction of the physical infrastructure necessary to support industry; food and consumer goods to permit the concentration of labour on the task of industrialization; and technical assistance in the adoption of more productive technologies. Aid was to

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1 DFAIT File no. 38-1-1-CIDA(1) Vol.61.
3 Ibid:89.
be made expensive, offered in the form of loans to reduce the temptation of the part of recipient governments to use it for consumption purposes instead.\textsuperscript{4}

The indifferent results this model of development produced in the 1960's and early '70's drew criticism from several quarters. Anti-interventionist economists Milton Friedman and Peter Bauer argue that, in fact, states have a moral obligation not to give aid, as it only retards economic advancement and impedes the functioning of the free market, which is more effective in creating wealth.\textsuperscript{5} Bauer argues that modernization theorists place undue emphasis on physical and human capital formation. He claims that economic growth is attributable to a cultural propensity for entrepreneurship, a matter in which foreign aid can play no role.\textsuperscript{6} Anti-interventionists on the left like Andre Gunder Frank and other writers adopting a structuralist perspective argue that foreign aid serves to entrench unequal power relations between north and south, rich and poor, and therefore, the best policy for poor countries would be to 'delink' from the capitalist world economy and pursue self-sufficiency through import substitution and south-south cooperation. The dependency theorists and other critics on the left say that modernization theory is wrong in assuming the state to be a neutral instrument for development. It is more often in the service of elites. For these critics, the issue is not economic growth, but power relations and unequal access to resources. They charge that modernization policies do not address poverty alleviation or income and asset distribution.

Research in the 1970's and 1980's which sought to test the aid-savings-growth relationship put forward by Chenery and Strout was almost completely inconclusive for a variety of reasons outlined by Riddell.\textsuperscript{7} However, the result of this work and the contributions made by structuralist and marxist critics of aid were three important modifications to the two-gap model. Firstly, there was a recognition that not all capital assistance went directly into productive investment. This was due to

\textsuperscript{4} Ibid:90.  
\textsuperscript{5} Bauer, 1991.  
\textsuperscript{6} Toye:82.
competing objectives in recipient states which led them to spend some of their savings on consumption (like health care), and because of the fungibility of funds which allowed the receipt of aid to free other resources for less productive, but perhaps more politically expedient expenditures. Secondly, there was a recognition that the state is not a neutral agent, but has a political agenda which may conflict with the interests of the poor. Finally, the failure of 'trickle down' economics led to an emphasis on meeting the 'basic needs' of the poor in development assistance programmes. The dominance of this goal among aid donors was short-lived (between 1972 and 1979), but it put poverty alleviation and the issue of distribution on the aid policy agenda.

The structural adjustment programmes which have been the central component of development assistance programmes since the early 1980's are a reaction against Keynesianism and the perceived weaknesses of modernization theory. Proponents of structural adjustment attribute the poor economic condition of southern countries to four main factors: an overextended and inefficient public sector, an overemphasis on physical capital formation in modernization programmes, a neglect of human capital formation, and a proliferation of distorted economic controls. This view places much emphasis on the environment in which development interventions are made, claiming that the governmental and economic infrastructure must be 'adjusted' before development initiatives can be expected to work. ODA is now generally conditional on a commitment to make prescribed adjustments, designed to scale back government interference in the economy and to facilitate the free working of the market.

Despite these theoretical permutations, the integrity of the two-gap model which underlies orthodox foreign aid theory has remained intact. Aid theory has shifted its primary objective from determining how the development process might be accelerated in poor countries, to how it might be restarted. Charged with this task, structural adjustment is seen as a preliminary step to the process of development,

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8 Toye:70.
however, rather than a replacement. The structuralist and marxist critiques of the role of the state in the 1970's have been integrated into mainstream aid theory to a certain extent, translated into political conditionalities attached to aid and development policies which assign a catalytic role to private entrepreneurs in spurring economic growth. At the same time, poverty alleviation and redistribution of wealth have been incorporated into orthodox aid theory on the strength of the evidence produced by the critics of 'trickle down' development and the evidence of the hardship induced by structural adjustment programmes. While structural adjustment is the current preoccupation among aid donors, there is a consensus that measures to aid economic growth must be accompanied by efforts to ease the immediate suffering of the poor and to enable them to become productive members of society. This is the theoretical justification for aid to primary healthcare, education, community development, and income generating programmes, among other social welfare endeavours.

Foreign aid theory as briefly outlined above begins from the assumption that the object of aid is development, however that is subsequently defined. However, in examining how development theory is translated into aid policy and with what outcome, one must consider other factors which have influenced the formulation of policies and the construction of development assistance programmes. It is important to clarify the range of motives underlying aid because, as numerous researchers have demonstrated and as the work presented here confirms, it often seeks objectives other than the alleviation of poverty. The result is aid policy with conflicting objectives which compromise its ability to meet any of them.

1.2 THE ORIGINS OF AID

The origins of foreign aid are often dated to the Marshall Plan of 1948, although it could be argued that the concept of foreign aid had its origins in nineteenth century Christian proselytizing missions which imbued development assistance with
persistent notions of charity. The Bretton Woods Institutions, established to rebuild Europe and stabilize the world economy after WWII, were subsequently reoriented towards the Third World. The Organization for European Economic Cooperation (renamed the Organization for Economic Cooperation and Development) was established in 1948 and formed a Development Assistance Group (later the Development Assistance Committee) in 1960. These institutions provided the original infrastructure for development assistance. U.S. President Truman’s inaugural speech of 1949 marked the first public commitment to foreign aid. A contributor to reconstruction in Europe, Canada’s involvement in the provision of foreign aid to the ‘developing’ world began in 1950 with the Commonwealth sponsored Colombo Plan in Southeast Asia. By the end of the 1960’s most industrialized countries operated foreign aid programmes.

The institution and maintenance of development aid programmes has been attributed to a variety of motivations. There are those who see aid as the natural manifestation of altruism. Others see baser interests at work, claiming that aid is the result of western anti-communist fear, or of economic self-interest on the part of donor states. Another explanation suggests that donor countries do not act solely on the basis of their own self-interest or in the interests of the recipient country. Rather, they form part of an international aid regime and act in accordance with established norms to meet collective objectives. These collective interests are defined alternatively as the eradication of poverty or the preservation of a stable global economic order.

These various interpretations of the forces shaping aid policy will be examined here. It is argued that domestic political, economic and humanitarian interests all play a role in the formation of aid policy. Less studied, but also important, is the disciplinary power of the international aid regime. This concept is used to explain the

10 Cowen and Shenton, 1996; Brodhead et al, 1988
11 Lumsdaine, 1996; Spicer, 1966; Raffer and Singer, 1996; Freeman, 1985; Pratt, 1989; Wood, 1986 and 1996; Black, Therien and Clark, 1996
relative homogeneity of the northern response to poverty in the south. Since the purpose of an aid regime may or may not be development, or may advance approaches to development that are misdirected, the functioning of this aid regime, if it does exist, bears closer scrutiny. It is also argued that looking at the bureaucratic processes through which aid is administered reveals constraints inherent in the institutions of aid which influence the nature of the assistance offered to poor countries and the outcome of aid projects.

1.3 THE COLD WAR

On the basis of rather compelling historical evidence, several writers have argued that foreign aid had its origins in the Cold War between the superpowers. The proof, they suggest, is to be found in observing when aid was initiated, where it has been targeted, and what it has comprised. The United States, the first and until 1989 the largest bilateral donor, made its first commitment to ODA in 1949, the year of the Chinese Revolution, when the U.S. was on the verge of involvement in the Korean War. Commonwealth countries launched their first aid programme in 1950 with the Colombo Plan to Southeast Asia. Aid to Latin America began in the 1960's, immediately following the Cuban Revolution which brought Castro to power. It is telling that the U.S. was replaced by Japan as the largest donor of ODA in 1989, the year the Berlin Wall came down.

Initially, foreign aid was concentrated on Southeast Asia where the threat from communism seemed greatest. Between 1952 and 1961, the Mutual Security Act was the legal basis for development assistance in the U.S. The Clay Report to the President of the U.S. made in 1963 noted that 72% of total military and economic assistance was concentrated on U.S. allies and other countries on the Sino-Soviet border. The same report recommended limiting aid to Africa because it was of no

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12 Raffer and Singer, 1996; Griffin, 1991; Spicer, 1966.
14 Raffer and Singer:63.
strategic value.\textsuperscript{15} Aid to Africa began with the process of decolonization in the 1960's with the U.S. and the U.S.S.R. backing a succession of allies and client regimes, often of a repressive nature. An impressive indicator that development aid is politically motivated is the fact that Israel and Egypt are the top recipients of U.S. ODA, while Cuba, ninety miles off the coast of Florida, the source of many refugees to the U.S., and lacking in many essential goods, receives no aid from its neighbour. Comecon aid, always limited in volume, was strictly directed at Soviet allies -- Cuba, Mongolia, Vietnam, and other client states.\textsuperscript{16}

To counter this argument, it may be noted that the top recipient of Canadian ODA is currently China, and as Lumsdaine notes, the most ardent supporters of aid are found in Scandinavia and among social justice activists, not among Cold Warriors. Lumsdaine says that the argument that aid was necessary to limit communist expansion "played the role in gaining swing votes for foreign aid and diffusing criticism" among conservatives who opposed giveaways, but was not the primary motive for aid.\textsuperscript{17} Wood also suggests that Cold War interests were a distortion of the real objective of aid which is the preservation of the capitalist economic system.\textsuperscript{18} Nevertheless, it seems obvious that the aid policies of many donors, particularly the U.S., serve political ends as well as any other objectives, and that whatever their current orientation, the institutions of foreign aid were constructed to serve primarily political purposes. Their derivation continues to effect current aid policies which may seek different objectives, but through existing institutional structures.

1.4 THE PURSUIT OF COMMERCIAL INTERESTS ABROAD

It is frequently contended that aid is motivated more by economic self interest

\textsuperscript{15} Ibid:62.  
\textsuperscript{16} Hook,1996.  
\textsuperscript{17} Lumsdaine:227.
and the pursuit of commercial advantage than by political objectives or humanitarian sentiments. Criticism focuses on three characteristics of aid found in virtually all donor programmes. First of all, it is argued that the practice of tying a high percentage of aid to the purchase of goods from the donor country is evidence that aid programmes are used primarily for the purpose of developing overseas markets.\textsuperscript{19} This practice conflicts with developmental objectives as it can inflate the cost of necessary inputs by twenty-five percent or more.\textsuperscript{20} It also creates a bias toward large projects which can use the goods and services available from the donor country. To support export promotion, many donor countries have established programmes which subsidize private investment by their nationals in recipient countries frequently combining such subsidies with concessional aid to make a development proposal more attractive to recipient governments weighing competing bids.\textsuperscript{21}

A number of analysts also see a fundamental contradiction between aid and trade policies affecting developing countries. It is argued that much of aid is oriented toward the development of export commodities which often meet with high tariff barriers around donor country markets.\textsuperscript{22} Raffer and Singer quote a 1992 OECD study which concluded that a thirty percent reduction in OECD country tariffs on southern goods would lead to an annual income gain of ninety billion dollars for the Third World and Eastern Europe,\textsuperscript{23} a sum one third more than the annual expenditure on ODA. A 1994 UNDP study claimed that the removal of tariffs on Third World

\textsuperscript{18} Wood, 1996:22.
\textsuperscript{19} Raffer and Singer, 1996; Riddell, 1987.
\textsuperscript{20} Ibid.
\textsuperscript{21} Freeman, 1985:116.
\textsuperscript{22} Riddell cites an example of a USAID project aimed at expanding rice production in Thailand, suggesting that it is not an unusual case. Since the 1950's USAID with support from the World Bank, Japan and Germany have been involved in rural development projects in Thailand. These efforts were very successful in meeting their objectives and between 1978 and 1984 the volume of Thai rice exports trebled to 4.6 million tonnes a year, making Thailand the world's largest supplier of rice and contributing a substantial portion of the country's income. In 1985 the U.S. Congress passed the Farm Act which created subsidies for U.S. rice which cut its price on the world market in half, making it cheaper than Thai rice. U.S. aid work was thus negated by its domestic economic policy. (Riddell, 1987:212).
\textsuperscript{23} Raffer and Singer:33.
textiles and clothing would add fifty billion dollars to developing country coffers. These studies seem to suggest that if the object of foreign aid is economic development, trade liberalization would be a more effective means to achieve this end. Raffer and Singer note the irony in mainstream aid policy. The World Bank and Western donors prescribe structural adjustment and free market economics for aid recipients while they continue to protect their own industries from imports.

Food aid is also targeted as proof of northern economic self-interest. Raffer and Singer note that all other forms of ODA are declining, now representing less than 0.30% GNP among DAC members, well shy of the 0.7% target. Food aid, on the other hand, measured as concessionally financed shipments of grain to developing countries, amounts to approximately 2% of total food production in donor countries (Canada, the U.S. and Europe), consistently surpassing the U.N. target. What ever benefits may result from food aid, its provision can be more readily attributed to surplus dumping to support northern farmers than to altruism. U.S. Public Law 480 passed in 1954 to regulate food aid was originally entitled the Surplus Disposal Program, which Raffer and Singer suggest is a more accurate label than Food for Peace.

Other commentators observe that if the object of aid is to promote a donor’s economic interests abroad, there are more effective and less costly means of doing so, through trade commissions and bilateral agreements, for example. If aid is deemed to

24 Ibid.
25 An example of such protection is the International Multifibre Agreement which levies prohibitive duties on imported textiles. Protection for North American and European manufacturers in this sector dates back to 1935, but the current agreement was established in 1974 and placed under the aegis of GATT. It was deemed necessary as southern countries gained progressively larger shares of the market for synthetic textiles, which were at that point unregulated, and technological advances were causing layoffs among northern manufacturers. It is meant to be phased out by the end of the century, but Raffer and Singer note, even if this occurs as planned, “the North will have enjoyed ‘necessary’ protection in one small part of their economies for up to seven decades, while southern countries are required to open their economies much more radically and much more quickly to free trade (Raffer and Singer:34).
26 German and Randal, 1995:105.
27 Raffer and Singer:79.
28 Ibid:80.
be the best tool for this purpose they argue, one would expect it to receive more funding than it does. However, even allowing for the pursuit of humanitarian objectives through aid programmes, the negation of the benefits of some aid financed projects by trade policy and the unwillingness of western countries to use trade agreements as tool for development seems to indicate very clearly that economic self-interest is a significant factor in determining donor policy.

1.5 THE INTERNATIONAL AID REGIME

Kasner defines regimes as “sets of implicit or explicit principles, norms, rules and decision-making procedures around which actors’ expectations converge in a given area.” Keohane says regimes are not quasi-governments, but are more like contracts, when these involve actors with long term objectives who seek to structure their relationships in stable and mutually beneficial ways.” It is not necessary that all members of a regime be equally powerful or benefit equally from their adherence to regime norms. It is only necessary that the benefits accruing to each actor continue to exceed the costs of belonging. Central to regime theory is the idea that participation is the result of a conscious, rational, cost-benefit analysis. “Weak actors as well as more powerful actors make choices, even if they make them with more severe constraints.” This assumption is contrasted with a realist interpretation of international relations which argues that international actors are guided exclusively by self-interest and that their actions are not mediated by adherence to any fixed set of norms. It is also in contrast to discourse theory, which envisions a more unconscious transmission, adherence and enforcement of norms. Writers working from this perspective within the field of development studies offer an intriguing

29 Lumsdaine, 1996.
30 Kasner further refines this definition: “Principles are beliefs of fact, causation, and rectitude. Norms are standards of behavior defined in terms of rights or obligations. Rules are specific prescriptions or practices for making and implementing collective choice” (Kasner:2).
31 Keohane:146.
33 Strange, 1983.
critique of the developmentalist paradigm including foreign aid. They ask "Why is development touted as the cure? Why not justice or liberation?" and "How is it that academics and policy makers came to think of the Third World as underdeveloped as opposed to anything else they could conceive of it as being?" The post-modernists attribute the persistence of poverty in the south to flaws in the epistemological framework in which poverty is considered. Developmentalism, they argue, artificially circumscribes the search for solutions and accords primacy to the interests of the industrialized countries.

Regime theory is also concerned with how international actors formulate collective responses to global issues. However, whereas post-modernists concentrate on the construction of paradigms and how they shape public discourse, regime theorists focus on the establishment of institutions to organize and direct international relations. It is, perhaps, a more mechanistic model, but has the advantage of offering a rationale for why states and other actors behave in the manner in which they do, by what means they exert their influence, and to what purpose. The assertion of regime theorists that actors always make a conscious decision to adhere to international norms (including the norm to offer development assistance in response to mass poverty, as opposed to taking action in any other form) is questionable. One must concede a certain degree of unconscious adherence to existing paradigms. Nevertheless, focusing discussion on policy rather than epistemology creates a more manageable and tangible field for study.

Like New Institutional Economic theory, regime theory draws on microeconomics and applies its concepts to explaining international relations. As in business, there are costs attached to interactions between states and other international actors in global politics. It is argued that regimes come into being to allow actors to achieve outcomes together which they could not independently. Regimes are

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36 Johnston: 150.
structured to facilitate relations between states, reduce the costs of interaction and to provide stability. If there is a lack of a clear legal framework governing a particular field of activity, if obtaining information about another actors’ moves is costly, or if there is a cost attached to a transaction between states, it becomes advantageous to form a regime around routinized relationships to reduce uncertainty. What Keohane calls ‘issue density’, or the necessity of coordinating relations with other actors on a number of related issues makes regime formation more attractive than negotiating ad hoc agreements on a continual basis.  

Haas says “Regimes arise when the states realize that a desired distribution of ‘the goods’ cannot come about by way of autonomous action. Interdependence, far from being a wholesome mutual need is thus recognized as a regrettable condition.” In speaking of a foreign aid regime, one must ask not only does it exist, and what are its attributes, but what are ‘the goods’ it is designed to produce? Is the aid regime built on voluntary cooperation for poverty alleviation as Lumsdaine suggests? Or is it necessary collective action for the maintenance of the existing global economic order as claimed by Wood? These two views are examined here.

According to Wood’s interpretation, in the closing days of WWII, the U.S. as global hegemonic power, was desirous of securing the stability of the global economic order on which its prosperity depended. A thriving European economy was necessary to provide a market for U.S. exports, and thus grants were offered by the U.S. and Canada to all the countries of Europe, including the U.S.S.R. and Germany, for the purpose of reconstruction. The colonized regions of the world were seen as having an integral role to play in this process as a source of revenue for Europe, a source of raw materials for American manufacturers, and as a market for European goods such that

37 Harriss et al, 1995; Krasner, 1983.
38 Keohane: 156.
40 Lumsdaine, 1996.
41 Wood, 1986; 1996.
Eastern Europe used to provide, and the States were now unwilling to.\textsuperscript{42} To fulfill this role, the underdeveloped regions would have to develop their capacity to export primary commodities in order to supply the U.S. and to earn income for their colonial masters.\textsuperscript{43}

Wood cites statements from U.S. officials which make it very clear that the U.S. wanted to squelch any expectation that 'little Marshall Plans' for the Third World would be forthcoming.\textsuperscript{44} Concessional aid was not offered to poor southern countries because the U.S. desire was to foster development of raw materials production through foreign investment. This it did through the provision of incentives to American investors. According to Wood, the Marshall Plan was significant in the development of the foreign aid regime because it created the concept of large scale economic aid programmes between states and "created a body of operating principles and procedures that remain an integral part of the aid regime."\textsuperscript{45} It might also be argued that it marked a conscious decision on the part of the hegemonic powers to structure North–South relations in a way which circumscribed future development choices in poor countries. In constructing the donor-recipient relationship with poor countries, the U.S., and later its allies, chose not to adopt two aspects of the Marshall Plan in Europe, namely regional coordination among recipients and the self-monitoring of aid funded development programmes. Raffer and Singer suggest that this decision sacrificed the potential benefits to be gained through cooperation, for example, in the collective procurement of goods and the sharing of information.\textsuperscript{46} It also instituted a hierarchical relationship between donor and recipient not part of post-war aid to Europe. Aid, which included technical assistance and financing with varying degrees of concessionality, was chosen over other possible options to address poverty available at the time, i.e. trade liberalization or political support for national

\textsuperscript{42} Wood, 1986:40.
\textsuperscript{43} Brett has described the role colonized East Africa played in supporting the British economy prior to WWII. See Brett, 1973.
\textsuperscript{44} Wood, 1986:46.
\textsuperscript{45} Wood, 1986:65.
\textsuperscript{46} Raffer and Singer:198.
liberation movements. Stokke cites the failure of the New International Economic Order (NIEO) as a later example of an alternative option rejected because it did not suit the interests of the hegemonic powers. The NIEO proposed that the First World adapt itself to enable the Third World to come to terms with poverty. Instead, the Third World has been obliged, first through the Marshall Plan, then through structural adjustment programmes, to adjust to the requirements of the First World economic system. Its role in this system has provided the rationale for a set of norms and principles which Wood argues continue to govern the functioning of the aid regime:

1) **Institutionalized non-competition.** In accordance with the principle of facilitating private investment, all donor countries and multilateral agencies adhere to a regime norm which requires that concessional aid be offered only as a last resort. Aid where private financing is available is, in fact, prohibited by the charter of the World Bank and many bilateral agencies, a principle enshrined in DAC agreements, as discussed in Chapter Three. Aid seekers are expected to begin their search for funding on the open market among private entrepreneurs and commercial banks. Only after failing here may they approach in succession: the International Finance Corporation (offering commercial rates, but with the protection of the World Bank); the hard loan windows of the multilateral banks; the loan facilities of the bilateral agencies and the soft loan windows of the multilateral banks; the IDA of the World Bank, which offers interest free loans; and finally, the grant making facilities of the bilateral agencies, the EU, OPEC and the U.N. A prospective recipient may not necessarily make an application to each one of these agencies in turn, but theoretically, communication among them will ensure that the terms of the financing agreement will be as stiff as the market will bear.

Hand in hand with institutionalized non-competition is the informal rule of graduation. As a recipient country passes an unspecified threshold of economic

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48 Stokke: 12.  
health, it is no longer eligible for concessional financing. South Korea is an example of a country which has passed through this process. Some observers have attributed the concentration of concessional aid on the poorest countries as evidence of the humanitarian basis of aid.\textsuperscript{50} Wood argues, however, that this pattern “may be consistent with a humanitarian outlook, but it is also consistent with the norms of international capitalism.”\textsuperscript{51}

2) \textit{Asymmetrical bilateralism}. The framework for negotiating aid packages is constructed in such a way that while donor countries may coordinate their activities through the DAC or the World Bank (though there is limited evidence of the coordination of aid programming to date), no comparative collective forum exists for recipient countries, save the toothless General Assembly of the U.N. Recipients negotiate aid agreements with bilateral and multilateral agencies as individual actors. Issues of trade and aid are also separated for discussion between donor and recipient. There is no institutional arrangement which recognizes the connection between them.

3) \textit{Strategic Non-lending}. Wood claims that the notion that modernization projects of the 1950's and '60's were aimed at the industrialization of the Third World is a myth. He says “Virtually all donors withhold aid from industrial projects,”\textsuperscript{52} and that strategic non-lending is employed to avoid financing state owned productive enterprises, which conflict with western capitalist principles. The accuracy of this claim may be questioned with respect to aid to Tanzania. While Brett has shown how British colonial policy acted as a barrier to industrial development in Tanzania, in the postcolonial era, a number of bilateral donors have supported productive enterprises there.\textsuperscript{53}

4) \textit{Servicing of debt}. While the Marshall Plan offered grants, most aid to developing countries was initially in the form of interest bearing loans. Repayment

\textsuperscript{50} Lumsdaine,1996.  
\textsuperscript{51} Wood,1986:223.  
\textsuperscript{52} Wood,1986:138.
was dependent on a level of economic growth which did not occur. Third World
countries were thus caught in a cycle which compels them to borrow more to service
old debts, a situation exacerbated by the availability of cheap credit in the 1970's,
often used to finance projects which subsequently failed. Wood sees the emergence of
a 'creditor cartel' composed of commercial and multilateral banks and aid agencies
which have joined forces to assert the absolute priority of interest payments on
international debt over other obligations, and succeeded in making outright default
taboo.54 The result, Wood suggests, is a further narrowing of the development choices
of poor countries, as they struggle under the weight of accumulated debt and the
conditions attached to new loans, which are biased toward development strategies
based on private investment.

Wood argues that the aid regime as outlined above is maintained because the
benefits of adhering to regime norms continue to outweigh the costs for both donors
and recipients. Hegemonic control of the regime is centered in the U.S. and the World
Bank. The World Bank group is part of the U.N., but is not subject to policy
directives from the General Assembly or any other U.N. agency. Technically, the
president of the World Bank is elected by its board of governors. In fact, he is always
an American appointed by the president of the United States. The head of the IMF is
traditionally a European.55 Raffer and Singer suggest that bilateral aid is generally
conditional on a seal of approval from the World Bank, a procedure not formal, but
effective.56

Formal mechanisms of regime control exist. For example, Article III.5 of the
World Trade Organization requires that the WTO coordinate its policy with the IBRD
and the IMF.57 This is, however, a rather vague directive. The members of the DAC
have collectively agreed to a series of Principles for Effective ODA, but as will be

55 Raffer and Singer: 46.
56 Raffer and Singer: 157.
57 Raffer and Singer: 36.
discussed in greater depth in Chapter Three, there is no real means to enforce compliance. A reliance on informal, often unspecified mechanisms of regime discipline raises the question of its authority and of possible challenges to its norms as they have been outlined above. But there is sufficient anecdotal evidence in the history of aid in support Wood’s view to warrant further exploration of his arguments.

As outlined in Section 1.1, the focus on basic needs in the 1970’s did not alter neo-classical development philosophy. Nor did the demise of Comecon and rise of South Korea in the 1980’s affect power relations or norms. Raffer and Singer offer the gradual alteration in the provisions of the Lome Conventions as evidence of the concentration of control over development decisions in the hands of western donors. It is possible, however, that the increasing prominence of Japan in the donor community could lead to an adjustment of regime norms given that the economic philosophies of Japan and the United States differ on certain fundamental points, for example, the role of the state in the development process.

Lumsdaine also adopts the concept of an aid regime to analyze what he notes as “a striking similarity among seventeen or eighteen DAC donors in consistently pursuing a novel set of policies.” Like Wood, he traces the origins of the aid regime to the aftermath of the Great Depression and World War II. But he rejects Wood’s interpretation of the regime’s purpose and character, arguing that “foreign aid was largely a product of humanitarian ideas and values in the developed democracies

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59 The terms of Lome I in 1975 gave European donors and the Africa, Caribbean and Pacific countries (ACP) parity in decision-making. Raffer and Singer suggest that this principle was eroded with each subsequent round of negotiations. The original STABEX agreement was designed to protect developing countries from fluctuations in export earnings from primary commodities. It gave the ACP countries complete discretion as to the use of compensation payments. By the time Lome IV was signed in 1990, control over the use of funds had shifted to the donor in the form of intensive monitoring and the imposition of conditions. STABEX was criticized from all sides at its inception as both a subversion of the free working of the market and as a conscious disincentive to industrialization in the Third World. Some changes to the treaty were subsequently made to the advantage of the LDC’s; for example, compensation is now exclusively in the form of grants rather than loans. However, the significance of the Lome Treaties to a discussion of the aid regime is their failure as an attempt at equitable partnership between north and south, and the retrenchment of control in the north. (Raffer and Singer: 88-102).
60 See Wade, 1996.
61 Lumsdaine: 104.
which found support in the domestic political arrangements and religious and moral traditions of the West." He traces this humanitarianism from the moral philosophy of the Enlightenment to the creation of organizations like the League of Nations, the Red Cross, the United Nations, and the Marshall Plan, and finally to President Truman's inaugural speech of 1949 which committed the U.S.A. to aiding poor countries. Lumsdaine attaches great importance to this speech, claiming it marked a new direction in U.S. and Western policy towards the Third World. He envisions a regime organized with ending poverty as its purpose, maintained not by mutual fear or manipulation, but by the mechanisms it has set in motion. They are: Firstly, rhetorical momentum. Truman stated on the public record the moral imperative for rich countries to give aid to the poor in other countries. Lumsdaine says "Once aid had been placed on such a footing, it could be criticized on such a footing." Secondly, a commitment to public scrutiny and criticism; thirdly, the growth of a corps of politically disinterested professionals; and finally, the setting of official targets for volume, concessionality, untying aid, et cetera. Lumsdaine argues that whatever its origins, (and he admits the pursuit of other interests through aid), the institutionalization and bureaucratization of aid set it on a course towards meeting its officially stated objectives.

Once aid programs existed, they proclaimed the essential validity of the concept. At that point, it was possible to criticize aid for failing to seek the welfare of the recipients, but criticism of aid for failing to serve the interests of the donors was criticism of aid simply for being aid.


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63 Ibid: 275.
If foreign aid served primarily national or subnational interests in donor countries, it is difficult to understand why aid found support mainly from groups and individuals concerned with social justice and with a cooperative international order, and was opposed by conservative groups, by and large. But if changes in internationalism and the welfare state lay behind the interest in foreign aid, the patterns of enthusiasm and disaffection for aid are as expected, and the whole development assistance regime becomes meaningful and intelligible.  

Lumsdaine refers to the increasing percentage of ODA channelled through multilateral institutions as evidence of an increasing willingness to sacrifice the political and economic leverage afforded a donor through bilateral aid in the interests of the poor. He also notes an increase in aid to LDC’s and claims low correlations between aid and trade relationships, stating that the major aid recipients are generally not important trading partners of donor countries.

There are flaws in both Lumsdaine’s and Wood’s arguments which become apparent when they are applied to concrete cases as is done in the following chapters. Unfortunately, more holes are immediately visible in Lumsdaine’s optimistic conception of the objectives of aid. He has cast his net too short, considering only purely concessional aid (that with a grant element of twenty-five per cent or more), and thus only part of what Wood demonstrates to be a larger, multi-tiered development financing system. This limited frame of reference leads to conclusions that are perhaps unjustified. They are, in any case, made with too many qualifications to accommodate competing motives for his argument to be convincing. The concentration of concessional aid on LDC’s can be explained by the principle of graduation outlined above. When calculated as financing with a concessional element of more than twenty-five per cent plus that which has a concessional element less than twenty-five per cent, but still below market rates, most development financing is, in fact, directed at middle income countries which do have significant trading relations with the industrialized countries. Since 1987, Canadian ODA has

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64 Ibid:272.  
65 Ibid:229.  
66 Ibid:78.
been given exclusively in the form of grants. Yet, according to 1996 figures, less than 20% of it is directed to LDCs.\textsuperscript{67} In addition, the channelling of ODA through multilateral institutions requires a closer look before it can be claimed to be aimed at benefiting the poor. Where it goes and for what purposes it is earmarked must be shown.

Finally, the adherence of states other than the U.S. to the aid regime can be explained in two ways. First of all, despite the fact that its aid levels have dropped consistently over the past twenty years, the U.S. is still the second largest bilateral donor after Japan. Its control of the World Bank assures its hegemony, and its traditional allies were drawn into the aid regime at the outset in response to urging from the U.S. to share the burden of stabilizing the global economic order. The support for aid by the Nordic countries, which are frequently critical of U.S. development practices, might be explained in terms of the aid infrastructure (including the U.N.) providing a ready made outlet through which to pursue their more humanitarian objectives. However, this can also be criticized as too simplistic an explanation of the aid programmes of countries with widely differing political orientations. Other influences apart from human kindness and economic self-interest must be considered.

It is possible to accept Lumsdaine’s argument that the aid bureaucracy provides its own momentum without accepting his assessment of its orientation. Rather than primarily sustaining a humanitarian impulse, it could be argued the aid regime, with its antiquated foundations in political and economic self-interest, perpetuates practices which hinder its current capacity to address poverty effectively, even if that were proven to be its primary objective. As the above discussion suggests, the motives for aid, and hence its objectives, are multiple. The question is not whether or not humans are altruistic by nature, but which forces prevailed at a given point in history. Explicit statements by policy makers at the close of WWII make it clear that the primary considerations in the establishment of foreign aid

\textsuperscript{67} Morrison, 1998:420.
programmes were political and economic, not humanitarian. This is not to say that no one, or even the majority of people in the aid business have ulterior motives, but that humanitarian impulses are distorted by the aid system. The validity of this assertion is to be taken up in the research presented below.

Given the striking homogeneity of aid policies among official donor agencies, the idea of a self-regulating, self-disciplining system as presented in regime theory appears to be a useful analytic tool for examining how aid policy is determined. However, the broad-brushed sketches of the aid regime outlined above raise several questions which must be answered before the model can be accepted. First of all, if the U.S. and the World Bank form the hegemonic centre of the regime, by what methods are their principles and norms transmitted to other members of the regime? Given the lack of legal sanctions governing the behaviour of donors and recipients as it affects the use of aid, how are norms enforced? If Wood's portrayal of the aid regime is accurate, why do donor countries bother with the poorest of the poor at all? If the regime is so exploitative, why do not the poorest just opt out? One might also ask where non-governmental organizations fit into an aid regime? If they are not subject to regime norms, what role do they play in defining aid policy? In the case of Canadian ODA, do closer working relations between CIDA and NGOs draw the private organizations under government and regime control? It is hoped that a close examination of the Canadian aid programme in Tanzania will help reveal the way in which an international aid regime does or does not function to shape Canadian policy.

1.6 AID AS A BUREAUCRATIC PROCESS

As noted in the Introduction, one of the objectives of this research is to examine aid as a bureaucratic process to determine how aid institutions shape both policy and its outcomes. This section presents a number of concepts found in the theoretical literature on bureaucratic failure which, it is argued, can be usefully applied in analyzing the constraints on the effective use of aid resources. As a
starting point, Hughes offers a summary description of the bureaucratic model along the lines of Weber's idealized notion of how public institutions operate:

The traditional model can be characterized as: an administration under the formal control of the political leadership, based on a strictly hierarchical model of bureaucracy, staffed by permanent, neutral and anonymous officials, motivated only by public interest, serving any governing party equally, and not contributing to policy but merely administering those policies directed by the politicians.68

Western democratic government bureaucracies, including the Canadian public administration of which CIDA is a part, were set up to function in this manner. Of course, examination of government bureaucracies and private firms has demonstrated that they do not always work this way. Observers have identified a number of characteristics of large bureaucracies which affect their capacity to operate effectively according to their stated purposes. These are outlined here in preparation for the examination of the case studies below.

1.6.1 TENDENCY TO RIGIDITY AND INERTIA

Dunleavy notes the idea that bureaucracies have lifecycles and tend to settle into established patterns, becoming more resistant to change with age.69 Clark and Wilson suggest that the natural bent of bureaucracies is toward entropy. They say, however, "the most important thing to know about an organisation is that it is an organisation and that it seeks to persist."70 The original motivations which led to the formation of the organization may dissipate as a guiding force, but this does not mean that the organization dissolves. It finds other means and purposes for which to sustain itself. As the preceding discussion suggests, foreign aid programmes were established in western industrialized countries primarily as a means of containing the spread of communism in the south, and as an aid to economic recovery in the west. The type of

68 Hughes:23.
69 Dunleavy:151.
70 Clark and Wilson:131.
projects they funded were based on the assumption that a direct transfer of western technology on a grand scale would be sufficient to spark economic take-off. Aid administrative structures developed to serve these ends. Despite its evident weaknesses, and although new objectives for aid have since been identified (meeting basic human needs, structural adjustment, et cetera), the basic structure of the aid process and the western response to poverty in the south which it embodies has not changed significantly in the intervening years. Dunleavy, summarizing Downs says:

Bureaus tend to be inertial, 'to continue doing today what they did yesterday' (pg 195), as a result of sizeable 'sunk costs' consisting of past investments in plant and staffing, standard operating procedures, and modes of relating to clients, including politicians and the rest of society.\textsuperscript{71}

He offers the example of the manner in which budgets are reviewed by governing bodies as an explanation of bureaucratic inertia as well as a demonstration of the malfunctioning of public policy oversight mechanisms: “Empirical studies of budget-making show that most budget scrutiny, negotiations and controversy concentrates on marginal changes to a largely unanalyzed 'base budget.'\textsuperscript{72} The material examined below suggests that the day to day operations of the aid programme are largely unexamined by the Parliamentary committees charged with oversight. Their focus is on annual shifts in volume and sectoral allocations. Rarely are the core activities of aid programme subject to scrutiny. Even where they are, there are powerful forces acting against any meaningful alteration to aid practice, particularly the political and economic interests identified above as beneficiaries of aid as it is currently constituted.

1.6.2 GOAL DISPLACEMENT

Brett, writing about public institutions in developing countries, argues that the orthodox Weberian model of bureaucratic organization for public administration and

\textsuperscript{71} Dunleavy:149.
service delivery is no longer adequate. He cites bureaucratic rigidity, compartmentalism and goal displacement as traits which plague public institutions and compromise their effective operation. He questions the Weberian assumption that bureaucrats are consistently rational actors. The orthodox bureaucratic model allots employees specialized functions to fulfil in pursuit of the organization’s larger objectives.

This structure then becomes very good at the tasks for which it is originally designed, but gives its officials a vested interest in continuing to perform the actions associated with their own specialisation, since it is this that guarantees them employment and perhaps promotion. Then, by giving them security of tenure, it also makes it very difficult to get the structure to change sufficiently to perform new or changed tasks.

Leaving aside for the moment the question of what motivates individual bureaucrats, the implication of this compartmentalization of tasks within an agency is that bureaucratic institutions lack flexibility and tend to smother innovation. The process becomes an end in itself. Morrison has highlighted a growing preoccupation with following established procedures as a problem in CIDA, arguing that this was the agency’s response to external criticism which began in the 1970’s. Hughes quotes Robert Merton’s definition of goal displacement within a bureaucracy.

Adherence to rules, originally conceived as a means, becomes transformed into an end-in-itself; there occurs the familiar process of displacement of goals whereby ‘an instrumental value becomes a terminal value. Discipline, readily interpreted as conformance with regulations, whatever the situation, is seen not as a measure designed for specific purposes, but becomes an immediate value in the life-organization of the bureaucratic’...In other words, the rules themselves become what organisational effort is directed at achieving, instead of fulfilling the organisations’ purpose.

72 Jackson, 1982: Ch. 5 quoted in Dunleavy: 180.
75 Ibid.
1.6.3 MALFUNCTION OF OVERSIGHT/CORRECTIVE MECHANISMS IN PUBLIC INSTITUTIONS

One insight credited to the analysts of public institutions who came after Weber is that bureaucracies are not the politically neutral enclaves in society operating solely in pursuit of the public interest he imagined them to be. Government agencies are, in fact, riven with the same apathy, ambition, and struggles for power found in the rest of human society. Holding these forces in check and allowing for the correction of operational failure is the purpose of oversight mechanisms built into Western political systems, generally a combination of monitoring and incentives. Many of the weaknesses of public institutions identified by researchers can be classed together under the heading of the malfunction of these oversight mechanisms. Brett outlines the conditions necessary for the efficient functioning of public institutions:

Effective public provision cannot be expected in societies where the basic conditions of pluralistic democracy are absent. Bureaucrats will inevitably fail without effective political surveillance. And this means open access to public information, an expert and autonomous system of investigative research and reporting, developed pressure groups able to maintain a continuous and expert watch over the activities of their counterparts in the state machine, and a competitive political process which will get rid of governments which fail to do their job.78

The cases presented below provide a demonstration of the performance of the surveillance mechanisms intended to oversee the Canadian aid programme. The media, the NGO lobby, and the business community fulfil the roles of "an expert and autonomous system of investigative research and reporting" and "developed pressure groups" respectively as identified by Brett. There are also a number of formal instruments of oversight. As the following cases will describe in more detail, the formulation of aid policy is the official responsibility of CIDA and the Department of Foreign Affairs and International Trade. The programming of aid resources and the

78 Brett, 1988:10.
management of aid projects is done by CIDA. In accordance with Canadian regulations governing hiring procedures and procurement, CIDA officers oversee the contracts of the private firms and organizations hired to conduct feasibility studies, and to design, implement and evaluate aid projects.

The responsibility for monitoring the agency’s fulfillment of these obligations falls to the federal Parliament, which has jurisdiction over Canadian foreign policy, of which aid policy is one aspect. As the events surrounding the aid budget cuts of 1993 discussed in Chapter Four demonstrate, questions of aid policy are raised infrequently on the floor of the House, and then generally in response to current events. More regular and detailed consideration is the purview of Parliament’s Standing Committee on Foreign Affairs and International Trade and various ad hoc sub-committees. Again, the scrutiny to which this body subjects aid policy is limited and generally after the fact. Its debate of aid policy is primarily focused on a review of the annual budget estimates. The Canadian aid programme has also been the subject of several federal commissions and task forces established by Parliament which have made detailed recommendations to the government, among them decentralization, as discussed in Chapter Two. The aid programme is also subject to periodic review by the Auditor-General of Canada whose findings and recommendations generally are given extensive coverage in the press and taken seriously within CIDA. It should be noted that CIDA’s activities, uniquely among Canadian public institutions, is also subjected to international oversight by the DAC, which conducts periodic public reviews of the Canadian aid programme.

A mechanism for monitoring and adjusting Canadian aid practice which has increased in importance in recent years, primarily as a result of public criticism of

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79 A small portion of the aid budget is managed by other government departments (IDRC, Finance, Foreign Affairs).
80 As listed in the bibliography.
81 Usually. In October 2000, no government members attended the meeting at which the Auditor-General was scheduled to deliver his report. According to the whip’s office, they couldn’t find the room.
82 See, for example: OECD, 1998; and OECD, 1994.
CIDA’s secrecy and the findings of the Auditor-General, is the institution of formal consultations with various sectors of Canadian society concerned with development and aid – NGO’s, representatives from industry, labour unions, academia. This consultative process is explored in more detail below with respect to the issue of tied aid. In addition, for the first time, in 1997 CIDA held consultations in Canada and Tanzania with organizations involved in development work in Tanzania in the course of preparing its new Country Programme Framework. Prior to 1997, country programme reviews and the formulation of programme frameworks were considered closed, confidential processes conducted within CIDA without the participation of the recipient government or other interested parties.  

In examining the implications of the new ‘stakeholder,’ consultative, consensus-building approach to defining aid policy in Canada, it is worth bearing in mind Brett’s caution that the effective functioning of democratic processes does not imply direct public control over the activities of public institutions. He emphasizes rather the importance of the relative autonomy of each component of a democratic political system (the bureaucracy, the politicians, and civil society) in fulfilling their functions as described above. “Political accountability must not be allowed to turn into political interference. While the overall objectives of the service and its adherence to basic norms of efficiency and honesty must be ensured by the political process, its technical functioning has to be left to the experts.” He suggests that there needs to be a balance between technical autonomy, Ministerial control and democratic rights. “The government must be accountable to the citizenry but not to the particularistic interests of particular groups or individuals, however powerful.”

This suggests there is a fine line between effective oversight and detrimental interference. As an example, unlike Canadian aid, American ODA is governed by a

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83 Telex DAR to CIDA HQ 10 February 1986 re Country Programme Review: Notes that after initial requests to participate in the review process, the Government of Tanzania appears to have lost interest. “On this issue, [we] prefer to let sleeping governments lie.” Source: CIDA files.
84 Brett, 1988: 10.
85 Brett, 1988: 5-6.
Foreign Assistance Act, which sets out in dollar terms the legal scope of the agency's activities. In 1991, a USAID Management Plan for performance management was instituted, with the objective, according to an American official, of "keeping score out in the open where Congress and the taxpayers can see how well we are doing". However, Snook's research on USAID in Tanzania suggests that the stringent regulations governing American aid has not enabled the agency to claim any greater success with its aid programme than can other donors. The issue of autonomy is addressed more directly below.

1.6.4 INCENTIVES

The other component of traditional systems of oversight are incentives, ideally designed to foster optimum performance in the pursuit of the organization's stated objectives. As Hirschman observed, the practice of monitoring and evaluation has little value if disregarding the findings of these exercises has no consequences for agents, be they public servants or employees of a private firm. A number of writers have offered explanations of what motivates bureaucratic behaviour. Niskanen has argued that the activities of public institutions may be explained largely by the desire of their employees to maximize their budgets. This he ascribes to personal ambition and to the belief that "Completely static budget demands will tend to be decoded as signifying the bureau's stagnation or loss of role." Nossal has made a similar argument with respect to the Canadian aid programme. However, this view of the force driving public institutions has been questioned by other scholars. Hughes says "The question about bureaucrats maximizing budgets to achieve their personal ends suffers from a marked lack of evidence...As Wilson argued: "One wonders why

86 Quoted in Groupe Secor:196/1
87 Snook, 1999.
88 Hirschman, 1970.
89 Quoted in Dunleavy:155.
Niskanen thinks bureaucrats are so desirous of maximizing their budgets if they can enjoy so few of the fruits.' Dunleavy suggests the concept of 'bureau-shaping' as a more accurate description of the behaviour of bureaucrats. He argues that rather than being motivated solely by the desire to maximize their departments' budget, bureaucrats are motivated primarily to secure a fulfilling, comfortable work environment. This includes maximizing the prestige of their office by controlling a large budget, but also activities like contracting out the less attractive aspects of the bureau's work, a decision which may suit the bureaucrat's purposes, but may not be the most effective way of achieving the organization's stated objectives. While it seems presumptuous to ascribe such motivations to aid officials, given the wholesale privatization of virtually all of CIDA's aid delivery work over the past decade, this idea merits further scrutiny in the context of the Canadian aid programme.

The problem of installing an appropriate incentive system and identifying motives in the administration of aid in Canada is complicated by the multiplicity of agents involved in the aid process. The Strategic Management Review of 1991 determined on the basis of interviews conducted with CIDA officials that in general agency staff were committed to its anti-poverty objectives. Based on this finding, CIDA might be defined as a 'purposive' organization under Clark and Wilson's typology. However, as the discussion of the negotiations surrounding Canada's tied aid policy and decentralization in Chapters Two and Three indicate, the Canadian executing agencies hired to implement aid projects have strong incentives to maximize the size and the number of the aid contracts they win, first and foremost. Under Clark and Wilson's typology, the tier of the aid bureaucracy they occupy might better be described as 'utilitarian' in character. Clark and Wilson say "The significant point here is that in utilitarian organizations, stated purposes are not important

94 Clark and Wilson, 1961.
95 See Putzel, 1998 on European Union aid.
incentives and have relatively little impact upon incentives." The diverse motives of various actors and the differentiated and possibly perverse incentive structure within the aid administration process must be examined.

The evidence presented below suggests that the traditional model of bureaucracy, based on the assumption of rational, disinterested agents, is in reality undermined by the irrational allocation of responsibilities. As Brett observes, one should "never over-estimate the extent to which even the best intentioned official can behave 'rationally' in an irrational context." Similarly, Niskanen suggests that whatever the motivations of individual officers, the scope for personal discretion in bureaucracies is limited.

It is impossible for a single bureaucrat to act in 'the public interest,' because of the limits on his information and the conflicting interests of others, regardless of his personal motivation. This leads even the most selfless bureaucrats to choose some feasible, lower-level goal, and this usually leads to developing expertise in some narrow field...A bureaucrat who may not be personally motivated to maximize the budget of his bureau is usually driven by internal and external conditions to do just that. 

Hughes quotes the description of the individual public servant made by Gerth and Mills:

In the great majority of cases he is only a single cog in an ever-moving mechanism which prescribes to him an essentially fixed route of march. The official is entrusted with specialized tastes and normally the mechanism cannot be put into motion or arrested by him, but only from the very top.

Focusing on incentives rather than personal motivation to explain bureaucratic behaviour, Paul argues that "compensation of public servants typically does not

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96 Clark and Wilson:140.
depend on their efficiency or responsiveness to the public". As Brett has observed, there is no reward within development agencies for successful projects and no sanction for failure. Several commentators on the Canadian aid programme and on aid in general have cited the pressure on aid officials to disburse funds as quickly as possible as a contributing factor in the implementation of inappropriate aid projects. This pressure has intensified within CIDA since regulations requiring unspent aid funds to be returned to the Treasury at the end of the fiscal year was instituted in 1977. According to the Strategic Management Review of 1991, each permanent employee of CIDA was at that time required to disburse on average $1.8 million U.S. a year.

As described in detail in Chapter Six, the HPDF project was ten years in planning and involved extensive consultations between CIDA, intended beneficiaries and other interested parties during its formulation and implementation. Due to the controversial and highly public nature of CIDA’s involvement in this project, officials took great care to lay the groundwork, commissioning numerous reports, conducting intensive consultations, information and training sessions for the intended beneficiaries of the project. For this reason, three years after the implementation of the project, only around $10,000 had been disbursed, an expensive, highly labour-intensive method of transferring aid funds, the effectiveness of which can not be guaranteed, and which could not be sustained on a significant scale under the demands imposed by the current aid infrastructure designed to disburse $2 billion a year. The memoranda cited in Chapter Six illustrate the constant and conflicting pressures on aid officials to choose between immediate action and adequate analysis of a situation.

1.6.5 ACCOUNTABILITY

For oversight mechanisms of monitoring and incentives to work effectively, public agencies and individual agents must be accountable for their actions, i.e. there must be consequences for poor performance. This imperative raises two questions

100 Paul:3.
with respect to aid. Firstly, to whom are aid agencies accountable? Secondly, how is performance to be measured? Both of these issues are complicated by the unique characteristics of the aid programme which distinguish it from other public services. First of all, as alluded to above, the multiplicity of agents responsible for implementing Canadian aid policy makes defining lines of responsibility more difficult. Secondly, who is to be designated as the ‘principal’ in the aid relationship? The Canadian taxpayer, CIDA, the recipient government, or the identified beneficiaries of the project? Paul highlights the pitfalls of this confusion, describing the weaknesses of a hierarchical control system of monitoring and incentives.

This approach is valid, however, only when the problem of principal-agent relations within public agencies can be readily solved. When multiple principals with conflicting objectives exist (political actors, the public, and bureaucratic supervisors in the case), and opportunism and market imperfections prevail (information asymmetries; monopoly conditions), the scope for collusion increases, and the agency problem remains unsolved...Under these conditions, it cannot be assumed that an accountability system based on HC [hierarchical control] will serve the interests of the relevant stakeholders.\textsuperscript{104}

As the discussion of competing influences on Canadian aid policy outlined in the next section will show, many interests claim a stake in the Canadian aid programme. In the government documents cited in this study, the ‘principal’ to whom aid officials believe they are accountable in the formulation and implementation of aid policy and projects is not only, or even primarily in some circumstances, the intended beneficiaries of Canadian ODA in Tanzania and elsewhere. The principal is also variously identified as the Canadian taxpayer, Parliament, the media, the NGO lobby, and commercial firms which may wish to bid on aid contracts. The problem arises, of course, when the interests of people in a poor community in Tanzania, for example, do not coincide with those of these other ‘stakeholders.’

\textsuperscript{103} Groupe Secor: 198/1.  
\textsuperscript{104} Paul: 11.
In their study of Swedish, American and Chinese aid to Tanzania, Hyden and Mukandala note the unique position bilateral aid agencies occupy in the government structure of donor countries: They serve an overseas constituency with no recourse to complain of the service provided to them; their work carries moral authority (helping the poor) which legitimizes their existence; and finally, as public agencies, they are insulated from market tests of efficiency. The result, these authors argue, is that “Donor agencies have typically been able to survive criticism of their performance which would have had more devastating effects on sister agencies in the government working exclusively in the domestic arena.” 105 This raises the issue of how ‘accountability’ and performance are to be measured. Hughes quotes Osborne and Gaebler’s argument that traditional oversight mechanisms are seriously flawed in this respect: “Traditional bureaucracy has an input-dominated structure, with output being only incidental. In attempting to control virtually everything, we become ‘so obsessed with dictating how things should be done – regulating the process, controlling the inputs – that we ignored the outcomes, the results.’” 106 The Strategic Management Review of 1991 concluded that this was a problem from which CIDA suffered and that the agency was over-regulated to the detriment of the fulfillment of its mandate.

The prudence and probity incentive thus rewards good process, because if prudent financial procedures are followed, the agency has a defensible public position in the case of misuse of funds, incompetences, etc. and also rewards the hiring and use of consultants which in turn has the perverse effect of increasing costs and the likelihood of error. This incentive has shifted CIDA’s operational skills away from development toward process, as the agency has slipped into greater reliance on consultants, contractors and volunteer organizations to design programs and projects, draft terms of reference, and execute, monitor and evaluate development programs and projects. Consequently, CIDA’s cost of delivery has been consistently increasing over the years. 107

105 Hyden and Mukandala:20.
106 Osborne and Gaebler,1992:14 quoted in Hughes:49
107 Groupe Secor: 83/2.
In a discussion of accountability, this statement raises three issues. Firstly, the consequences of the privatization of aid delivery for the quality of Canadian assistance; and secondly, its impact of the flow of information from the field on CIDA’s fund of development expertise. Both these issues are addressed below. Thirdly, the finding of the Strategic Management Review that the regulations under which CIDA operates have resulted in an increase in aid delivery costs is interesting not only for the financial implications of privatization it highlights, but in its identification of the costs of delivering aid as a measurement of aid effectiveness. This may be a legitimate claim. However, aid delivery costs are a ‘supply-side’ measurement of accountability, as is equating aid efficiency with the volume of disbursements made. In the absence of any measurement of impact at the output end of the aid process, ‘accountability’ in this case cannot be said to equal or even promote effective aid. The problems associated with this approach have registered with CIDA, as is evidenced in the agency’s recent adoption of Results Based Management. However, that this means of measuring accountability has its own shortcomings is likewise apparent. One official cited the example of measuring output for a training programme in terms of the number of participants completing the course without reference to the quality or relevance of instruction, or the use to which the knowledge gained was put following the course, as evidence of weaknesses in this instrument of measurement.

On the basis of his study of Swedish bilateral aid to Tanzania, Elgstrom concludes that:

SIDA has not only delegated, but almost abrogated, its responsibility for administering the aid programme once the money reaches Tanzania. In short, it has not considered the feedback as particularly significant. It has been more important for SIDA to prove that the money has been pumped into Tanzania than to incorporate the lessons from how the aid funds were used.

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108 Paul: 10.
109 Interview.
110 Elgstrom, 1999: 150.
It is argued here that Canadian ODA suffers from a similar problem. Although monitoring and evaluation are now required elements of CIDA funded projects, as the history of the Tanzania-Canada Wheat Project makes plain, there is no guarantee that the information and recommendations generated by these exercises will be applied for the improvement of aid practice. In addition, the fact that CIDA never conducts evaluations of its projects after Canadian funding has come to an end means that the sustainability of a development effort is not even examined. Therefore, executing agents can not be held to account for the immediate collapse of a project following their withdrawal; not an uncommon occurrence, and one in which the failure of the CEA to live up to the terms of its contract is often a major contributing factor. Further, any lessons for designing sustainable projects are lost.

1.6.6 THE GENERATION, CIRCULATION AND USE OF INFORMATION

To fulfill their function as instruments of correction, programme and project evaluations must be accessible to officials and to the wider public. The effective functioning of oversight mechanisms is blunted by an unreliable flow of information. Brett argues that public access to information is not just a matter of adhering to an abstract concept of freedom in a democratic polity, but is necessary to the functioning of the process. Those interests which wish to maintain the status quo “will be able to exploit public apathy and bureaucratic secrecy to do so.”

The executing agencies hired by CIDA to implement aid projects are required to submit quarterly progress reports and project evaluations are done to monitor success and reduce the possibility of repeating the same mistakes in the future. However, this field knowledge has not been readily accessible to CIDA staff in the past. Mundy notes a study done by Andrew Clark and Ian Smillie of the implementation of CIDA’s 1987 policy statement Sharing Our Future. They found

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111 Auditor-General of Canada, October 2000; and review of Project Termination Reports for CIDA funded projects in Tanzania.
that CIDA’s corporate memory database was “almost totally untrustworthy in recording any kind of detail, and was mostly inaccurate on the big picture as well.”\textsuperscript{113}

The Auditor-General’s Report of 1993 concluded that the agency paid “more attention to process than substance of development.”\textsuperscript{114} The Auditor-General said that CIDA staff had too few opportunities to develop ‘core competence’ in social and economic development. “Hands-off management has become the order of the day without adequate recognition of either the consequent limitations on learning or increase in operation costs.”\textsuperscript{115} The report noted a lack of a ‘learning culture’ and a reticence within the agency to disclose information about failed projects for open discussion. “Lessons learned are not incorporated in a systematic and timely way into operations. Internal audits, project termination reports and end-of-project evaluations are used very unevenly to guide future activities or to highlight what works to achieve results and what does not.”\textsuperscript{116} The 1995 Auditor-General’s Report contained CIDA’s strategy for addressing these criticisms, including making information on CIDA’s past experience more accessible both to CIDA staff and to the public. In 1999, CIDA was in the process of installing a new internal data management system, and in 2000 it launched a Knowledge Management initiative to facilitate the flow of expert knowledge to project managers and other decision-makers.

It is also worth noting here CIDA’s historical relationship with the International Development Research Centre, a potential source of knowledge about development for CIDA. The IDRC was established in 1970 to fund research in areas relevant to international development. Its mandate and relationship to CIDA were defined in the following terms: “In broad terms it is agreed that IDRC should finance first-stage research while CIDA might follow with large amounts later to assure development of new systems or techniques which have a proven chance of wide

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\textsuperscript{113} Mundy, 1994:164. \\
\textsuperscript{114} Auditor-General of Canada, 1993:314-316. \\
\textsuperscript{115} Ibid. \\
\textsuperscript{116} Ibid:327.
\end{flushleft}
success.” CIDA and the IDRC are represented on one another’s project review committees, but CIDA programme and project files indicate that there is little use made in the Tanzania programme of IDRC research. The 1978 Country Programme review listed IDRC projects at the time but said “While the above are not closely tied to the bilateral programme, they do address fundamental aspects of basic human needs, and are valid contributions to development.” The Winegard parliamentary committee which visited Tanzania, Senegal and Ethiopia in 1987, recommended in its report that CIDA make better use of IDRC research. “Too much research produces a impressive list of publications and little else. Too much development rests on poorly researched foundations.” A decade later, a comparative review of IDRC and CIDA projects in Tanzania shows little evidence that coordination of the activities of these agencies has increased.

1.6.7 RELATIVE AUTONOMY

Hyden and Mukandala argue that the ability to control the generation, circulation, or withholding of information is one of three variables which determine the degree of autonomy an aid agency is able to exercise in pursuing its objectives. According to their argument, control over two other types of resources matter: economic, and political. They note that aid agencies do not raise funds themselves, and are therefore dependent on the national Treasury to release funds for their activities. They suggest that an agency’s power therefore derives from its ability to maintain political support within the government and among the general public. They argue that support for foreign aid has for a long time rested on two things: a perceived moral obligation to help the poor, and the commercial and political advantages to be won by giving aid. In their view, control over expert knowledge serves as an important countervailing force against political and economic influences. From this perspective, agency autonomy is an important determinant of agency ‘responsiveness,’

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118 CIDA, CPR 1979/80, 1978:8
or its adaptability and capacity to innovate, and is therefore desireable.\textsuperscript{121} This raises the question of the optimal level of autonomy for an aid agency in fulfilling its mandate, and how this is to be safeguarded.

Canadian development assistance is not governed by an act of Parliament and CIDA does not have a legislated mandate. CIDA was established by an Order in Council in 1968 (no.1968-1760) with its intended purpose set out in a memorandum to Cabinet. Aid policy objectives have been laid out in the four comprehensive policy statements produced by the government in 1970, 1975, 1987 and 1995. CIDA’s current priorities are stated annually in Part III of the Main Estimates which detail government spending. Critics have argued that this legal framework does not offer sufficient protection to the development objectives of the assistance programme. Long term priorities agreed upon between CIDA and recipient governments can be affected by the redefinition of Canadian government priorities in the annual Estimates.\textsuperscript{122}

Enshrinement of CIDA’s objectives and mandate in legislation has been recommended by parliamentary committee in the past, but has been consistently rejected by the government and by CIDA.\textsuperscript{123} Governments have been loathe to formally commit themselves to specific policies. For example, Berry describes the intense negotiations over the inclusion of precise figures in the 1975 Strategy (like the 0.7% GNP target) which would, it was feared in some quarters, bind the government to financial commitments it might not want or be able to sustain in the future.\textsuperscript{124} According to Morrison’s research, CIDA decision-makers have likewise sought to keep statements of CIDA’s purpose deliberately vague to avoid attempts by other departments to circumscribe the agency’s autonomy. Former CIDA president Maurice Strong told him that “Although it’s true that we couldn’t state absolutely that our

\textsuperscript{120} Hyden and Mukandala: 19.
\textsuperscript{121} Elgstrom, 1999: 150.
\textsuperscript{122} Mareen McNeil, Director of the North-South Institute in testimony to the Special Joint Committee on Foreign Policy, 1994 (4:37).
\textsuperscript{123} SCEAIT,1987; Government of Canada,1987
mandate gave us the right to do x or y, nor could anyone else say that our mandate did not give us that right." The cases presented in Chapters Two through Six suggest that CIDA’s ambiguous position within the Canadian government structure and the lack of a legally binding obligation to place the interests of the intended beneficiaries of aid above all others has made the aid programme extremely vulnerable to domestic political pressures and the pursuit of conflicting objectives in the allocation of ODA. The aid programme’s autonomy and responsiveness has been further reduced by the decline in development expertise within the agency as described by the Auditor-General above. The last section of this chapter reviews these conflicting objectives as they have been identified by scholars examining the determinants of Canadian aid policy.

1.7 THE DETERMINANTS OF CANADIAN AID POLICY

Discussion of foreign aid in Canadian academic circles has centered on the motives which shape policy. This examination has been conducted mainly within the discipline of political science, analyzing competing interests within Canada. The debate has generally focussed on domestic determinants to the exclusion of external influences on aid policy. The debate over aid policy formation in Canada is comprised of five competing interpretations. The concept of ‘humane internationalism’ holds that the roots of development assistance lie in the recognition of a moral imperative to help other people. The ‘dominant class’ perspective stresses the primacy of economic and commercial self-interest in aid policy. Writers who might be said to be coming from a ‘pluralist’ perspective agree that both altruism and economics play a role in defining policy, but argue that other interest groups and issues contribute to the process as well. The ‘statist’ explanation suggests that interdepartmental politics and the self-aggrandizement of the state are the main motivation and objective of aid. Finally, some writers have suggested that Canadian aid is influenced by a growing consensus among international donors on aid doctrine.

124 Berry, 1981.
and use the concept of an 'aid regime' to explain this.

1.7.1 THE INFLUENCE OF THE COLD WAR ON CANADIAN AID POLICY

References in the literature to the Cold War as a determinant of Canadian aid policy are few. None of the interpretations discussed here challenge the idea that foreign aid had its origins in the Cold War. Policy documents related to the Colombo Plan which marked Canada's first foreign aid commitment, state plainly that containment of the communist threat was the major objective of the plan. However, regardless of its initial mobilizing effect, the Cold War has long since ceased to be a significant factor in Canadian policy making. As previously noted, China is currently the top recipient of Canadian aid.\textsuperscript{126} Cuba was first offered Canadian assistance in 1973 and in 1994 CIDA reopened its programme there.\textsuperscript{127} CIDA is also active in a number of other ostensibly socialist countries. The Cold War, which has been very important in the formation of aid programmes in other donor countries, most notably the U.S., is pretty much a non-issue in Canada. An important qualification to this statement is the possibility that aid's political origins in the Cold War did set a precedent for the use of aid as a political tool.

1.7.2 HUMANE INTERNATIONALISM

The most widely offered explanation of Canadian aid policy is that it is driven by the philosophy of 'humane internationalism'. This is the public face of ODA, recited in policy documents and official statements. The concept is defined as "an acceptance by the citizens of the industrialized states that they have ethical obligations towards those beyond their borders and that these in turn impose obligations upon

\textsuperscript{126} CIDA, Statistical Report on ODA, 1996:6
\textsuperscript{127} Canadian aid to Cuba was cancelled in 1978 after parliamentary and media criticism of Castro's military aid to Angola and Ethiopia (Morrison, 1998:124). One might cynically suggest that the reinstallation of aid to Cuba nearly a decade after the end of the Cold War coincides rather neatly with increased Canadian private investment there, as does the rise in aid to China.
their governments. This theory links Canada's foreign policy to that of other 'like-minded' middle powers, namely the Netherlands and the Scandinavian countries. It explains their approach to aid as an extension of their domestic social welfare policies. Therien and Noel, for example, claim a close correlation between domestic social welfare spending and foreign aid spending, suggesting that they rise and fall in tandem. States that are concerned with the welfare of the poor at home likewise demonstrate concern for the poor abroad. Thus it is argued that Canada's social programmes like universal free health care, government pensions and unemployment insurance influence the size and shape of its development assistance programme.

If one squints at the charts provided by Therien and Noel plotting domestic and foreign expenditures, it is possible to discern a loose correlation. However, it is clear that Canada is not nearly as generous as the Nordic countries at home or abroad. Its status as a 'like-minded' country adhering to the ideal of humane internationalism is ambiguous. Likewise, its status as the world's seventh largest economy and only non-colonial power within the original G-7 means its position there is peripheral. Canadian participation in WWI and WWII accorded the state space on the international stage. As a non-nuclear power it has sought to carve a niche on the international scene by attempting to stake out the moral high ground, projecting an image of humanitarianism as a mediator of regional conflicts, through numerous U.N. peace keeping missions, and through its aid programme.

Canadian statespersons have periodically assumed visible leadership roles defending the interests of developing countries. However, these gestures, measured

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128 Pratt, 1989: 13
129 Stokke: 11.
130 Therien and Noel: 549
131 Former Prime Minister Lester Pearson chaired the Commission on International Development Cooperation whose 1969 report Partners in Development advocating a greater commitment on the part of western countries to ending poverty in the developing countries. In 1980 Prime Minister Pierre Trudeau launched a parliamentary task force on North-South relations and an international campaign to convince other western leaders to take seriously the Brandt reports, but failed. As Canadian ambassador to the U.N. Stephen Lewis chaired the Ad Hoc Committee of the Whole for the Special
against Canadian aid and trade policies, indicate more style than substance. Over forty years of development assistance, Canada has maintained its position in the middle of the pack of DAC donors, currently devoting 0.28% of its GNP to ODA, much less than the U.N. target of 0.7% which it has repeatedly officially endorsed. In 1994, the DAC estimated the proportion of Canadian aid devoted to poverty alleviation to be 0.023% of GNP, placing it near the bottom of DAC members in terms of the level of spending on human development. Successive governments have chosen to reduce their financial commitment to ODA in line with other donors rather than maintaining a course which would have placed Canada among the more generous of donors. On the basis of this evidence, it must be concluded that while the existence of an altruistic impulse cannot be discounted altogether, it is minor and incidental in terms of policy formation, not causal.

1.7.3 THE DOMINANT CLASS EXPLANATION

A second explanation of Canadian aid policy that has been put forward emphasizes the importance of Canadian economic and commercial interests. It is argued that the primary objective of development assistance is to build markets for Canadian goods, facilitate profitable private investments abroad, and through a large food aid programme, subsidize Canadian grain producers. In his ‘dominant class’ theory, Pratt argues that the big business lobby in Canada enjoys an ease of access to and influence upon federal policy makers which other interest groups do not. These channels of communication are both informal and formal, including among others the Canadian Export Association, which has a Development Aid Committee to formulate policy positions; the Canadian Manufacturers Association (these two organizations

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Session on the Critical Economic Situation in Africa in the General Assembly in 1986 which resulted in the adoption of the U.N. Programme for Action for African Economic Recovery and Development (UNPAAERD). Lewis was subsequently appointed special advisor on Africa to the Secretary-General (Burdette:230; Black et al:266).

133 Therien notes the extreme difficulty in obtaining an accurate measure of aid targeting on the poor and meeting human needs. Therefore, these figures must be taken as an approximation and viewed with some skepticism (Therien, 1994:327).
134 Pratt, 1989; 1996.

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have now joined together to form the Alliance of Manufacturers and Exporters
Canada); the Canadian Chamber of Commerce; the Bank of Canada; the Canadian
Wheat Board as well as the large group of private commercial companies through
which CIDA subcontracts much of its work. It is argued that through these channels
the capitalist class puts pressure on the government to direct aid policy to their benefit.

The fact that Canadian aid has historically been heavily tied to the purchase of
Canadian goods and services is cited as evidence that economic concerns outweigh
humanitarian motives. Critics also note that CIDA directs the bulk of its ODA to
middle income countries where, it is suggested, the investment climate and market for
imports is more hospitable than in the LDC’s. CIDA’s own documents boast that
“The jobs of more than 36,000 Canadians are sustained by our aid program. Fifty
Canadian universities and sixty colleges benefit from aid related contracts. The 2000
Canadian businesses receiving aid-related contracts are making connections with
some of the world’s fastest growing markets.”

Between 1969 and 1975 CIDA’s budget increased by 21.67% per annum. Pratt sees evidence of an early interest within the agency in pursuing developmental
objectives, but claims this soon collapsed under pressure from Canadian business
interests. The first official aid policy statement was made by the Trudeau government
in a 1970 white paper *Foreign Policy for Canadians*. It acknowledged an opportunity
for commercial gain but also stated that “all allocations and commitments of
development assistance funds should be measured against criteria relating to the
improvement of economic and social conditions of recipient countries.” Pratt says
1975 marked the apogee of the official commitment to developmental objectives
within CIDA. In that year the agency submitted a major policy paper for cabinet
approval entitled *Strategy for International Development 1975-80*. This first
comprehensive exposition of ODA policy emphasized poverty alleviation and basic

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137 CIDAa, 1996:2.
139 quoted in Pratt, 1989:38
needs. It stated that Canadian assistance was to be concentrated on the LDC’s, reaffirmed the 0.7% target, pledged to untie aid and to harmonize aid, trade and international monetary policies. It also made a commitment to channel twenty-five per cent of ODA through multilateral institutions.

The policy paper was accepted by Cabinet only after a major struggle involving the Departments of Finance, Agriculture, and Industry, Trade and Commerce which Pratt says represented the interests of big business. It was also opposed by the Department of External Affairs and the Canadian Exporters Association. Even though it was accepted as official Canadian policy, Pratt says “CIDA was seen to have overplayed its hand and was quickly thereafter brought to heel.” A new agency president was appointed, and in 1976 a new interdepartmental committee, the Canadian Development Assistance Board assumed responsibility for making policy. The 1975 strategy had little effect on aid practice. Aid remained highly tied, directed to middle income countries and, Pratt argues, commercially oriented. Only the commitment to direct at least twenty-five per cent of ODA to multilateral agencies was ever met, albeit long after 1980. Pratt and other writers have argued that this was not an isolated incident, but indicative of the influence of powerful economic interests on aid policy throughout the existence of the aid programme.

Freeman notes the body of literature which identifies Canadian economic interests as the primary determinant of Canadian aid policy to the detriment of aid’s supposedly philanthropic objectives, and which cites the countervailing power of the Canadian international development lobby as the reason why a large proportion of aid is given to very poor countries where there are few commercial opportunities to be found. Freeman argues that the exercise of influence over policy is more subtle than this model suggests and she evokes Nicos Polantzas’ concept of the ‘relative autonomy’ of the capitalist state to explain some of the deviations from an absolute responsiveness to Canadian commercial interests in the Canadian aid programme,
such as would explain the large quantity of Canadian aid Tanzania has received since independence. This theory conceptualizes the state not as the captive agent of the dominant class, but as "an organizer of an unstable equilibrium of compromises" which may make some short term compromises which do not favour dominant class interests in order to preserve the status quo in the long run.\(^{141}\)

A second tenet of this theory, which is in accordance with the 'dominant class' interpretation of Canadian aid policy articulated by Pratt, is that "there is an unequal representation of class forces inside the state apparatus; this has led to the dominance of certain branches and agencies of the state over others."\(^{142}\) In applying this theory to the Canadian state, Freeman claims parenthetically that in Canada the dominant class is largely American. However, within the government, she locates the seat of power of the domestic dominant class in the Department of Finance, with Foreign Affairs and International Trade (as it is now constituted) members of the inner circle, from which, it will be noted, CIDA is excluded. She argues that the parameters of the Canadian aid programme are set by Canadian economic and political interests as determined by the powerful government departments which represent the dominant class. These political interests she defines as an historical anti-communism, and a continuing desire for international prestige and influence. In the economic realm, she argues that the aid programme has served as a vehicle for capital accumulation within Canada and cites as evidence the fortunes of International Harvester, the company which supplied much of the heavy machinery for the Tanzania-Canada Wheat Project, and for which aid related exports accounted for an increasing percentage of their sales throughout the 1970’s. She argues that Canada’s desire for political influence abroad explains the large proportion of aid directed to LDCs and the fact that it is highly concessional. Canadian commercial interests have ensured it remains heavily tied to available Canadian goods and services, and this she claims, explains both Canada’s willingness to fund an agricultural development project in Tanzania and the form it

\(^{140}\) Ibid:40; See also Berry, 1981

\(^{141}\) Freeman, 1982:481.

\(^{142}\) Ibid.
1.7.4 THE PLURALIST PERSPECTIVE

Pluralists such as Lavergne argue that the marxist or dominant class interpretations of aid outlined above accord too much authority to business interests in the policy making process. They suggest that there are several interest groups and issues which together shape policy directions. Big business is certainly one of them, but its influence is mediated by other pressures. For example, public opinion polls have consistently indicated that the majority of Canadians support the maintenance or increase in aid spending and that the purpose of aid should be to help the poor. Pluralists argue that parliamentarians accord some weight to the views of the electorate when plotting policy.

There are also over five hundred international development NGOs in Canada. Two national umbrella organizations, the Canadian Council for International Cooperation and the Association Quebecoise des Organismes de Cooperation Internationale, monitor aid policy and lobby the government on development issues. NGOs present briefs to the parliamentary committees which review aid policy. There are also the formal annual consultations between CIDA and its NGO partners. The potential influence of the NGO lobby is enhanced by the fact that many large organizations are concentrated in Ottawa. It has been suggested by some members of the NGO community that this relationship between the state and the voluntary sector is too cosy. As a group, development NGOs receive an average of seventy-five per cent of their funding from the state. CIDA's trend towards subcontracting its projects to private groups suggests that CIDA might influence NGO

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143 Lavergne, 1989
144 In 1995, for the first time since 1978, more Canadians thought the government was spending too much on foreign aid (45% of respondents) than thought aid was not enough or just right (42%) (German and Randal, 1995:42).
146 Ibid.
policy as much as the other way around.\textsuperscript{147}

Political issues are also cited as determinants of aid policy. For example, Canadian ODA is widely dispersed over one hundred and thirty countries despite repeated recommendations from within CIDA that aid concentrated in a smaller geographical area would be more effective. This dispersal is not expected to provide Canada with leverage in all or any of these countries as in none but Guyana is it the major donor.\textsuperscript{148} The explanation lies in historical cultural ties.\textsuperscript{149} Initially, Canadian aid was given to Commonwealth countries. During the 1960's Quebec nationalism gathered momentum, reaching a crisis with the 1978 referendum on separation. Pressure was placed on the federal government to recognize Canada's cultural connection to other francophone countries by extending its aid programme. The unsettled 'national unity' issue continues to affect foreign aid policy ensuring the continued wide dispersal of resources. This issue is addressed more fully in Chapter Four.

In the realm of domestic economic policy, government commitments to reduce the federal deficit have resulted in cuts to CIDA's budget of over thirty per cent since 1991.\textsuperscript{150} This has forced the agency to make difficult programming choices somewhat arbitrarily. This necessity precipitated the cancellation of the East Africa programme in 1993. In contrast to the dominant class perspective, which gives primacy to business interests, the pluralist or 'mixed motives' explanation holds that no one factor dominates aid policy.\textsuperscript{151} Its course is fixed by the issues of the day and by changing coalitions of interest groups with the state acting as the mediator of competing interests.

\textbf{1.7.5 THE STATIST INTERPRETATION}

\textsuperscript{147} Smillie, 1994; Brodhead et al, 1987.  
\textsuperscript{148} CIDAa, 1996.  
\textsuperscript{149} Morrison, 1994:155.  
\textsuperscript{150} German and Randal, 1995:39.  
\textsuperscript{151} Nossal, 1988.
Nossal rejects all three perspectives outlined above. He says that those who argue the moral imperative cannot explain the miserly commitment Canada has made to ODA, and dismisses this argument as mere rhetoric. Likewise, he dismisses economic and trade motives on the basis that the sums involved are inconsequential. Strategic and political interests are similarly rejected. Canada has been called "a regional power without a region", and as noted above, Canadian aid is too widely dispersed to give Canada any leverage in recipient government policy in the area of human rights, trade orientation or any other sphere. Nossal says the withdrawal of Canadian aid has occasionally been used in attempts to compel, punish or deter, but not in any systematic way or with much impact.

Nossal argues that "the primary and most concrete beneficiary of development assistance is the Canadian state itself; other recipients of the benefits of ODA allocations, in Canada or abroad, are of distinctly secondary importance." Here 'the state' is defined not as the government of the day, or by the dominant interests in society, but as the bureaucracy itself. Nossal sees it as an institution with considerable autonomy from other societal interests and with its own agenda to pursue. Its objectives are threefold.

Firstly, the state is motivated by the prestige that an international presence garners for it. The crucial motivating force is the fact that prestige and authority accrue to individuals working in field offices and high commissions overseas and in Ottawa. Negative responses to official policy (i.e. to programme cuts) fall to them as well. For this reason, bureaucrats have an interest in supporting the aid programme, regardless of its content. Nossal recognizes the limitations of this explanation. Pursuit of prestige can possibly account for the existence of an aid programme, but not for the programming choices which are made. To account for this, he again points the finger at individual self-interest among civil servants. He suggests that a capital intensive, project-oriented, tied aid programme requires a large staff to run it. It is
possible that other types of development assistance strategies would require fewer Canadian officials and experts and are therefore “persistently avoided.” He asks a question central to the concerns of this paper:

Does a large bureaucratic structure exist because a succession of cabinets - for other reasons - decided to pursue a project-oriented, tied aid strategy of development widely dispersed over the globe, or are alternatives to the present package of development assistance avoided because they would threaten the existence of the bureaucracy?  

Nossal concludes that “a clear answer to this question cannot be offered” but this issue will be taken up in the research presented below.

Pratt’s example of the struggle over aid policy in the 1970’s highlights the turf wars which flare up between government departments. Depending on the political stripe of the government of the day and the continuous adjustment of lines of jurisdiction between and within departments, these can affect policy formation. CIDA officials find themselves under pressure to disburse their full budget allocation each year in order to preserve the agency’s claim on government resources and they make programming decisions under this constraint. CIDA constitutes a lobby within the government bureaucracy as a whole in support of increased aid for this reason (rather than, Nossal would suggest, to meet any developmental objective). However, the necessity of limiting expenditure imposed by the economic recession (and now, presumably, by the government’s deficit cutting agenda) acts as a check on bureaucratic expansion and prestige aggrandizement. The persistence of tied aid is thus explained as a means to get more bang for the buck. Nossal claims that the central objective of Canadian ODA can be reduced to “achiev[ing] for the Canadian state the appearance of philanthropy both at home and abroad while at the same time avoiding as far as possible real expenditures”.

152 Ibid:45.
153 Ibid:53.
154 Ibid.
155 Nossal:54.
This is too cynical a view of aid even for Pratt, who says Nossal attributes more selfish motives to aid officials than they truly possess.\textsuperscript{156} In Pratt's view, bureaucrats are pawns in a larger power game. It is difficult to ascertain personal motives, yet whether bureaucratic inertia is attributed to resistance on the part of individuals or to path dependence within the institution, the role of institutional rigidity in shaping Canadian aid policy requires closer consideration than it has received in the literature thus far. Nossal's contribution to the debate opens up promising avenues for further investigation. In and of itself, however, it does not constitute a satisfying explanation of aid policy. His dismissal of all other motivations on the grounds that ODA is too small to meet any of their alleged objectives is too facile. It might just as easily be argued that Canada's lukewarm response to poverty in other countries can be explained as the function of a dispassionate state in mediating competing societal interests, compromising all of them in the process.

1.7.6 THE INTERNATIONAL AID REGIME AND CANADIAN POLICY

All of the explanations outlined above focus on the domestic determinants of aid policy to the exclusion of broader international influences. Black, Therien and Clark suggest that an international aid regime has an effect on Canadian aid policy.\textsuperscript{157} As proof of systemic influences on donor policy, they note that all northern countries created comparably structured aid bureaucracies in the 1960's. The volume of aid flows from each country have since risen and fallen with relative symmetry. These authors note shared preoccupations among donors: infrastructure projects in the 1960's, basic human needs in the 1970's, structural adjustment in the 1990's.\textsuperscript{158} To this list might be added a generalized preference for particular modes of intervention: technical assistance, project aid, and programme aid with attached conditionalities. Among them, donors have delineated a common field of intervention in the Third

\textsuperscript{156} Pratt, 1996.
\textsuperscript{157} Black, Therien and Clark: 1996.
\textsuperscript{158} Ibid:260-61.
World, and official aid agencies, including CIDA, are not mandated to think of international development in terms of domestic policy prescriptions, like removing tariffs on goods entering Canada from developing countries. Black, Therien and Clark also see general agreement among donors on the question of where their funds should be directed. Whereas the bulk of aid in the early days of ODA was targeted at Southeast Asia, they argue that aid is now concentrated on Africa, and that this is a major trend in the international aid regime. According to OECD figures, the continent now receives 38.3% of all ODA.\(^{159}\)

A second major trend cited by these authors is “an unprecedented consolidation of a doctrine of international aid over the past fifteen years.” This is founded on a growing consensus that structural adjustment is the key to development, but includes a range of themes which have been embraced by donors and around which they attempt to coordinate collective action. The authors name structural adjustment, women in development, human rights and the environment as areas in which the aid regime exerts its influence on donors and recipients. They outline how each issue was placed on the international agenda in World Bank and DAC policy papers and at international conferences, and argue that subsequent international agreements have established norms for individual donor policy. They interpret the increasing percentage of ODA channelled through multilateral institutions as an important indicator of the growing strength of the regime because these organizations provide the “context in which systemic priorities are determined and consensus is forged.”\(^{160}\) On some policy issues Canada has followed international trends, whereas on others, like Women in Development “Canada has probably exerted more influence than it has absorbed”.\(^{161}\)

The motive driving the aid regime, these commentators suggest, is a faith in structural adjustment coupled with a desire to maximize the impact of donor

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\(^{159}\) Ibid:264. 
\(^{160}\) Ibid:265. 
\(^{161}\) Ibid.
resources. While they agree that domestic factors have some influence on policy, they seem to share Lumsdaine's conception of the aid regime as one oriented primarily towards developmental objectives. In their exploratory article, they do not provide sufficient evidence to support this conception of the regime or to refute Wood's claims as to its nature. Nor do they suggest how these systemic pressures are reconciled with domestic interests. Also left open is the question of how or where innovations and trends originate before they are presented at international conferences and by what specific means they are transferred to and integrated into individual donor policies. In examining the concept of an international aid regime, one must also consider whether there is, in fact, a growing consensus in aid doctrine or increasing fragmentation as the cast of providers multiplies.

1.8 CONCLUSION

The literature on aid, as reviewed above, offers an array of explanations for how aid policy is determined and the implications of these pressures for the outcome of assistance efforts. Observers have identified altruism, political and economic interests, bureaucratic politics and international pressure as determinants of aid policy. The cases examined in this paper illustrate that there are limits to the hegemony of any force in public policy making. None of the theories outlined above can on their own account for why Canadian aid policy takes the shape that it does.

On the basis of an examination of the origins of foreign aid and trends in trade policy, tied aid and food aid, some writers have argued convincingly that commercial factors are crucial in shaping the form and content of ODA. By examining the means through which commercial sector interests attempt to influence aid policy and the results of these efforts in specific cases, the research presented here adds credence to this argument. This interpretation, however, cannot account for all policy decisions, as the cases presented here also demonstrate.

Canada is also part of an international aid system which connects it to other donors and with recipient governments through institutionalized relationships. Canada is a member of and a contributor to the United Nations and its agencies, the DAC, the World Bank and the IMF. It has a seat on the board of directors of all the regional development banks, and along with other bilateral and multilateral donors, participates in consultative groups and working groups organized around aid policy issues. As noted above, a number of scholars have used regime theory to explain the relative uniformity of aid policy among donors. Their argument is that collective pressure is exerted through international organizations and agreements which moves individual states to comply with generally accepted norms for ODA policy. The literature presents two contrasting conceptions of this international aid regime: one which developed to facilitate collective action to end poverty – the embodiment of humane internationalism; conversely, an institutionalized relationship between donors and recipients designed primarily to preserve the status quo in the global economic system. In assessing the merits of these arguments, the research presented here sought evidence in specific cases that Canada, as an aid donor, has responded to pressure exerted by other donors through international organizations, or that Canadian aid policy is based on anything other than a calculation of its own internally defined interests, be they humanitarian, economic or political.

For a middle power like Canada, strategic interests, while important in the formation of the institutions of ODA, are less so now, at least in their original manifestation. Political objectives are now defined not in terms of establishing a presence in the Third World to stem the tide of communism, but in terms of promoting democratization and economic liberalization through the imposition of policy conditionalities. This reorientation of one aspect of foreign aid raises the question of the degree to which each of the perspectives presented here can account for changes in policy objectives. As a group, their focus is on establishing the dominant influences on policy, not on how policy is contested and changed. Regime theory is a useful analytic tool for explaining the dominance of neoclassical economics in donor programmes, and their homogeneity, symmetry and continuity. It
is a less apt tool for explaining diversity and the redefinition of norms. As a macro-level theory it cannot by itself explain counter trends and policy reversals within individual countries.

The pluralist approach to explaining aid policy recognizes the existence of various interests contesting policy which competing theories do not. It is argued that aid policy in Canada and elsewhere is heavily influenced by the political and economic interests of the donor country. It is suggested that the pursuit of these interests through the aid programme is advanced or actively opposed by conflicting pressure groups within and without the government – government departments with differing mandates, coalitions of business interests, organized labour, non-profit organizations devoted to international development issues, and academic researchers. Public debate on aid policy is also significantly shaped by media coverage of development issues. However, this explanation does not include systemic or structural forces (those which cannot be attributed to a particular societal group).

Likewise, the theories put forward by Nossal and Lumsdaine seem excessively cynical and naive respectively. There may be little evidence that altruism is the guiding principle of bilateral aid programmes, but the proposition that most employees of aid agencies are on the make is similarly improbable. The merit in these two perspectives, however, is their suggestion that bureaucracies can develop a momentum of their own which can trap them into established patterns of behaviour and that they have an enduring power to shape the policies they were designed to administer.

The cases examined in the following chapters demonstrate that there are instances in which policy decisions cannot be attributed to any discernable interest group, domestic or foreign. Actions and events are constrained or propelled by forces inherent in the institutionalized processes of development assistance. Some of these are phenomena common to large bureaucracies in general: inertia, path dependence, goal displacement, the compartmentalization of tasks, and ineffective mechanisms of
oversight. These symptoms of bureaucratic failure are complicated by the ambiguous objectives of the Canadian aid programme as outlined above and analyzed in greater detail below. This ambiguity leads to problems in identifying the principals and the agents in the aid relationship, establishing clear lines of accountability, and setting an appropriate system of incentives. As set out in Chapter Two and explored further in subsequent chapters, the management structure of the aid programme itself and CIDA’s position within the Canadian government system affects the access of special interest groups to decision-makers, the costs of aid delivery, and CIDA’s capacity to monitor and improve aid performance. It places CIDA’s mandate to help alleviate poverty in other countries in conflict with the responsibilities of other government departments. A detailed examination of the decision-making processes in specific cases also suggests that there are constraints on the degree of autonomy aid officials can exercise to correct evidence of policy failure or innovate to improve aid performance. This is true both in terms of aid policy-making and in the negotiation and enforcement of international agreements on ODA practice, as discussed in Chapters Two, Three and Four, and in the design and implementation of individual aid projects as discussed in Chapters Five and Six.

Participants in the debate over the determinants of Canadian aid policy have generally subscribed to the idea that it is the product of some configuration of mixed motives. The research presented below will continue in this tradition, suggesting that systemic and structural factors are important determinants of aid, but recognizing that other forces, specifically economic and political, also play a significant role. The preceding discussion of the literature on the determinants of Canadian aid policy offers an account of the allocation of funds and the broad features of bilateral aid, and how various forces intervene to divert aid from its official objectives. But a discussion of motives and objectives cannot fully explain the methods chosen to pursue these ends, or how this affects the outcome of aid interventions. One of the primary objectives of this research has been to examine the aid process in its entirety, from the transformation of theories of development into aid policy, through the operationalization of policy statements into specific aid projects, and their
implementation and outcome. Part I of this thesis has set out the objectives of this research, reviewed the arguments found in the existing literature, and outlined an analytic framework in which to examine the chosen cases. Part II (Chapters Two, Three and Four) focuses on the forces which influence the aid policy-making process in Canada through a discussion of three significant policy decisions.

Part III (Chapters Five and Six) examines the project design, implementation and evaluation stages of the aid process, in this case in two Canadian assisted projects in Hanang, Tanzania. As will become apparent, a whole other set of factors come into play at this point. While hopefully benevolent in intention, an aid project is a hugely invasive intervention in the recipient country. The line between assistance and interference in the affairs of a sovereign state must be negotiated between donor and recipient. In a consideration of the factors which influence the course of events in an aid project and its subsequent outcome, the political interests of the recipient government and of its dominant class are as significant a determinant of the outcome of aid efforts as powerful domestic interests in Canada. As the events in Hanang illustrate, also significant are the political and social dynamics of the host community, the activities of other donors, the institutional capacity of the recipient government to fulfil its role in the project, and existence of necessary supporting infrastructure (like transportation and marketing systems).

We now turn to an examination of these various factors as they have been enumerated here in relation to a series of policy decisions drawn from the history of Canadian ODA.
CHAPTER TWO
CIDA's Experiment with Decentralization 1988-1993

Inherent in the Arusha Declaration, therefore, is a rejection of the concept of national grandeur as distinct from the well-being of its citizens, and a rejection too of material wealth for its own sake. It is a commitment to the belief that there are more important things in life than the amassing of riches, and that if the pursuit of wealth clashes with things like human dignity and social equality, then the latter will be given priority."


2.1 INTRODUCTION

This chapter examines CIDA’s experiment with decentralized aid administration between 1988 and 1993. In response to criticisms that the aid programme was ineffective and inefficient, in 1987 the government announced its intention to decentralize the administration of aid. Field staff was doubled and some decision-making authorities were transferred to the overseas posts. Tanzania was among the first six bilateral programmes decentralized in 1988. Despite early reports from the field that decentralization was having a positive impact on Canada’s ability to deliver more effective aid in accordance with the government’s stated objectives, in December 1989 only a little over a year into the transition, the government put the brakes on, advising CIDA and DEAITC to find ways to cut expenses. In May 1990, CIDA management was advised by the Treasury Board that the cancellation of

2 Several requests were made to CIDA over a period of two years to review agency files on decentralization but permission was not obtained. The costs of accessing this material through the Access to Information Act were prohibitive, the sum estimated by CIDA’s Access To Information Programme officer to be in the thousands of dollars to pay for screening and photocopying of the entire lot as required by regulation. The discussion of decentralization presented here is based on a review of documents and memoranda contained in DFAIT files obtained through DFAIT’s Informal Access Programme, three CIDA Performance and Evaluation Branch discussion papers on decentralization obtained through CIDA’s Development Information Centre, a 1992 evaluation of Decentralization released through CIDA’s Access to Information Programme, interviews with CIDA and DFAIT officers and outside observers, and Morrison’s discussion of CIDA’s decentralization in his comprehensive history of CIDA and Canadian ODA (Morrison, 1998: 285-286;303-311). The interpretation of events presented here draws primarily on government documents, but this reading is largely corroborated by interviews conducted on the topic. As this chapter examines decision-making processes within the government system, this concentration on government documents is considered to

92
decentralization was a real possibility. Further budget cuts outlined in the February 1992 federal budget made plain the government's intention to discontinue the process. The official announcement was made in 1993. The responsibilities delegated to the field reverted to HQ and gradually decentralized staff returned to Canada, the last in 1994. $150 million had been spent shifting operations overseas before the process was halted and the administration of aid recentralized in Canada.

In spite of the recent recommendation of the Helleiner Report on development cooperation between Tanzania and its donors that donors should decentralize their programmes to that country as a step towards making it more effective, and movements in that direction on the part of other western donors, there is little stomach at CIDA for a revisitation of the decentralization issue. However, the agency's brief foray into the field is presented here as a case of an attempt at innovation foiled in a particularly dramatic reversal of policy seemingly on par with the cancellation of aid to East Africa in 1993 discussed in Chapter Four.

As a case study of the aid policy-making process in Canada, the decentralization and recentralization of aid administration is significant because of what it reveals about the dynamics of power within the aid programme. It is also instructive of the primary influences on Canadian aid policy and the comparative importance accorded to the supposed beneficiaries of aid versus various Canadian interests. The decision to decentralize the administration of Canadian ODA was taken in response to public criticism of the failings of the aid programme. The stated purpose of decentralization was to improve the quality of aid offered to poor countries. The key question to be addressed here in the context of an examination of the causes of aid failure and CIDA's capacity to learn from experience, is why did this particular attempt at innovation fail? As will be outlined below, early reports from the field suggested that decentralization was having a positive effect on the aid programme. Yet it was cancelled almost before it had begun and the $150 million

be warranted. The issues raised and views expressed in available sources are consistent to an extent which, it is felt, justifies the claims made here.

dollars spent moving operations to the field written off. In the first instance, its
demise was the result of the Conservative government’s deficit cutting agenda which
hit the foreign aid budget particularly hard. However, opposition to the
decentralization of aid administration came from various other sources as well,
namely the Canadian commercial sector, elements within the Department of External
Affairs and International Trade, from the Treasury Board, and to a lesser extent, but
nevertheless somewhat surprisingly, from some Canadian NGOs and elements within
CIDA itself.

There are other factors to consider. Decentralization was implemented in a
piecemeal fashion, rapidly and unevenly. The result was the proliferation of multiple
layers of bureaucracy which compromised the realization of any potential benefits. It
was a stillborn strategy, cancelled before its full effects could be felt. As such, it is
impossible to make an assessment of the impact of the decentralization exercise on
the quality of Canadian ODA. Nevertheless, its examination here is meant to shed
light on the decision-making process and forces at work within the institutionalized
aid system which once again took a noble policy objective, mangled it in the process
of implementation, and abandoned it before its objectives could be fully achieved.
Bearing in mind the theoretical explanations of bureaucratic failure outlined in
Chapter One, the almost complete lack of public interest in the issue when compared
with other matters which became controversial, raises questions about the functioning
of oversight mechanisms for the aid programme. While decentralization and
recentralization were topics of vociferous debate within CIDA and between the
agency and other Canadian government departments, the events described here passed
with minimal discussion in Parliament and largely unnoticed by the Canadian press.
Compare this with the attention paid to a $4.5 million failed bakery project in
Tanzania funded by CIDA which was the subject of a nationally televised
documentary.\(^6\) Four and a half million dollars is a lot of money, but $150 million is a
lot more. Similarly, the cancellation of decentralization, a policy which seemed to
have some positive potential value, while CIDA chose to persist with a failing project
over a period of twenty-five years which its own experts had advised would not work

\(^6\) CIDA Project no. 902/00127
even before it had begun (the Tanzania-Canada Wheat Project described in Chapter Five), also seems indicative of a curious internal logic which merits examination.

This case raises a number of other issues with respect to the determinants of aid policy and the constraints on the effective use of aid resources. The late 1980's - early '90's was a period of crisis and flux in the Canadian aid programme. Deep budget cuts coincided with a Parliamentary review of aid policy and a comprehensive management review of CIDA. In accordance with Ikenberry's idea of 'breakpoints' in history, it could be argued that this volatile set of circumstances created a window of opportunity for major changes to entrenched aid practice. As the events described below indicate, there were initiatives both at CIDA and the Department of External Affairs (EAITC) to redirect the aid programme at this time. Decentralization was initiated as a means to improve the quality of aid. In the end, the government chose to revert to a method of administration which had previously been perceived as ineffective.

Through a consideration of the range of options open to policy-makers at each juncture, and by tracing the process of decision-making, this chapter attempts to identify the factors which led to this outcome. It first considers the rationale for decentralizing the administration of aid. The next decision bureaucrats faced was how to implement this policy. Their chosen course of action highlights both concerns about accountability and the unresolved conflict between CIDA and the Department of Foreign Affairs for control over aid policy. How government officials responded to budget cuts imposed by Cabinet and to external opposition to decentralization following its implementation reveals constraints on the effective use of aid resources embedded in the way the aid programme is managed. The conflict between CIDA and EAITC was not just a turf war, but a clash between two opposing conceptions of the purpose of the aid programme: as an instrument for poverty reduction in recipient countries, or a legitimate means for advancing Canadian interests abroad. This conflict is inherent in the administrative structure of the aid programme which sets CIDA's mandate to assist development efforts overseas in direct conflict with EAITC/DFAIT's responsibility to protect Canadian interests abroad. CIDA's
subordination to EAICT meant that in this case, (and in others, it is argued), private sector opposition to decentralization was accorded more importance in the decision to recentralize aid administration than was the impact of the policy on the supposed beneficiaries in aid recipient countries.

This case provides a clear demonstration of how the avowed objectives of the aid programme as stated in official policy documents can be sidelined by reality. Government members and the bureaucrats charged with implementing government policy chose an administrative model for decentralized field offices, identified the aid programme as a target for the deficit cutting exercise, and then had to decide how to deal with a reduced budget. The evidence presented below suggests that in each instance, possible options were weighed against a number of considerations, of which how to maximize the benefits of Canadian ODA to its intended recipients appeared low on the list. More important appear to have been bureaucratic politics, and private sector opposition to the policy. The official rationale for reversing decentralization was that it was too costly. However, this decision was made on the basis of limited information as to the actual costs and the impact of the policy on the quality of Canadian assistance. In addition to the unreliable nature of the available figures, the identification of aid delivery costs as the primary measurement of performance highlights the contentious focus on inputs rather than outputs in monitoring the aid programme. This approach does not allow for an accurate assessment of Canadian ODA in meeting its objectives.

2.2 THE DECISION TO DECENTRALIZE

The decision to decentralize CIDA's administration of aid to overseas field offices in 1987 originated as a response to mounting public criticism of Canada's aid programme. CIDA suffered through a spate of negative publicity in the late 1970's and early '80's. Its management of aid funds, and the sometimes spectacular failure of Canadian assisted projects overseas were criticized in the press, by the Auditor-

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7 Ikenberry:318.
General of Canada\textsuperscript{9}, and public interest groups. These events coincided with a shift in the international donor consensus on aid priorities. As reflected in aid policy documents released in 1975 and 1988, new issues were placed on the aid agenda in this period: basic human needs, the environment, the role of women in development, as well as structural adjustment. From the international research community came critiques of 'development tourism,' and the detrimental effects of aid projects implemented by donors on the basis of an inadequate understanding of the recipient community.\textsuperscript{10} There was a recognition within CIDA (concentrated by sharp external criticism) that old administrative practices designed to deliver the big infrastructure projects which formed the foundation of the Canadian aid programme were inappropriate in light of this new agenda.

Prior to 1988, the administration of the aid programme was concentrated in Canada, with all projects managed from headquarters in Ottawa. The ratio of Ottawa-based staff to field staff was 10:1 in 1987.\textsuperscript{11} The 1987 SCEAITC Report noted that while project implementation was contracted to a large body of agents in the field, decision-making was highly centralized.\textsuperscript{12} According to a CIDA document from 1990, this administrative structure had developed to facilitate an “engineering” approach to aid projects, “including the application of elaborate control mechanisms, the procurement and transfer of Canadian goods and services and enforcement of agency policy … and to factor the Canadian ‘policy context’ into project design.”\textsuperscript{13} However, according to the same document, in the 1970’s and ‘80’s, “the dysfunctional aspects of centralization became apparent.” The elaborate planning cycle led to extended delays in project implementation and “an inability to make quick mid-course corrections on projects. Canada began to acquire a reputation as a well-meaning but excessively slow donor.”\textsuperscript{14}

\textsuperscript{10} Chambers.
\textsuperscript{11} SCEAT,1987:79.
\textsuperscript{12} SCEAIT,1987:79.
\textsuperscript{13} \textit{CIDA Decentralization (DRAFT)}, June 30 1990, DFAIT File no. 38-1-1-CIDA(1) Vol.13 - Decentralization.
\textsuperscript{14} Ibid.
Numerous examples of an inefficient and cumbersome aid process can be found in Canada-Tanzania bilateral project reports. The commodity agreements discussed in Chapter Four provide an illustration of some of the consequences of this inefficiency – shutdowns in Tanzanian industries, missed planting dates while necessary equipment and inputs made their way through the system and across the ocean, and the difficulties inherent in managing from Ottawa the funds generated by the sale of the commodities in Tanzania. Under the administrative structure for aid projects which existed prior to decentralization, the bulk of the decision-making process was centered at CIDA headquarters in Canada, with considerable transcontinental referral and consultation between the headquarters and the field post necessary throughout the design and implementation cycle. As the Winegard Report observed, “at virtually every step in the decision-making process, Canadian officials in the field wait upon decisions and action by headquarters. In turn, they spend most of their time performing work related to the administrative and procedural requirements of headquarters.” The Report cited a CIDA survey of field officers which indicated that “an average of only 7 per cent of their time is spent in negotiations with the recipient country and 10 per cent in planning, programming and intelligence gathering. Some 47 per cent of their time is spent on administrative tasks, most of which are headquarters oriented, and only 8 per cent on project site visits.”

Recipient country involvement in the process was largely restricted to approving plans developed by CIDA and CIDA selected consultants and executing agents. The managing director of Tanesco, the Tanzanian electricity authority which was then receiving Canadian aid, addressed the Parliamentary Committee on their fact-finding mission to Tanzania and expressed his opposition to the aid recipients’ exclusion from this process. “Contracts are negotiated and signed by CIDA. Although the contractors are working with us, we have no control over the terms and conditions.” The project identification, design, approval and contracting process was also painfully slow, with generally more than two years passing between the

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16 Ibid, pg. 82.
17 Ibid, pg. 80.
18 Ibid, pg. 83.
identification of a need, an official request for funding and the disbursement of aid funds.

It was in response to public criticism of the aid programme as a whole that in 1987 the Conservative government appointed the special Parliamentary Committee chaired by William Winegard to examine the Canadian aid programme and to make recommendations for its improvement. Among its numerous recommendations, the Committee called for the decentralization of aid to the field. This was an option that CIDA had already begun to investigate. A 1987 agency study examining the experience of other bilateral donors reported "an increasing conviction among donors" that decentralizing aid staff and authority to the field improved the quality of aid as planners living in the recipient country developed a deeper knowledge of the local environment. It also allowed for better monitoring, the prompt resolution of problems as they arose, and sped up the project cycle.19

In its submission to the Winegard committee, the North-South Institute argued on the basis of case studies of Canadian aid which it had recently conducted – the Tanzanian programme among them – that aid delivery could be improved by moving more aid staff with authority to the field.20

Often overwhelmed with administrative detail and visiting consultants, these field staff should have the most intimate knowledge of the recipient country and CIDA activities there. They can be well placed to influence aid programming and to respond to changing local circumstances by approving changes within project budgets or even between activities.21

Noting that several other donors had decentralized their operations to the field in some form, the Institute submission stated:

We saw no evidence that accountability suffered as a result of decentralized responsibility. What we often saw was detailed expertise at a country and sectoral level, and flexibility in project administration. It was not unusual for Canadian aid personnel to be dependent upon

20 See: Young, 1983.
this expertise in trying to establish priorities and approaches to the Canadian program without of course the benefit of a particular Canadian view.\textsuperscript{22}

Based on its observations of field operations in Africa and on the evidence brought before it in its public hearings, the Winegard Committee recommended to the government that “substantial decentralization to the field” be made a priority, and that “decentralization be undertaken comprehensively and involve the transfer of significant numbers of senior officials and decision-making authority from headquarters to the field.”\textsuperscript{23}

It is important to note that the model of decentralization of aid administration put forward by the Winegard Committee was envisioned as a heavier Canadian presence in the field, not a delegation of responsibility and authority to an increased staff of recipient country nationals. The committee considered several models for the proposed decentralized field offices. One option was to allow decentralization to proceed on an ad hoc basis, as it was currently doing, with individual country desks and regional branches transferring elements of the project cycle to the field as they saw fit, within existing regulations governing project approval authority. A second option was to take a more proactive approach to maximizing existing decision-making authority in the field in all posts and to make more intensive use of field support units (largely staffed by locally contracted personnel) to handle administrative, logistical and technical matters. A third model proposed the direct transfer of aid staff from headquarters to the field with no changes made to their job descriptions, just the location where the tasks were carried out.

The committee also considered the establishment of semi-autonomous aid offices along the lines of those of USAID, operating separately from consular activities, using more locally engaged personnel than currently employed. The establishment of a new crown-owned investment bank for development projects coupled with a technical assistance programme was considered with the implementation of projects to be privatized. However, the model recommended by

\textsuperscript{22} Ibid.
\textsuperscript{23} SCEAIT, 1987:90.
the Committee was the establishment of a number of regional programme offices staffed by CIDA’s sectoral specialists, programme and project officers, placed in the field to deal quickly and efficiently with the matters which were their responsibility. A key component of this reorganization, the Committee stressed, was the transfer of significant decision-making authority to this field staff.

2.3 THE IMPLEMENTATION OF DECENTRALIZATION

The government determined that policy-making must remain in Ottawa, but Cabinet approval for decentralization of aid administration in principle was received in August 1987 on the grounds that

Effective and efficient management of the program requires that decision-making authority and responsibility for program implementation must be placed as close as possible to the development problems which the program is designed to alleviate.24

The government pledged itself to a three-pronged strategy to achieve this end. The first was to increase the size of mission-administered, quick disbursing Canada Funds for small projects. In addition, the government said it would transfer additional decision-making authority to the field, and transfer and increase aid staff overseas. The objectives of decentralization were identified as:

1. A more rapid and sensitive response to the increased needs of aid recipient countries.
2. Improved consultation with recipient governments on social and economic policies, and a greater coherence between these policies and the development cooperation programme.
3. Increased participation of developing countries in the planning and implementation of projects.
4. Improved monitoring of programmes and projects in progress.
5. Increased visibility and credibility for Canada within developing countries.

6. Improved programme coordination with recipient countries and with other donors.  

In April 1988, the Treasury Board authorized a budget of $233 million over five years to pay for the decentralization of six aid missions in the first year, the Tanzania programme among them, and fourteen in the second. As Morrison recounts, the time lag between Cabinet approval of the plan and the Treasury Board authorization of funds and the release of a new Canadian aid policy document Sharing Our Future in March 1988 outlining the government's commitment to decentralize aid administration, was due to interdepartmental disputes over how it was to be implemented and managed. It was on these grounds that an earlier attempt to decentralize the Caribbean programme had foundered in the 1970's. In this latest attempt, Treasury Board turned down the first plan submitted jointly by CIDA and DEAIT as too costly, and conflicts over the management of field personnel took months to resolve. In the end, the administrative model for decentralization approved was not that recommended by the Parliamentary Committee.

The chosen model was based on a compromise reached between CIDA and DEAIT and was to be jointly administered by the two departments within the financial limitations imposed by the Treasury Board. It comprised the transfer of aid personnel overseas with some enlargement of their decision-making authority, and the creation of new staff positions in the field and in Canada to oversee the process at CIDA and External Affairs. As of February 1990, an additional four hundred and forty-four locally engaged personnel had been hired, of whom fifty-two were programme officers. Management of aid personnel posted overseas was to be the responsibility of External Affairs. This responsibility was to be exercised in consultation with CIDA, which retained authority over aid staff in Ottawa.

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26 Treasury Board Minute #807086, 5 April 1988. The nine posts decentralized were: Barbados; Senegal; Tanzania; Philippines; and Singapore in 1988; and Ivory Coast (with satellite offices in Burkina Faso, Mali and Niger); Zimbabwe (with satellite offices in Botswana, Lesotho, Malawi, Mozambique, Swaziland and Zambia); Indonesia; and Costa Rica (with satellite offices in Guatemala and Honduras) in 1989. Other country programmes were to have been decentralized over the next three years, but the 'streamlining' of the programme and its subsequent cancellation meant that never occurred.
Under decentralization, approval authority for projects worth up to five million dollars was delegated from CIDA HQ to the head of the mission. All other approval authorities remained as before. The Head of Mission was in turn responsible to the President of CIDA (in practice the vice-presidents of the geographical branches) for the delivery of bilateral aid. Significantly, approval for projects worth more than five million dollars as well as recruitment and selection of consultants for all contracts valued at $100,000 or more remained with the Minister in Ottawa. Morrison suggests this last provision was at the insistence of the Minister of External Relations responsible for aid, Monique Landry. 29

2.4 CIDA EVALUATIONS OF DECENTRALIZATION

Early reports on the progress of decentralization were on the whole favourable. A 1990 External Affairs internal memo reported that “indications from the field (particularly Jakarta and Abidjan) are that the decentralized program is in fact achieving results of more rapid and better quality aid delivery on the ground.” 30 A 1990 report drafted at CIDA concluded that decentralization had cut the amount of time required to design projects and that “Mission staff have developed a more acute understanding of local absorptive capacity and the human dynamics of local decision-making. Project design is shaped less by the internal bureaucratic concerns of headquarters and more by project need and environment.” 31 It reported that decentralized missions were reducing the costs of aid delivery by simplifying project analysis and reducing the sum spent on consultants fees by doing some of the ground work themselves, and by hiring local experts. “Taken in combination, these trends are beginning to lower the costs – sometimes dramatically – of both the preparation time and the overall financial commitment needed to bring new projects on stream.” It said that increased hiring of local professional staff “has allowed for the injection of local knowledge directly into the planning process” and that “The continuous

presence of aid staff (as opposed to visits from HQ) provides for a more realistic appraisal of the flow of events on projects.”  

This glowing assessment was tempered, however, by a recognition of some of the weaknesses in the new administrative process. The evaluation reported that while local hiring had increased somewhat,

The implementation of the untying provisions of *Sharing Our Future* have not resulted in dramatic increases in the use of local consultants by decentralized programs due mainly to reductions in the availability of uncommitted funds and the lack of local expertise in many countries. To date [two years after the policy was introduced], only about 100 local contracts worth $2.3 million have been awarded compared to [contracts worth more than $2 billion] awarded in Canada.  

The report noted that the retention of some key authorities at HQ “has resulted, in certain instances, in a more fragmented approach to project management.” This gradually emerged as the most serious flaw in the design of the scheme.

The 1991 CIDA/DFAIT evaluation of decentralization, conducted two years after implementation, found that despite initial growing pains due to the hasty and massive scale of the changes, “decentralization has already brought about significant improvements in the management of the program/project management cycle.” The report claimed that decentralized aid administration had improved the sensitivity of Canadian aid to the needs of recipient countries. Field officers reported increased contact with their counterparts in recipient governments and with other aid donors. The evaluation reported that “There is near unanimity that there has been an improvement in the monitoring of programs and projects” and claimed that “projects have been corrected sooner, and on the basis of better intelligence.” With reference to the deep cuts to the aid budget over the previous three years, the report highlighted an additional benefit of decentralized aid. “Decentralization has helped to offset the

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32 Ibid.

33 Ibid. This is a draft document and the figure denoting the value of contracts awarded in Canada is missing. The sum of more than $2 billion is an estimate based on the fact that total Canadian ODA in 1988 and 1989 was roughly six billion dollars, and bilateral aid comprised approximately one third of that amount.
greater losses in credibility that might otherwise have occurred under centralized programming because of the ability to do more with less.” The evaluators continued:

The evidence so far suggests that, for most types of programs, decentralization is likely to have high pay-offs at the beginning and ends of the program/project management cycle. This is because decentralized personnel are positioned to identify, design, and plan more relevant programs and better projects, and can monitor more effectively in partnership with local people. Tighter project design and planning also provides better preconditions for more relevant and useful project evaluations.35

CIDA evaluations of the decentralization of individual country programmes (including the Tanzania mission) are either unavailable or non-existent.36 One report submitted by the Philippines office after three years of decentralized operations is found in DFAIT files. Its assessment of the transition was generally positive. It reported that the policy’s stated objective of improving consultation and coordination with the host government had been met.

We consult both formally and informally much more than in the past, both with the Government of the Philippines, other donors, multilateral institutions, and non-governmental bodies. This is an on-going process which started with the CPR [Country Programme Review], and has carried through into our regular day to day work. The result has been our ability to target our assistance for maximum impact, knowing what other donors are doing, and where our assistance makes the most sense.37

On the monitoring of projects and programmes, the mission reported that

CIDA’s greater presence through decentralization [has] meant that we have had a greater understanding of the problems and difficulties facing a project, and consequently have moved earlier to ensure corrective measures are taken...our decentralized monitoring capacity influences the type of programming we undertake, as well as the quality of its implementation.38

35 Ibid.
36 See footnote 1.
37 DFAIT File no. 38-1-1-CIDA (1) Decentralization Vol.15. 
Philippines Mission: 1991
Decentralization Evaluation Report Year III.
38 Ibid.
The mission report did highlight some problems associated with the changes in administrative procedure, for example the difficulty in keeping up with policy changes at HQ which affected the direction of the programme. The hiring of more local professional staff was hampered by the difficulty of competing with the salaries offered by other aid agencies. Most significantly, the mission noted that as most projects would likely continue to be worth over the five million dollars, most project decisions would still be made in Ottawa. The time needed for project identification and planning had been shortened by an increased field presence, but

There have definitely been cases where things have slowed down as a result of decentralization. This has been particularly the case where we have to rely on centralized services in headquarters over which we have no control and where desk officers may not be as effective in piloting things through the system because of a lower level of familiarity with the project (this relates to consultant selection and advice from the Professional Services Branch in particular).  

The evaluation suggested that “There is a need to look at the various functions we carry out and decide at which stage in the project cycle the lead should be taken in the field or at HQ.” However, the authors hastened to add that decentralization was not necessarily to blame for these problems.

There is no doubt that delays in finalizing project designs or getting Executing Agencies in place don’t help our credibility. This has been a long-standing problem even prior to decentralization. Some of the problem lies in the way that certain procedures operate at CIDA (and consultant selection is a prime example). While the greater distance from Hull does hamper our ability to get things through ‘the system,’ it is not necessarily decentralization that is the culprit, but ‘the system’ itself.

2.5 CONFLICT BETWEEN CIDA AND EXTERNAL AFFAIRS

The Philippines post evaluation highlighted weaknesses of CIDA’s decentralization as voiced by aid officials who worked at other decentralized posts.  

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39 Ibid. CIDA’s Professional Services Branch (now disbanded) housed the agency’s sectoral experts.
40 Ibid.
41 Interviews.
The Winegard Committee had recommended a substantial transfer of aid staff and decision-making authority to the field. The administrative model adopted by the government (based on the CIDA/EAITC/Treasury Board compromise) did move important staff positions to the field. It did not, however, significantly alter decision-making authority, which remained for the most part in Ottawa. Field staff were required to spend a significant portion of their time keeping their managers at HQ up to speed on the projects Ottawa would be required to make decisions about, and putting through the documentation required to contract consultants and executing agents in Canada. The 1991 Annual Report on Decentralization found that:

Some personnel, especially development officers have complained that due to pressures of the CIDA system, they do not have time to take advantage of their presence in the field. For instance the PTLs [Project Team Leaders] and the one PRO [Professional Resource Officer, a sectoral specialist] in Indonesia claimed that they spent 80 per cent of their time feeding the CIDA administrative system, and 20 per cent on activities for which they thought they had been decentralized (e.g. research, and developing ideas based on contacts with counterparts and other partners, etc.42

A time use study conducted in the Sahel mission determined that the sectoral specialists spent two thirds of their time on ‘development’ work and the rest on administrative tasks, while programme managers and project team leaders spent over half their time on administration. A similar pattern was found in Central America.43

While CIDA’s convoluted project cycle was a monster of its own creation, the failure to give aid field staff the decision-making authority which would allow them to make optimal use of their presence in the aid recipient country was largely the result of a long-standing and unresolved turf war between External Affairs and CIDA over control of the aid programme. Morrison’s authoritative history of CIDA reveals a pattern of numerous attempts by the agency over the past thirty years to assert its autonomy and assume a leadership role in formulating Canadian policy in developing countries only to be reined in by the more powerful departments of Foreign Affairs,

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43 Ibid.
Trade and Finance.\footnote{Morrison, 1998:119, 312; Berry, 1981.} Since its inception, the aid programme has fallen under the jurisdiction of the Minister of Foreign Affairs and/or International Trade and Commerce. The Minister for International Cooperation was and is a junior cabinet post occupied, according to one long time observer, by a politician either on the way up or on the way down, with a correspondingly limited voice in Cabinet.\footnote{Interview}

In interdepartmental negotiations over how decentralization was to be implemented, CIDA management favoured the establishment of semi-autonomous aid offices along the lines of USAID’s overseas operations, separate from the diplomatic posts. External Affairs, on the other hand, asserted its right to maintain authority over Canadian overseas personnel under the External Affairs Act of 1983 and the Foreign Service Consolidation Agreement of 1981.\footnote{DFAIT File no. 38-1-1-CIDA (1)- Decentralization, Vol. 13, memo CMD-116 March 26, 1990.} The Agreement, then as yet to be fully implemented, set out the conversion of CIDA field staff into an aid stream of the Canadian Foreign Service, placing it under the jurisdiction of the Department of External Affairs. EAITC was adamant that final authority over all Canadian activities in the field including the aid programme should rest with the head of mission (the Ambassador or High Commissioner). Rather than shift significant decision-making responsibilities to the field and into the hands of diplomatic staff and EAITC, CIDA management determined that they would be retained by CIDA HQ. Thus was one of the primary objectives of decentralization scuttled in the process of implementation.

This did not dispel the conflict between CIDA and EAITC over decentralization. The integration of the aid staff into the foreign service was not popular among CIDA employees, particularly the requirement to serve in the field on a rotational basis, and there was general celebration when the conversion process was abandoned in January 1990. Marcel Masse replaced Margaret Catley Carlson as CIDA president in mid 1989. His unilateral decision not to proceed with the conversion of CIDA field staff to foreign service officers was interpreted at External Affairs as an attempt to recover some control over the aid programme from it.\footnote{DFAIT File no. 38-1-1-CIDA (1) Decentralization vol.13. Memo # CMD-116, March 26,1990.} There was likewise resentment among diplomatic staff of what they saw as the ‘gold-
plating’ of the decentralized aid programme in comparison with the diplomatic missions. For example, “The aid program has personal computers and air conditioned Toyotas while other mission programs can barely get local travel funds.”

A December 1990 EAITC audit of expenditures on decentralization reported that “There was evidence on our tour of the missions that CIDA and EAITC operated as two solitudes, in varying degrees from one mission to the next.”

The two offices were sometimes physically separated, as they were in Tanzania until the building of the new chancery to house both (subsequently sold to the EU when decentralization was revoked). Several officials interviewed cited the Tanzania CIDA office’s possession of a dedicated fax line not open to the scrutiny of EAITC officials as a bone of contention.

Centralized aid posts also resented the resources lavished on the decentralized programmes. This phenomenon highlighted another problem created by decentralization. Rather than simplifying the bureaucratic process, CIDA struggled under the burden of administering bilateral aid through a multiplicity of administrative structures: centralized and decentralized missions; missions with field support units and those without; and newly established regional offices operating along side individual country programmes. In the decentralized missions, the compromise which determined that CIDA and EAITC would share management of the field offices created confused lines of accountability. The aid programme director reported to the Head of Mission (ambassador or high commissioner) and to the Vice-President of the relevant geographic branch at CIDA HQ. The Head of Mission, in turn, reported to both the Under-Secretary of State for the relevant geographic region at EAITC and to the President of CIDA. The problem was that not all of these parties were in unanimous agreement on every issue, nor were the lines of communication between them untrammeled. A 1992 CIDA evaluation of decentralization argued that each mission was left to hash out a workable chain of command as best it could. In

48 DFAIT File no. 38-1-1-CIDA (1) Decentralization vol.15, Memo # EEA-1046 June 22, 1990. A 1990 External Affairs audit of decentralization expenditures reported that “In some missions it was only because of Decentralization that EAITC staff were provided with VCRs and microwave ovens when they were, as these expenditures had not originally been planned for.” DFAIT File no. 38-1-1-CIDA (1)-Decentralization vol.14, Internal Audit of CIDA Decentralization Expenditures, December 1990.

49 Ibid.
some instances, the Head of Mission took a hands off approach to the aid programme, letting the aid programme director exercise his/her authority. Some ambassadors with knowledge of the development field were more involved in the management of the aid programme. Some, with limited knowledge and experience, tried to assert their authority anyway to the detriment of the aid programme. A CIDA internal post mortem on decentralization written in 1993 argued that in implementing the policy, the government had missed an opportunity to try a new approach to aid delivery. Instead of delegating authority to the field, it duplicated the existing administrative structure there without dismantling it at HQ.

Le modèle retenu prévoyait, pour les Chefs du poste, une délégation d’autorité limitée, mais où chacun des postes décentralisés opérerait avec un ensemble complet de services, c’est-a-dire avec des chefs d’équipe de projets, des analystes de programme, des conseillers financiers, des agents de contrats. En somme, une modèle moins innovateur, c’est-à-dire une sorte de réplique du modèle de gestion du siège social en 20 exemplaires.

A brief discussion of decentralization written in CIDA’s Evaluation and Performance Branch in 1994 placed the blame for this not on Foreign Affairs meddling in the aid programme, but on the CIDA hierarchy.

Le siège social de l’ACDI maintient ses directives habituelles, ignore ce qui se passe sur le terrain, empêche les remises en question basées sur la connaissance des équipes décentralisées et, donc, bloque toute tentative d’innovation et d’expérimentation.

51 Blanchet, 1993. Translation: “The model chosen gave the Heads of Mission a limited delegated authority, but each of the decentralized posts operated with a complete compliment of services, that is to say with project team leaders, programme analysts, resource officers, financial advisors and contract agents. In sum, a model less innovative, that is to say a kind of replication of the management model found at HQ, in twenty locations.”
52 CIDA Evaluation and Performance Branch, 1994. Translation: “CIDA HQ maintained its habitual practices, ignoring what was happening in the field, prevented any reassessment based on the knowledge of the decentralized teams and finally, blocked all attempts at innovation and experimentation.”

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2.6 TWO VIEWS OF THE PURPOSE OF AID

HQ’s intransigence might be explained in part by the fact that back in Ottawa, the agency was under siege. One observer has described CIDA’s response to progressive budget cuts beginning in 1989 and continuing for the next decade as the adoption of a bunker mentality, taking a defensive rather than a proactive stance and becoming unreceptive to new ideas. However, as it became clear that decentralization was not going to survive the government’s cost-cutting programme, the agency made a final play for control over aid policy. A detailed consideration of the voluminous findings and recommendations of the Secor Strategic Management Review of 1991 is beyond the scope of this paper. However, the coincidence of a comprehensive management review with deep cuts to the aid budget and a loss of momentum in the decentralization process created an opportunity for significant structural changes to aid administration. Both CIDA and EAITC sought to take advantage of this period of flux to advance their claims on the aid programme. CIDA lost. EAITC memoranda illustrate both External Affairs’ perception of the objectives of the aid programme and the tenor of the relationship between CIDA and the Department of External Affairs and International Trade at this time. In February 1992, just before the federal budget which formally finished off decentralization, a EAITC official wrote:

CIDA is neither a government department nor an independent operating agency but an integral part of the [foreign policy] portfolio. Our role is to ensure that CIDA remains accountable to the government for broad policy directions. CIDA’s role is to ensure that these policy directions are effectively implemented and executed. Secor’s recommendation that CIDA increase its policy analysis and strategic thinking would effectively make CIDA responsible for Canadian foreign policy in the developing world. We would argue strenuously that what is required by CIDA is rather the ability to coordinate and implement our broad foreign policy objectives across its geographic ‘fiefdoms.’ This must be linked closely to our policy analysis and strategic planning capabilities to ensure that CIDA’s focus remains implementation rather than the development of parallel policy.

53 Interview.
That there was a deliberate, calculated attempt to assert its control over aid policy by EAITC post-Secor/mid-decentralization is evidenced by internal memoranda. Following the fall of the Berlin Wall and the dissolution of the U.S.S.R., Eastern Europe became a recipient of Canadian aid. This was initially managed by EAITC and provided for in a separate allocation within an International Assistance Envelope (IAE) which included the allocations for ODA and humanitarian relief managed by CIDA as well as allocations for the IDRC and couple of other government agencies. This development combined with the release of the Secor Report and a hiatus in decentralization was perceived as an opportunity to act at EAITC. A EAITC official wrote:

The establishment of the IAE means we now have a greater opportunity to influence the implementation if [sic] international assistance programmes (ODA and non-ODA) and to alter the allocation and use of resources so as to reflect foreign policy objectives. There are two fundamental issues for EAITC: a) How should we pursue our long term objective to make the International Assistance Programme an integral part of foreign policy? b) What organizational structure will best ensure that foreign policy interests and values are reflected in programs and projects?... The door is open to seek organizational and other changes which could expand our ability to utilize Official Development Assistance (ODA), a component of the International Assistance Envelope (IAE), as a foreign policy instrument.  

The memo outlined battle tactics for a looming skirmish with CIDA.

Also, we must prepare to ward off post-Secor proposals from CIDA for organizational reform which will seek to give it a greater capability and role in policy and decision-making. CIDA will likely seek to 'download' project administration onto contracted entities so as to devote greater personnel resources to policy formulation and dialogue with development partners...Our best defense [sic] will be a strategic offense and a long-term plan.

These manoeuvres at External Affairs were based on the conviction that Canada's foreign policy in all its facets should be integrated and cohesive. The goal of policy coherence between Canadian aid, trade and diplomacy abroad is one

57 Ibid.
pursued by the non-governmental international development lobby in Canada as well. However, whereas CIDA and the NGO lobby perceive policy coherence as the most effective means to pursue ‘developmental’ objectives in poor countries, the Department of Foreign Affairs and International Trade is charged first and foremost with protecting Canadian interests abroad. Policy coherence from this perspective means that aid, trade and diplomacy must all accord with this objective. This view does not exclude the pursuit of developmental objectives through the aid programme, but the opportunity to advance Canadian interests abroad must be maximized. There was concern at External Affairs that if unchecked, a renewed bid for autonomy by CIDA would jeopardize these opportunities.

If successful in downloading accountability for project implementation, focusing on policy and reducing the number of recipients, CIDA will have substantially greater scope to determine bilateral and multilateral policy. Indeed, CIDA has already taken steps to strengthen its policy role in areas within the traditional domain of EAITEC, continuing a decade long trend which has eroded the role of this department.58

Drawing selectively on a series of recommendations contained in the Secor Report, CIDA senior management headed by President Marcel Masse put a proposal before Cabinet which outlined the transformation of CIDA into a ‘knowledge-based’ agency to be focused on policy analysis and development and extensive policy dialogue with developing countries. EAITEC forecasts that CIDA would attempt to offload aid delivery proved accurate. Corporate management would be centralized, but programming and aid implementation in its entirety would be contracted outside the agency on large long-term agreements.

Proposal calls to a short-list of private sector firms and organizations would define program objectives and provide an indicative level of financing over a ten year period. Interested firms would then describe how they would propose to achieve those objectives by submitting a more detailed project planning document with specific and measurable performance indicators. CIDA would manage the contract…59

58 Ibid.
The traditional ‘project’ approach was to be discarded in favour of the organization of the aid programme around thematic units, although it is unclear how this was to be implemented.

EAITC took a hard line against this proposal. In addition to its opposition to an increased policy-making role for CIDA, it objected to the ‘locking-in’ of resources on a long-term basis. Notes for Secretary of State for External Affairs Barbara MacDougall (Senior minister responsible for Foreign Affairs and International Trade) for her impending meeting with Monique Landry (junior minister responsible for the aid programme) stated that “We need to show our Cabinet colleagues that the aid programme is also a valuable tool to achieve our domestic economic objectives.”

In this vein, there was a counter proposal from EAITC for the establishment of a two tier aid programme, a notion which later emerged as a central component of the Development Assistance Policy Update leaked to the press in January 1993 (discussed in Chapter Four). In this early incarnation, it was proposed that two separate agencies be established to administer ODA. One would be a ‘development’ agency serving the LDC’s. “The focus would be on a grant assistance for poverty reduction and basic social activities and humanitarian programs.” The second agency would be devoted to ‘economic cooperation’ with Central and Eastern Europe, North Africa, South Africa and Zimbabwe (then in relatively better economic shape), the Pacific Rim, the Middle East and most of Latin America. Programme activities would be designed for mutual gain. Among the advantages foreseen in this type of arrangement was that “it puts the management of programs in these countries now handled by CIDA into an agency where development is not the dominant ethos...It also offers a home for the growing programs of Eastern and Central Europe without adding to the monolithic control of CIDA.” Other advantages cited were improved responsiveness to private sector interests and the provision of a “diversity of channels which are more open to direction in response to foreign policy interests and objectives.”

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61 Ibid. Emphasis added.
62 Ibid.
Ultimately, this plan for two new aid agencies never saw the light of day, and the more tacit division of aid recipients into economic ‘winners’ and ‘losers’ contained in the Development Assistance Policy Update of 1993 let loose such a storm of public protest that the government was forced to backtrack on some of its more blatantly commercial points. However, neither could CIDA claim victory in this engagement. Its proposal to restructure the aid programme around thematic units rather than projects was abandoned following Masse’s departure in 1993. Despite apparent EAITC opposition, the privatization of aid delivery did accelerate rapidly in the early 1990’s. However, the anticipation at CIDA that the removal of this responsibility would enable it to concentrate on policy development and coordination was not realized. In fact, it could be argued that the privatization of aid delivery has lessened the agency’s capacity for policy analysis and development as it has been cut off from direct access to valuable knowledge gained in the field, the type of knowledge reported by decentralized staff as being so useful to them in making sound management decisions. The agency’s decision to privatize project identification, design, implementation and evaluation, particularly in light of evidence presented in the Secor Report that heavy use of consultants increased aid delivery costs cited in Chapter One, and the subsequent impact of this policy on the quality of Canadian aid suggested by anecdotal evidence from Tanzania project files, is a topic in need of further research. However, it is beyond the scope of this paper. With regards to the matter at hand, CIDA’s ambitions proved no match for the more powerful Department of External Affairs, which if it did not succeed entirely in seizing control of the aid programme at this time, at least thwarted another attempt from CIDA to assert its autonomy.

2.7 POLICY REVERSAL: RECENTRALIZATION OF ADMINISTRATION

This long saga has been presented in an effort to describe the political atmosphere which provided a backdrop to the decentralization of aid administration which began in 1989. In December 1989, just a little more than a year after the first cohort of decentralized aid staff had been sent overseas, the Expenditure Review Committee (ERC) of Cabinet decided that the funds allocated for CIDA’s

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63 Dave Todd, January 26, 1993.
decentralization would be reduced. CIDA was asked to consult with External Affairs and Treasury Board to look for ways to cut costs. Their June 1990 report presented three options to the government: recentralization, the resubmission of the proposal to semi-autonomous aid offices, and a 'streamlining' option with reduced Canadian staff and more out-sourcing of activities. At this time, neither CIDA nor EAITC favoured recentralization. The report stated:

while such a policy does generate some short-term savings from the administration budget...it also returns the Agency to a system of program delivery whose inefficiency and ineffectiveness has been consistently demonstrated during the 1970's and '80's.64

It would also entail explaining to the Canadian public, and to recipient countries which had welcomed decentralization, the expenditure of $100 million on a policy that was reversed within 18 months of inception. CIDA senior management was known to favour the aid office model, but EAITC did not support it. "This approach would clearly jeopardize both the authority and the accountability of the Head of Mission.65 It favoured the 'streamlining option' which met Treasury Board instructions to cut thirty person years and sixty-six million dollars from the decentralization budget.66 A comment made by an EAITC official one day before the submission of the report provides a brief insight into how bureaucratic battles are waged.

The presentation of the argument in favour of the streamlined option is quite contrived and anyone reading the summary will realize that Doug Lindores [CIDA Vice-President], who wrote the section on the aid office model, is only half-heartedly on board and that CIDA’s preference (Lindores’ at least) is for the aid office model.67

The Cabinet chose the streamlining option, but this soon became recentralization as subsequent federal budgets reduced, then cancelled, the allocation for decentralization. Morrison quotes senior aid staff comments that decentralization had been implemented quickly and without consultation due to CIDA President

64 DFAIT File no. 38-1-1-CIDA(1) Decentralization, Vol.13 CIDA Decentralization (DRAFT), June 30 1990
66 Ibid.
Margaret Catley Carlson’s desire to seize the opportunity presented by the government’s acceptance of the Winegard Report’s recommendations before it disappeared. However, in 1989, returning CIDA President Masse was more guarded in his enthusiasm for the policy. He expressed concern that the Office of the President of CIDA was losing control over aid delivery and that “one could eventually see CIDA’s transformation into little more than a funding agency” as a result of the decentralization of CIDA staff to the field and External Affairs’ legal authority over all Canada’s activities overseas. As Catley Carlson’s rapid implementation of decentralization was interpreted by some as a play to assert CIDA’s autonomy, Masse’s tacit acquiescence to the recentralization of aid administration seems to have been in defense of the same autonomy. A meeting of the President’s Committee on January 27, 1993 formally put an end to the decentralization experiment and this was reflected in the budget Estimates for that year.

While CIDA/DFAIT power struggles must be counted as a significant contributing factor in the reversal of decentralization, there were other forces working against it as well. In contrast to the optimistic and enthusiastic assessments of decentralization found in early reports, subsequent accounts were highly critical in tone. Their criticisms centered on the costs of decentralization and its overly complex and confused administrative structure. There was also strong opposition to the policy emanating from the private commercial sector.

2.8 EXPLANATIONS OF POLICY REVERSAL: COSTS

Ostensibly, CIDA’s plans for decentralization were a casualty of the government budget deficit reduction exercises begun in 1989. Treasury Board President Robert de Cotret was charged with finding places to trim spending, and he fingered decentralization as a policy the government could not afford to keep. However, CIDA’s own internal audits of the costs of decentralization, the independent strategic management review of CIDA conducted in 1991, as well as the

underlying rationale for decentralized aid espoused by the government at the outset, suggests that the explanation is not that straightforward.

Decentralization was undertaken with the understanding that Canadian aid up to that point was failing to meet its objectives and that it could only be made more effective by moving the design and implementation process closer to the intended beneficiaries. There seemed to be a recognition on the part of the government and of CIDA that the costs involved were necessary and that “By definition, decentralized aid delivery is more costly than centralized delivery. The increased costs of decentralized delivery must therefore be regarded as an investment in getting better results from each aid dollar expended.”

It is not possible to make a solid cost/benefit analysis of decentralized aid as available cost figures are sketchy in the extreme. However, it seems fairly safe to conclude that overall aid delivery costs did rise during the period of decentralized aid administration. The 1991 Secor Strategic Management Review of CIDA estimated that the cost to disburse $1000 of bilateral aid increased by thirty-seven per cent from $52.9 in 1986/87 (before decentralization), to $72.6 in 1990/91 (during decentralization), though the provenance of these figures is not given. Whatever its precise magnitude, the increase in aid delivery costs to roughly double the OECD donor average earned CIDA a chastisement from the DAC in November 1990. Based on available documentation, the increase in delivery costs appears to have varied wildly from country to country. The Secor Report stated that the Anglo-Africa Branch experienced only a three per cent increase in delivery costs during this period, while in the Asia Branch costs rose by fifty-five per cent. This variation was attributed to the fact that the Africa programmes contained a greater proportion of big budget projects which were comparatively less costly to administer. The CIDA/DEAITC 1991 report on decentralization stated that preliminary cost studies of

71 DFAIT File no. 38-1-1-CIDA(1) Vol.61. Telex 25 Feb 93 CIDA to all Posts.
75 Secor, 1991.
three decentralized programmes indicated that "the total non-capital gross costs of aid delivery have been estimated to have increased between 36 and 104 per cent."\(^7\)

In 1990 CIDA reported that, with nine decentralized country programmes, ten smaller satellite aid missions and twenty-five centralized aid programmes in operation, the overall cost of administering Canadian ODA was $206 million. \(^6\) $103 million of that amount was under the direct control of CIDA, which manages seventy-six percent of Canadian ODA. The remainder was and is disbursed through various programmes administered by the IDRC, the Department of Finance (which deals with the International Financial Institutions) and the Department of Foreign Affairs. In 1990, during decentralized aid, DEAITC controlled $90 million of the aid administration budget to cover its support to CIDA field staff and the decentralization process. It was reported that CIDA's administrative costs of $103 million represented 3.5 per cent of Canadian ODA or 4.6 per cent of CIDA's budget. \(^7\) It should be noted that these figures are at variance with the DAC estimate for CIDA of 8 per cent of ODA spent on administration in 1990. \(^8\) However, if the total administrative costs of the aid programme disbursed through all responsible departments were included, the figures would roughly accord.

Most of this sum (sixty-three per cent) was accounted for by employee salaries. \(^9\) In 1990, there were two hundred and twenty-eight Canadian aid officials working in forty-five CIDA missions overseas (nineteen of which were at that point decentralized). One hundred and seventeen of these officials had been deployed as part of decentralization. In addition, forty-two field support units providing technical and logistical support to the aid programme employed an additional sixty-eight Canadians. \(^10\) In 1990, the Canadian aid programme employed four hundred and forty-four locally engaged employees. \(^11\)

\(^7\) CIDA/EAITC, 1991. The three country programmes were Indonesia, the Sahel and Senegal.
\(^8\) DFAIT File no. 38-1-1-CIDA(1) Decentralization, Vol.13. CIDA Decentralization (DRAFT), June 30 1990. No explanation for how these figures were determined is given.
\(^9\) Ibid.
\(^10\) Ibid.
The cost of maintaining an increased Canadian field staff has been cited as a contributing factor in increasing aid delivery costs to an unsustainable and impractical level. A 1992 CIDA evaluation reported that each Canadian official placed in the field in Indonesia represented $177,000 in additional costs, in the Sahel it meant $171,000, and in Senegal $126,000 (c.f. 1991 Evaluation). These figures presumably include insurance, the institutional support required for the official to do his/her job (office space, vehicle, etc.), as well as the subsidized housing with which Canadian overseas staff are provided. It is not clear if this sum is an annual or a one-off relocation cost, or if the figures include salaries, which in some cases would not be an additional cost. Figures are not available for all country programmes, but as an example, the decentralization of the Ivory Coast/Sahel CIDA office which administered four country programmes, included the posting of an additional thirty-five Canadians to the field and the recruitment of one hundred and fifty-nine people locally. However, if one considers that decentralization entailed the placement of one hundred and seventeen additional person years in the field by 1991, plus twenty-two additional Canadian support staff, the start up costs were in any case considerable. CIDA/EAITC officials had anticipated this additional initial expense, allocating $233 million for the transition, and estimating that maintenance costs for decentralized administration would thereafter drop to around $50 million a year.

These transition costs were compounded by the Department of Foreign Affairs ‘Buy Canada’ policy, as auditors noted in an internal audit of CIDA’s decentralization expenditures in 1990. All Canadian missions overseas are furnished with Canadian made goods, down to the paper towel dispensers in the toilets. The auditors noted that this policy resulted in the expenditure of $527,000 in shipping costs alone to transport office furniture to the newly decentralized mission in Harare. The rapid dispatch of field staff to Zimbabwe also resulted in a hotel bill of $78,000 while staff awaited

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83 Ibid. Note: again there are discrepancies in reported figures. The figures cited are from an internal CIDA document from 1992 which says staff at Sahel office increased from 103 to 302. They are at variance with the figures cited in the Secor Strategic Management Review of 1991 and those reported in Morrison, 1999:308, which indicate that the Sahel office had a staff of 255 not 302 in 1990. While this is not a matter of central importance, the discrepancy on this issue makes the veracity of all other statistics and conclusions reported in the CIDA/DFAIT documents and memoranda related to decentralization an unreliable basis on which to draw definitive conclusions.
preparation of their quarters. Similar costs were incurred in Tanzania, where seven new houses were built to house additional staff, and a new chancery, completed in 1991. Reviewing expenditures between April 1988 and December 1989, the auditors said “The decentralization model was implemented hastily and within extremely tight deadlines, with little consideration given to the financial aspects of the project.”

Evaluators also suggested that decentralization was a very labour-intensive way to administer aid. The 1992 evaluation of the Senegal, Ivory Coast and Indonesia programmes noted that annual aid disbursements had fallen over three years of decentralized administration. This was attributed in part to aid budget cuts over the same period, but also to the difficulties attached to the transition to decentralized administration. In Senegal, a twenty per cent increase in the number of projects initiated coincided with a twenty per cent decrease in their average size. However, various CIDA reports and evaluations refer to the financial benefits of decentralized aid administration. The 1990 report on decentralization drafted at CIDA noted that decentralization was proving to be less costly to implement than anticipated, with $30.2 million of the $106.6 million allocated for the first two years not spent, and objectives nevertheless achieved. The report also claimed that “Experience to date indicates that not only is decentralization achieving its basic objective of more effective programming, but that administrative cost increases are being more than offset by savings in the cost of programs.” These savings were estimated at between ten and fifteen per cent over previous years, or between $32.2 and $48.3 million, versus an expenditure on decentralization over the same period of $42.6. However, there is no explanation given for how these figures were determined. On their strength, the report concluded that “The recentralization model [then under consideration] is not attractive because there are no real cost savings and because all the program quality benefits of decentralization would be lost.” However, presumably on the basis of the same evidence, the 1992 brief cited above, also

86 Ibid.
89 Ibid.
prepared within CIDA, concluded that "Finalement, on reconnaît maintenant qu’il est sans doute possible d’atteindre les mêmes résultats de façon différente et à meilleur compte."\(^9\)

The 1991 Secor Report which reported the rise in aid delivery costs between 1987 and 1991 did not place the blame on decentralization which it called ‘a false issue.’ While it identified decentralization as a significant factor in the rising costs, it also cited the aid budget cuts as contributing to a decrease in disbursements while administration overhead costs remained fixed.\(^9\) The report also suggested that it was another recent change in aid delivery, that of contracting out the planning and implementation stages of the aid process, which was responsible for the inflation of aid delivery costs.\(^9\) This is an issue which merits further investigation.

On the basis of the suspect accounting presented above, it is not possible to make an accurate cost/benefit analysis of CIDA’s decentralization 1988-1993. However, the shakiness of the figures found in CIDA and DFAIT documents and the limited time the policy was in force make it difficult to accept the argument that the cancellation of decentralization was based wholly or primarily on any such cost/benefit analysis. There were certainly other factors taken into consideration in the decision to recentralize CIDA operations, including the political fallout from the decision to decentralize aid administration in the first instance.

2.9 OPPORTION OF THE CANADIAN COMMERCIAL SECTOR

Internal CIDA evaluations of the decentralization process and Department of Foreign Affairs memoranda indicate that the Canadian private sector opposed CIDA’s decentralization of aid administration to the field. Canada’s highly tied aid programme and policy of hiring Canadian companies/organizations to implement bilateral aid projects overseas translates into millions of dollars in aid contracts up for grabs annually to Canadian contractors (both commercial and non-profit). The view

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\(^9\) Blanchet, 1992. Translation: “Finally, it is recognized now that it is without doubt possible to obtain the same results in a different way and at a better cost.”

\(^9\) Groupe Secor, 1991

\(^9\) Ibid: 83/2.
within the Canadian business community was that the changes in aid policy outlined in *Sharing Our Future*, particularly the untying of aid to LDCs, the shift to programme aid at the expense of capital goods-intensive projects, and the decentralization of aid administration to the field all threatened the private sector’s access to these contracts. A report on CIDA’s decentralization made by the Interdepartmental Committee on Decentralization in June 1990 outlined the implications of the policy for Canadian commercial enterprises. It reported that the combination of a reduction in the aid budget in recent years with "The steady growth in the number of consultants seeking work with CIDA and shifting patterns of demand (e.g. toward environmental protection and against engineering) have all led to a declining share of business for those Canadian firms used to pre-decentralization levels of activity."93 These trends in the aid programme were not welcomed by the business community. The report continued:

Decentralization – meaning the transfer of authority to the field – has made it more difficult for Canada-based representatives of the Canadian private sector to deal directly and easily with CIDA decision-makers. In one sense, this is an encouraging development which has compelled Canadian consultants and suppliers to spend more time in the field, a trend foreseen and encouraged by the Winegard Committee (pg 84) in order to ‘draw Canadians out into the world.’ In other cases, the separation has led to inconvenience and uncertainty in the private sector. CIDA is now making particular efforts to both explain decentralization to Canadian firms and to lessen any negative impacts.94

CIDA field offices claimed some progress on this front. Three years after its decentralization, the Philippines mission reported that “We have been successful in associating parts of the Canadian constituency with our work.” It noted however that “At the same time, it is quite clear that smaller firms that used to ‘cruise’ CIDA in the hopes of getting information that would lead to contracts [find it] is harder with decentralized programs than is the case in Hull.”95

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94 Ibid.
95 DFAIT File no. 38-1-1-CIDA(1) – Decentralization, Vol.15.
In May 1990, representatives of the Canadian Exporters Association requested a meeting with officials at the Department of External Affairs to express its opposition to CIDA’s decentralization. An External Affairs official present reported that:

Our discussion expanded to cover the strongly held view of the CEA [Canadian Exporters Association] that a number of decisions over the past three years have undermined the opportunities for private sector involvement in the work of CIDA and the overall trade, business and investment opportunities in the developing world.96

Of Canada’s pledge to untie fifty percent of aid destined for LDCs for local procurement as outlined in the 1987 policy document Sharing Our Future, the CEA expressed its concern that “The untying of aid meant that there were less opportunities for Canadian exporters. The CEA does not believe CIDA has the ability to monitor local purchases to ensure they have the necessary domestic content: thus we may unwittingly subsidize European exports to these countries.”97 The CEA also registered its opposition to the recent shift to programme aid as it entailed a loss to Canadian exporters selling consulting engineering services and manufactures through the aid programme. Further, it claimed that the Lines of Credit mechanism for making Canadian commodity and equipment grants to recipient countries administered by the federal Department of Supply and Services, was “doing little to establish a long-term buyer-seller relationship.”98

The CEA’s opposition to decentralization was grounded in the belief that the policy would “undermine Canadian corporate interest and capabilities in LDCs. Decentralized staff are less likely to be aware of Canadian capabilities and therefore project selection and design, done in the field, will not be as responsive... CEA are extremely disappointed that CIDA has not followed up on their repeated suggestion that officers about to be posted to decentralized posts have briefings on Canadian

96 DFAIT File no. 38-1-1-CIDA(1) Decentralization Vol.13, Memo EEA-0757 May 4,1990. In this memo the acronym CEA refers to the Canadian Exporters Association and not to Canadian Executing Agencies, its common usage in CIDA documents.
97 Ibid.
98 Ibid.
expertise and competitiveness. In this meeting the CEA told government officials that it was pleased with the increased level of aid work contracted out to private sector executing agencies and with the CIDA Inc. programme which funds project development and feasibility studies for businesses investigating expanding production to developing countries.

But these paled when considered against the value of traditional project activity, the difficulties caused by the absence of sufficient Section 31 money [funds available to Canadian firms from the Export Development Corporation], poorly utilized Lines of Credit, the absence of an aidtrade provision of some sort, and the negative impact of decentralization.

The following year, a CIDA internal evaluation of the decentralization process reported on the results of a survey of thirty five Canadian executing agencies located in Canada, canvassed for their views on decentralization. The respondents were from both commercial firms and non-profit organizations. The evaluators determined that these organizations had a limited knowledge of what decentralization was as well as a predominantly negative attitude toward it. Canadian businesses resented the expected increase in cost to them in seeking aid contracts and in maintaining relationships with CIDA representatives now posted overseas. They expressed the concern that companies with overseas offices would have an advantage over Canada-based firms in seeking out contracts. They also expected delays in the awarding of tenders and in payment as parts of the decision-making process were moved to the field. The evaluation reported that “NGOs tend to be most favourably disposed to decentralization, field staff more so than their HQ counterparts.” However, the report noted the “fears of Canadian NGOs that they will be by-passed to the advantage of local NGOs.” Of both non-profit and commercial contractors the report concluded that “Indirect evidence from the field suggests that Canadian partners there are more informed, and for the most part, more positive about decentralization.”

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99 Ibid.
100 Ibid.
These observations highlight a disturbing conflict of interest inherent in the aid process. Where decentralization was actually succeeding in fulfilling its developmental objectives – in involving the nationals of aid recipient countries in the design and implementation of projects and in untying aid resources for local procurement – it was opposed most vociferously by those Canadian firms which form the pool of executing agencies hired by CIDA to meet its development objectives.

Decentralized teams...were placed in the field to respond better, and to provide better service to recipient countries. This often involves greater development and use of local resources for both developmental reasons and for reasons of economy. Thus decentralized teams are not only distanced from Canadian partners, but will tend to substitute their own internal and or local resources for Canadian resources. This is a trade-off which is implicit in decentralization, and helps to explain some of the negative attitudes to decentralization on the part of some Canadian partners.

In any case, by this point CIDA's experiment with decentralized aid administration was already in wind down mode. In fact, two weeks after the above cited meeting between government officials and the Canadian Exporters Association, an internal government memorandum reported that after months of assurances to CIDA staff that decentralization would proceed as planned, "CIDA was advised late yesterday that the cancellation of decentralization was a real option." The memo noted that CIDA was now preparing for that possibility based on the premise that the policy could founder on the inability of CIDA and the DEAITC to resolve the matter of which department was responsible for aid field staff; on the high financial costs attached to decentralized aid; and/or as a result of an understanding that "the private sector lobby is more than significant."

It would be a mistake to conclude on the basis of this evidence that decentralization was cancelled as a result of pressure from the Canadian commercial sector. Just as there are no solid data to substantiate private sector claims that they were suffering financial losses as a result of the policy, there is, perhaps not

surprisingly, no written record stating that the decision to re-centralize aid administration was made in part or in whole in response to pressure from the private sector. The project was beset by other problems which combined to shorten its lifespan. Primary among these were the perceived high costs of the programme, unpalatable in a period of federal government belt-tightening, and perhaps more significantly in terms of a discussion of the aid agency’s ability to innovate and improve development practice, the conflict between CIDA and other government departments and between the headquarters and the field offices which resulted in a mishmash of regulations governing aid and a highly complex administrative structure. An internal CIDA document evaluating four years of decentralized aid in 1992 placed a large measure of the blame for its failure on an interdepartmental power struggle for control of CIDA and of the aid budget which compromised any potential gains to improving the quality of Canadian aid that decentralized administration might offer. Again, it is important to note that this evaluation, like the few others carried out and cited here, was not based on a rigorous cost-benefit analysis of the policy—impossible due to the short time it was in effect—but on the strongly held views of those intimately involved in the process.

Le modèle adopté était le reflet d’un compromis négocié entre l’ACDI, AECEC et le Conseil du Trésor. Il répondait avant tout aux préoccupations du siège social de chacune de trois organisations impliquées. Mais il répondait peu aux préoccupations d’efficacité exprimées dans les principes de la décentralisation fixés par le gouvernement, notamment les principes suivant: ‘éviter le création de niveaux hiérarchiques supplémentaires, éviter les duplications d’autorité et de responsabilité. Et il ne répondait pas à la problématique terrain en ce sens qu’il n’était pas conséquent avec les impératifs singuliers de livraison stratégique de chaque programme.’

105 Ibid.
106 Blanchet, 1992. Translation: "The model adopted reflected a compromise negotiated among CIDA, DFAIT and the Treasury Board. It addressed above all the preoccupations of the headquarters of each of the three organizations involved. But it responded little to matters of efficacy outlined in the principles of decentralization set by the government, notably the following: ‘to avoid the creation of additional levels of bureaucracy, to avoid the duplication of authority and responsibility.’ And it did not consider
2.10 THE FAILURE OF POLICY OVERSIGHT MECHANISMS

The manner in which decentralization was implemented and its subsequent silent demise raises the question of the effectiveness of the oversight and corrective mechanisms installed in the Canadian political system. Ignoring the fact that the aid programme had been permitted to balloon into a hugely inefficient operation throughout the 1970’s, the combined attentions of the Office of the Auditor-General, Parliamentary Committees, the press and a vigilant academic and NGO lobby seemed to have fulfilled the oversight function as outlined by Brett admirably in detecting inefficiencies and proposing corrective policy changes.\(^{107}\) However, as Hirschman observed, for oversight mechanisms to be effective, there must be consequences for disregarding such evidence of policy failure and subsequent advice.\(^{108}\) There are no such incentives to place development objectives before all others in the Canadian aid programme, and no sanctions beyond public rebuke for failing to meet them.\(^{109}\) The government paid lip service to the concept of decentralization, then revoked its commitment altogether.

Perhaps not surprisingly, CIDA’s decision to decentralize aid administration and rapid about face on the issue did not spark much media or public interest in Canada. While the spectacular failure of Canadian aid projects overseas is periodically deemed a sufficiently newsworthy topic, the struggle between CIDA, EAITC and the business community over the bureaucratic process through which aid is administered and where project approval authority rested was not especially telegenic and did not provide riveting copy. The expenditure of $150 million on a policy aimed at improving the quality of Canadian aid and its cancellation only months after implementation failed to spark the public imagination, although it did receive some press coverage in July 1992, long after the decision had been taken.\(^{110}\) Again, it is interesting to contrast this expenditure of $150 million dollars with the problematic setting, in the sense that it was not in accordance with the unique demands for strategic delivery in each programme.”

\(^{107}\) Brett, 1988.
\(^{108}\) Hirschman, 1970.
\(^{109}\) c.f Putzel, 1998.
\(^{110}\) Morrison reports that disgruntled CIDA field staff informed the press in the summer of 1992 that the policy had been cancelled. The decision, already a fait a complet but not yet official, did receive some press coverage at that time. See: Morrison, 1998:311.
Tanzania-Canada Wheat Project which was worth approximately half as much in monetary terms. The Wheat Project has been the subject of numerous newspaper articles, documentaries and academic research, and CIDA has conducted several evaluations of the project over the course of twenty-five years. CIDA never conducted a final evaluation of the decentralization experience.

This raises, finally, the question of CIDA’s capacity to learn from experience. Initial reports that decentralization was having a positive impact on aid did not seem to have much bearing on the government’s decision to cancel the programme and re-institute an administrative system which had proven ineffective and inefficient in the past. In the Foreign Policy Review of 1994 from which the government’s next statement on aid policy emerged, decentralization was not an issue. There is a feeling, expressed by some aid officials, that decentralization is an idea whose time has passed. The practicality of re-instituting a similar administrative structure to manage a programme like that in Tanzania, with a budget of approximately $12 million a year, is questionable. However, decentralization has not disappeared entirely, various country programmes including Thailand, Costa Rica and the Philippines have decentralized some of their activities. The lack of a detailed final evaluation of the decentralization process of 1988-93 suggests that should the agency ever decide to pursue a similar approach to aid delivery (as suggested by Helleiner et al) in the future, the lessons of the past will be difficult to unearth if they have not already been lost.

2.11 CONCLUSIONS

The decision to decentralize the administration of Canada’s aid programme was the result of the overwhelming support for the policy voiced in the public hearings of the SCEAIT on development assistance in 1987. The government’s decision to accept the committee’s recommendation to shift management of the aid programme overseas can only be interpreted as acquiescence to public pressure, or perhaps in a more edifying light, to a genuine desire on the part of elected politicians and their advisors in the public service to improve the aid programme’s ability to assist development in poor countries. Why then did this attempt at innovation fail?
Although the process of decentralization was halted before it was complete, as the material presented above suggests, there was at least a perception at CIDA and in the Department of External Affairs that the policy was beginning to have a positive impact on the aid programme. However, it was also becoming apparent that there were major flaws in the new administrative structure. Chief among them was that in reality, it was not much different from the old one. Overseas staff had doubled, and knowledge of the local situation in each programme country had improved, but the bulk of management decisions were still made in Ottawa. Therefore, if CIDA’s experiment with decentralization is said to have failed, a distinction must be made between the model implemented and the concept itself, which was never truly put to the test.

The government officials charged with implementing decentralization had several options open to them in doing so. They could have transferred responsibility for administering aid funds directly to recipient country nationals. They could have moved all operations to the field. They chose to retain most of the decision-making authority in Ottawa, reducing the potential benefits to be gained by placing additional staff in the field. Where did resistance to any real innovation come from? As the material presented above describes, this choice was the result of an unwillingness on the part of both CIDA and EAICT to cede any control of the aid programme to the other. If the CIDA officials Morrison quotes are right, it was at least in part due to Minister Landry’s refusal to relinquish significant approval authority for decisions for which she would ultimately be responsible in Parliament. Given the most generous possible assessment, the administrative confusion which resulted could be interpreted as growing pains, and it is conceivable that it might have corrected itself eventually. However, subsequent events revealed that the conflict between CIDA and EAICT over the implementation of decentralization was more than just a turf war. It was a struggle over whether aid was to be used as an instrument for poverty reduction or for maximizing Canadian interests abroad. This conflict has been institutionalized in the bureaucratic structure of the government which subordinates

111 The 'deconcentrated' administrative structure developed for the Thailand programme in the same period has been cited as a more successful approach to moving the aid process closer to the intended beneficiaries CIDA/EAICT, 1991.
CIDA and aid policy to the Department of Foreign Affairs and International Trade, whose primary responsibility is to protect Canadian interests abroad.

In addition to bureaucratic politics, these events highlight other pressures which shape Canadian aid policy and ultimately its outcome. While the expressed views of the commercial lobby were considered by government officials to be "more than significant" in the decision to recentralize aid administration, the supposed beneficiaries or 'principal' clients of Canadian ODA in aid recipient countries were not consulted on this matter. The economic interests of the commercial sector in this case were advanced by direct access to decision-makers, but also indirectly by EAITC as a matter of course. As detailed above, the official explanation for recentralization of unsustainable costs is a dubious one given the lack of reliable figures on costs and benefits. Whatever the merits or defects of decentralization as a concept may be, in all of these calculations, finding the best way to deliver effective aid appears to have come last. The botched process of implementation and the perceived strengthening of External Affairs control over the aid programme left the policy with few ardent supporters at CIDA in the end. Dependent on the Treasury for funding and subordinate to EAITC in the formulation of policy in a period of fiscal restraint, CIDA did not have the autonomy necessary to implement decentralization effectively. Decentralization threatened powerful interests protected by the institutional structure of the aid programme, and this attempt at innovation was squelched.

When considered together with the other policy decisions described in this thesis, the decentralization and recentralization of aid administration contributes to a picture of an aid agency very vulnerable to politicking and the pursuit of Canadian commercial self-interest. The aid programme emerges as one where poverty reduction is often relegated to a secondary or tertiary objective, and expert advice (often from within the agency itself) is ignored, either willfully, or because lessons are lost through poor communication. We now turn to a consideration of Canada's tied aid regulations as a further illustration of these claims.
CHAPTER THREE

Tied Aid: Domestic and International Pressures on Canadian Aid Policy

"Widely divergent views of delegations continues to pre-empt any substantive progress..."

— Report of Canadian delegation at the OECD on negotiations for a new agreement on untying aid, 22 January 1991.1

3.1 INTRODUCTION

Tied aid is the hoary old chestnut of Canadian aid policy debates. Canadian aid has always been heavily tied to the procurement of Canadian goods and services. In fact, according to DAC calculations, Canadian bilateral aid remains the most heavily tied of all OECD donors at 68.5 per cent. This figure excludes technical cooperation, which is nearly one hundred per cent tied to the provision of Canadian expertise.2 The Canadian government has long been under pressure both domestically and internationally to loosen its restrictions on procurement for aid contracts, and it has done so to a limited degree over the past thirty years. This chapter will examine the issue of tied aid with a view to assessing the relative strength of conflicting domestic and international pressures which have shaped Canadian policy in this area. Bearing in mind the competing interpretations of Canadian aid policy presented in Chapter One, the emphasis here is on assessing the disciplinary power of the international aid regime when confronted with fierce resistance to the untying of aid from powerful domestic interests. The issue also highlights some of the constraints inherent in the international aid system.

Two examples have been chosen for this purpose. The first is a review of a series of Canadian commodity grants made to Tanzania between 1976 and 1993. The bulk of these were made in the mid 1980's when Canada in concert with other

2 From: Table 23(A50), Development Cooperation. Efforts and Policies of the Members of the Development Assistance Committee, OECD, 1999 Edition; reproduced in Chinnock and Collinson, 1999:11. Note: Accurate figures on tied aid are notoriously difficult to obtain given the variety of
bilateral donors shifted a significant proportion of its aid to Tanzania into programme aid in support of the IMF/World Bank led structural adjustment programme. However, Canada resisted World Bank efforts to alter the way in which Canadian balance of payments support was administered in Tanzania. The manner in which this pressure was applied and resisted offers an insight into the functioning of the international aid bureaucracy. It must be emphasized that the focus here is on policy negotiation and implementation and that no attempt has been made to assess the overall impact of Canadian balance of payments support on the Tanzanian economy. It is hoped however, that the details of the implementation of these commodity agreements as presented here will highlight some of the constraints on the effective use of aid in this case.

The second example is that of the most recent round of negotiations in the Development Assistance Committee of the OECD (DAC) which sought but failed to reach an international agreement on the further untying of bilateral aid. By describing the domestic political and economic climate in the period leading up to these discussions (also dealt with in the chapter on decentralization), the final articulation of the Canadian position taken to the DAC may be understood. However, the hard-won interdepartmental approval for a Canadian position in support of the proposed resolution which the Canadian delegation took to the DAC in 1999 was all for naught. Shifting political winds in other capitals resulted in the collapse of an expected consensus. This example highlights the myriad of bureaucratic constraints on improving aid efficacy. Before looking at these two cases, a brief review of Canada’s policy on tied aid, the extent of aid tying in the Canadian aid programme, and the arguments made for and against it is presented.

3.2 CANADIAN RESTRICTIONS ON PROCUREMENT FOR AID CONTRACTS

Until 1968, all Canadian aid was one hundred percent tied to the procurement of Canadian goods and services. In that year the government decided to permit twenty-five per cent of a project’s allocated funds be untied for local costs and
shipping in special circumstances.\(^3\) In Canada’s first aid policy document, released in 1970, the government authorized the untying of up to twenty percent of total bilateral allocations to cover the local costs of aid projects across the board, and the channelling of up to twenty-five per cent of ODA through multilateral institutions.\(^4\)

The next ODA policy statement, made in 1975 stated that “The government will liberalize the CIDA procurement regulations by immediately untying its bilateral development loans” so that developing countries could compete for contracts and ‘would consider’ untying aid for procurement in other industrialized countries “where this can demonstrably bring significant results to the development program”\(^5\) This position was taken in response to an internal study done by the Treasury Board which concluded that the untying of aid would have a minimal effect on Canadian industry or exports, while the practice of tying aid had in the past reduced the purchasing power of ODA by up to twenty-five per cent.\(^6\) In 1975 Canada also signed a memorandum of understanding at the DAC which required participants to untie aid for procurement in developing countries. This seemed to open the door for the gradual untying of Canadian aid. However, the new policy provoked an immediate and furious response from the powerful business, manufacturing and agricultural lobbies and was never put into practice. The negotiation and reception of the 1975 Strategy is documented in detail by Berry.\(^7\) His argument is that CIDA’s junior status in the government bureaucracy allowed the commercial interests represented by the Departments of Finance, External Affairs, and Commerce and Industry to prevail over arguments for more effective aid.

CIDA’s next formal statement in 1987, Sharing Our Future authorized the untying of up to fifty per cent of bilateral assistance to sub-Saharan Africa and to other LDCs, and 33.3 per cent to all other recipient countries. It also committed the government to channelling of up to thirty-five percent of ODA through multilateral institutions.\(^8\) This remains Canadian policy to date. To be considered Canadian under these regulations, a firm must be at least fifty-one per cent Canadian owned and

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\(^3\) Reported in Morrison, 1998:81.  
\(^4\) Canada, 1970.  
\(^5\) CIDA, 1975.  
\(^6\) Cited in Morrison, 1998:90.  
\(^7\) Berry, 1981.  
\(^8\) CIDA, 1987.
the goods or services provided must have 66.6 per cent value added in Canada.
However, two things must be noted;

i) The regulations governing tied aid are not applied on a project by project basis, or to a whole country programme, but agency-wide, with the result that the bulk of aid to Tanzania, for example, has remained tied. With no formal requirement that a specific percentage of each project be untied, the Tanzania programme, heavily based in industrial infrastructure projects begun with Canadian equipment, has had little incentive to find suppliers in developing countries or elsewhere. Nor would it have been desirable to compound the difficulties experienced by recipient organizations forced to deal with a multiplicity of product types from various sources.

ii) In addition, the actual use of the untying authority has fallen far short of the permitted level. The untying of a portion of aid is permitted, but not required. In his 1983 study of Canadian aid to Tanzania, Young found that up to 1980, eighty-two per cent of project aid and eighty-four per cent of programme aid was tied at the signing of the aid agreement commitment stage.\(^9\) According to CIDA Corporate Memory, Canadian bilateral aid to Tanzania between 1961 and 1999 totalled $775,500,000 of which approximately $110,000,000 or roughly fourteen per cent was untied.\(^10\) A study done in 1994 revealed that approximately thirty per cent of Canadian bilateral disbursements to Sub-Saharan Africa and LDCs in 1991/92 and 92/93 were untied, twenty percent below the permitted threshold.\(^11\) As noted above, according to DAC statistics, this figure holds true for Canadian bilateral ODA overall in 1999. The first eight Canadian commodity grants to Tanzania as outlined below were fully tied to the purchase of Canadian commodities with the exception of $1 million in goods purchased from Zimbabwe and Britain and an emergency purchase of $404,000 in materials from Kenya. Under the ninth and final commodity agreement and in line with CIDA’s newly articulated policy of supporting regional integration in Africa, fifty per cent of funds or roughly $7.5 million was untied for procurement in the region. However, less than $2 million of this allocation was in fact spent outside of

\(^9\) Young: 88.
\(^10\) Source: CIDA Corporate Memory. Please note: unless otherwise specified all figures are given in Canadian dollars.
Canada. Writing in 1986, one year before the most recent change in policy, Hendra concluded: “As a result of commercial and corporate pressure on CIDA, tying has become a standard operating procedure and untying even within the 20 per cent limit has been interpreted as a deviation from the norm.” The figures above seem to suggest that practice has not altered significantly in the intervening years.

It should be noted, however, that although Canadian aid is heavily tied, it is also highly concessional, given exclusively in the form of outright grants. Canada stopped making development loans in 1986 and forgave all outstanding bilateral development loans to Least Developed Countries in 1987. In addition, despite periodic exhortations from the Canadian commercial sector for the institution of a mixed credit facility as found in other donor countries, Canada does not tie its aid in this way. Mixed credits, which combine concessional financing with commercial loans are denigrated by critics as subsidies to western commercial enterprises to give them a leg up on the competition at the expense of the efficient use of available resources for poverty alleviation. In this respect Canadian aid compares favourably with that of several other donors. In fact, due to its highly concessional nature, many of the Principles of Effective ODA articulated by the DAC with respect to tied aid financing have not affected the Canadian aid programme. For example, the most recent agreement on Guiding Principles on for Associated Financing and Tied and Partially Untied Aid adopted by the DAC in 1987 prohibits the tying of aid with a concessionality level of less than fifty per cent to LLDC’s and thirty-five per cent to

12 CIDA Project 902/17914, Project Termination Report.
13 Hendra:267.
14 It is interesting to note, however, the comments of an External Affairs official in response to evidence of resistance from other donors in the DAC to the proposed ban on mixed credits for large projects being considered in 1991:

“This trend may also be a signal to CIDA. The stretching of aid resources by the use of mixed credits appears to be establishing itself as a legitimate development tool, particularly in a time of shrinking resources. Mixed with pressure from exporters squeezed out of markets for lack of competitive financing, CIDA may need to re-examine its general aversion to mixed credits.” DFAIT File no. 38-4-OECD-2, Vol. 92. In December 1991 CIDA established the Private Sector Development Initiatives Fund which “enables the private sector to play a proactive role by identifying and formulating development projects that can be incorporated in CIDA’s programs for these countries.” DFAIT File no. 38-1-1-CIDA(1) Vol.61, CIDA, Prosperity Initiative: Portfolio Consultations Final Report, 1992.
15 Canada has lobbied in the DAC for the maintenance of exemptions for highly concessional aid. DFAIT File no. 38-4-OECD-2, Vol.84.
all other aid recipient countries and therefore does not apply to Canadian ODA.\textsuperscript{16} It is interesting to note in a discussion of the strength of the international aid regime that other donors have found ways of escaping regime discipline in this area without blatantly flouting the agreement. As Jepma explains, "The underlying philosophy was to increase the costs of aid tying and to discourage the offering of tied aid credits as export promotion."\textsuperscript{17} But the DAC Secretariat reported three years later that "It appears that the effect of the successive tightening of terms discipline was that a significant portion of tied aid transactions clustered just above the permissible concessionality level."\textsuperscript{18} Although Canadian aid is heavily tied, its impact on total international development assistance resources is comparatively small. Eighty per cent of tied aid in that year was accounted for by the U.S.A., Japan, France, Italy and Germany.

3.3 THE ARGUMENTS FOR AND AGAINST TYING AID

The economic arguments surrounding tied aid can be quite easily disposed of. Official Canadian aid documents make much of the fact that a reported thirty-six thousand Canadian jobs are supported by the Canadian aid programme.\textsuperscript{19} On the basis of his research on OECD donor countries, Jepma reports that the impact of tied aid on the donor’s domestic economy is generally minimal, with its contribution to employment approximately 0.01 per cent.\textsuperscript{20} Wyse’s organizational audit of CIDA at the end of the 1970’s suggested that direct government investment in manufacturing concerns would have created the same number of jobs as the aid programme at 14.3 per cent of the cost. Regional development programmes could have done so at 12.9 per cent of the cost.\textsuperscript{21} Jepma estimates that the impact of a multilateral agreement to untie aid on Canada would be a loss of 0.45 per cent of its current exports to LDCs.\textsuperscript{22}

These findings concur with the Canadian Treasury Board study referred to by

\begin{thebibliography}{9}
\bibitem{17} Jepma:137.
\bibitem{18} DFAIT File no. 38-4-OECD-2, Vol.86. OECD Document DAC/FA(90)1, \textit{Improved Disciplines for Tied Aid: Note by the Secretariat}, 20 February 1990.
\bibitem{19} CIAA,1996:2
\bibitem{20} Jepma:15.
\bibitem{21} Wyse cited in Hendra:268.
\bibitem{22} Jepma: 47
\end{thebibliography}
While the advantage to be gained by individual companies who secure aid contracts may be great, the overall contribution to the Canadian economy is minimal.

The impact of tied aid on recipient countries, however, can be significant. It is generally accepted that the direct costs of tied aid to the recipient can be conservatively estimated to be a ten to twenty per cent reduction in its value. This is because some goods provided through tied aid agreements may cost more than the same goods purchased at prevailing world market prices. Jepma estimates that in 1989-90, this translated into $870 million U.S. worth of resources lost to developing countries. Tying aid to donor country manufactures may result in the provision of technology inappropriate to the recipient's needs, as the Tanzania Canada Wheat Project described in Chapter Five illustrates. Jepma argues that there are other non-price factors which can reduce the efficacy of tied aid: the perhaps inferior quality of the product, the length of the delivery period as determined by the location and schedule of the chosen supplier, the attached guarantees and maintenance conditions and the quality of installment instructions, health and safety aspects, and the cost of spare parts and repairs. To this may be added the administrative costs incurred by the recipient organization in accommodating the tied aid conditions of various donors.

3.4 DONOR INCLINATION TO UNTIE AID

Jepma argues that in the pro-economic liberalization climate which prevails in the industrialized west at the turn of the century, "There is a growing belief, just as with various other protectionist devices, that it is probably better in the long term to collectively reduce or even abolish the tying of bilateral aid." Evidence that this view is gathering support can be seen in proposed negotiations on liberalizing international procurement regulations in the WTO, and in renewed efforts in the DAC to further untie bilateral aid. Jepma argues that donor countries are motivated to seek such agreements not only out of a desire to improve the efficacy of aid, but because of

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24 Jepma
26 Jepma: 63-72.
the distortion of free trade which tied aid represents. He suggests, for example, that donors are wary that tied aid may subsidize non-viable commercial enterprises in the donor country which could not survive when faced with open competition. It is interesting to note that after forty years of development assistance, virtually all of Canada’s exports to Tanzania are aid related. Normal trading relations have not been established. There is also a generalized concern that with tied aid regulations in force, aid might be used where a commercial sale might have been made. The Helsinki Package agreed among donor countries in 1991 was meant to redress this problem. It states that

Tied and partially untied concessional or aid credits except for credits to LLDCs, shall not be extended to public and private projects that normally should be commercially viable if financed on market or Arrangement terms.28

The agreement exempted projects worth less that SDR 2 million as well as projects funded on highly concessional terms (more than eighty per cent grant element). As all Canadian aid is in the form of out right grants, Canadian ODA was not affected by this agreement. Canada is a signatory to the accord in any case.29 DAC donors also agreed that large aid projects worth more than $50 million US would be subject to international vetting to make sure the project couldn’t attract funding on the open market.30 It was also agreed that the World Bank should be consulted on all aid projects of this size. In voicing its support for this idea, the Canadian delegation at the DAC stated that even where the World Bank is not involved in the financing of the project, “bilateral donors should consult with the World Bank to ensure that the project is consistent with any discussions between it and the recipient government concerning policies and allocation in the sector concerned.”31 This seems to indicate at least a willingness to let the World Bank assume a leadership role in the international aid system. In contrast to the weak

27 Ibid: 15
28 Quoted in Jepma:141
29 DFAIT File nos 38-4-OECD-2 Volumes 84 through 89.
30 This threshold was determined by bargaining amongst donors. Initial suggested thresholds ranged from $10 million proposed by the Netherlands to $150 million proposed by Japan. DFAIT File no. 38-4-OECD-2, Vol.85, Telex POECD to EXOTT 22 January 1991.
disciplinary force of the 1987 agreement on associated financing and tied aid outlined above, Jepma reports that

Thus far the effect on credits covered by the Helsinki Package seems to have been profound. The rising trend of aid credits to the relatively rich among the less developed countries has stopped and the total value of ‘Helsinki’ type credits has dropped considerably. In sum, although the total value of aid notifications is more or less in line with previous years, there has been a shift away from ‘Helsinki’ type aid credits, possibly towards untied aid.  

It is interesting to observe that this is a formalization of an agreement among donors which Wood identified as a norm of the international aid regime back in 1985 (see Chapter One). It seems one of his claims concerning the nature of international aid practice has come true after the fact. The relative success of this agreement when compared to the 1987 DAC agreement on tied aid might be explained at least in part by the greater benefits accruing to adherents in the form of maintaining a level playing field for competition for commercially viable projects in developing countries. If it is true that there is growing international support for the idea of untying aid, it is also true that donors are generally not willing to go it alone. Jepma says this poses a ‘prisoner’s dilemma.’ Unilateral untying would reduce the market share of domestic firms and expose them to increased external competition. As the economic evidence indicates that the economic impact of untying on donor countries would be slight, taking the first step is a question of political will. Jepma concludes that

Therefore, the real issue vis-à-vis tying is not to what extent it has a positive or negative impact on the donor economy, but how international policy can be coordinated so that this prisoner’s dilemma can be resolved.

32 Jepma: 143. The phrase ‘aid notifications’ refers to the agreement among donors to notify each other of all proposed tied aid transactions with a concessionality level of less than fifty per cent (‘Helsinki’ type) to give competing exporting countries the option of matching the offer. Agreements with concessionality levels of more than fifty per cent only have to be reported after the fact.

33 U.K. Minister of International Development Clare Short has suggested that the U.K. might take this course, but U.K firms are not likely to suffer much from increased competition from other donor countries. See J. Chinnock, 1998.

34 Jepma: 16.
We now move on to a consideration of two recent instances where such attempts were made, and the formulation of the Canadian policy position in response to domestic and international pressures. It will be observed that the two cases are not directly comparable. In the case of Canadian commodity agreements to Tanzania, the issue of tied aid was combined with a question of appropriate administrative structures for aid delivery. The common theme pursued is the exertion of pressure from international sources.

3.5 CANADIAN COMMODITY GRANTS TO TANZANIA

In the 1960's, Canadian aid to Tanzania was mainly in the form of technical assistance. In the 1970's, the focus shifted to a concentration on the development of industrial infrastructure and mechanized agriculture with the bulk of Canadian aid invested in railway, hydroelectric projects and the mechanized wheat project in Hanang. The direct transfer of financial resources was negligible, restricted to the income from some non-emergency food aid. The 1977 Country Programme Review noted that balance of payments support comprised only seven per cent of Canadian ODA to Tanzania. Between 1982 and 1986 it accounted for forty per cent of total Canadian aid to Tanzania, a figure in line with other donor programs at the time. It continued to be a central component of Canadian ODA until balance of payments support to Tanzania was suspended in 1992 and then cancelled in 1993. These figures indicate a significant redefinition of programme objectives in the 1980's as the share of resources devoted to projects decreased and programme assistance in support of structural adjustment increased. The connection between this shift in the Canadian aid programme and the development of an international consensus on structural adjustment is outlined in Chapter Four.


37 Import support to Tanzania comprised eight per cent of total aid to Tanzania in 1981/82 but had risen to forty-four per cent by 1986/87. Source: Mbelle and Karamagi, 1992:18 cited in White, 1995:41.
Canadian balance of payments support to Tanzania was made in the form of nine commodity agreements concluded between 1976 and 1992 as outlined in Figure 3.1. Together these agreements account for approximately twenty per cent of CIDA's total bilateral assistance to Tanzania since aid began, though the bulk of this was made in two grants concluded in 1986 and 1987 which together totalled $80 million. It is noteworthy that these agreements coincided with Tanzania's agreement in principle with the IMF and adhered to World Bank directives that donors should make a larger percentage of their aid in this form. Overall, between 1986 and 1996, total Canadian ODA to Tanzania was roughly $270 million of which $95 million or thirty-five per cent was in the form of commodity agreements. However, by 1996 after several years of donor dissatisfaction with the administration of balance of payments support in Tanzania, the percentage of Canadian aid to Tanzania in the form of balance of payments support was nil.

The rationale for the provision of commodity support was to ease the effects of a serious foreign exchange shortage which had caused the drastic reduction or elimination of many essential imports. In 1980, the Tanzanian industrial sector was operating at thirty percent of capacity, with a lack of materials a major contributing factor. The stated objectives of the commodity agreements were to provide goods which would support the 'financial and operational viability' of several industries as well as the agricultural sector. These goods came in the form of aluminum, used in the manufacture of cooking pots; kraft paper to make bags for cement, and zinc for corrugated roofing, both of which were vital to the construction industry; as well as consignments of fine paper for textbooks, plastics, chemicals, steel wire, telecommunication equipment, spare parts and machinery, hand hoes, veterinary vaccines and various other sundry items.

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38 Between 1974/75 and 1980/81, Canada supplied Tanzania with $31 million in food aid, approximately $16 million of which was sold in Tanzania for balance of payments support, the remainder being emergency relief.

## Figure 3.1 Canadian Commodity Agreements with Tanzania

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Year</th>
<th>Value (Cdn $)</th>
<th>Goods provided</th>
<th>Suppliers</th>
<th>Recipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>1976-82</td>
<td>$10 million</td>
<td>aluminum, kraft paper</td>
<td>Alcan, Eurocan</td>
<td>Aluco, Kibo Paper</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100% tied</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>II</td>
<td>1981-85</td>
<td>$21 million</td>
<td>aluminum, kraft paper, fine paper,</td>
<td>Alcan, Eurocan, Casfor, Domtar,</td>
<td>Aluco, Kibo Paper, SARUJI, Steelco</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$20 703 830.99 disbursed</td>
<td>zinc</td>
<td>E.B. Eddy, Inco-Noranda, Cominco</td>
<td></td>
</tr>
<tr>
<td>III</td>
<td>1982-84</td>
<td>$404 000 untied for emergency purchase</td>
<td>kraft paper</td>
<td>Kenyan supplier</td>
<td>Kibo Paper</td>
</tr>
<tr>
<td>IV</td>
<td>1984</td>
<td>$3 million</td>
<td>aluminum, kraft paper</td>
<td></td>
<td>Aluco, Kibo Paper</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$2 931 547.09 disbursed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V</td>
<td>1984-87</td>
<td>$7 million total</td>
<td>urea, tyres and tubes, handshoes,</td>
<td>UFI, Tanzania Fertilizer Corp.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$1 million untied</td>
<td>truck chains, a computer system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>VI</td>
<td>1984-85</td>
<td>$7 million</td>
<td>aluminum, kraft paper, wood pulp,</td>
<td></td>
<td>Aluco, Kibo Paper, General Tyre</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100 % tied</td>
<td>tyres and tubes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>VII</td>
<td>1986-89</td>
<td>$20 million</td>
<td>aluminum, plastics, tyres and tyre-</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>100 % tied</td>
<td>making materials, poultry and cattle</td>
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<td></td>
<td></td>
<td></td>
<td>vaccines, poultry feed, agricultural</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>chemicals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>VIII</td>
<td>1987-93</td>
<td>$60.1 million</td>
<td>aluminum, steel, fertilizer, tyres</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>100 % tied</td>
<td>and tyre making materials,</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>agricultural inputs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IX</td>
<td>1992-96</td>
<td>$14 643 671.57</td>
<td>aluminum, telecommunication equipment,</td>
<td>Alcan, Mitel, Bamberger, Polymers,</td>
<td>Aluco, TTCIL, SIMBA, IEIE,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>50 % tied</td>
<td>chemicals, steel, graders and spares,</td>
<td>Champion, Thomas, Mineral Marketing</td>
<td>Blackwood Hodge, Dur City Council</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>skids</td>
<td>Corp. (Harare),             London Steel</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>(Harare)</td>
<td></td>
</tr>
</tbody>
</table>

Source: information from CIDA project files

A review of the negotiation and implementation of these commodity agreements provides some insight into the forces which conspire to undermine the developmental objectives of aid. Commodity grants, as direct transfers of resources would seem to be the most straightforward and easily accomplished form of aid, and Canada's commodity grants to Tanzania were certainly more successful than many of its other aid projects there. All of the agreements ultimately met their stated objectives and provided necessary materials for Tanzanian industry. But as the
following summary describes, for several reasons, their potential benefits were compromised.

Canadian balance of payments assistance to Tanzania began in 1972 with a $2 million short term open line of credit for Canadian commodities. Negotiation of the first commodity grant agreement between Canada and Tanzania began in 1976 with a request from the Tanzanian government for a list of commodities which Canada might be able to supply on credit.\textsuperscript{40} CIDA’s menu consisted of aluminum, iron and steel, potash, fertilizers and insecticides. From this list in late 1976 Tanzania requested a $2 million dollar line of credit for insecticides. In January 1977, CIDA asked the government of Tanzania “to look again at their paper and aluminum products requirements in preference to insecticides/pesticides.”\textsuperscript{41} Seven months later, an agreement was drafted for a ten million dollar grant for pesticides, aluminum and paper on the grounds that the raw materials for pesticides have to be imported into Canada and are expensive to manufacture while Canadian producers had ample paper and aluminum stocks for sale, as the Department of International Trade and Commerce had informed CIDA.

At this point, CIDA HQ considered scrapping the whole project “since the administrative burden makes it a highly unattractive project.” In addition, it was determined that Canadian prices for insecticides were not competitive, and only the tender for aluminum coil was drawing any interest from Canadian suppliers. The CIDA mission in Tanzania objected, but suggested limiting the agreement to aluminum and paper. A Memorandum of Understanding for $10 million worth of aluminum and paper was signed in 1978. However, having transformed the Tanzanian request for $2 million of insecticides into $10 million worth of paper and aluminum, CIDA was unable to deliver on the agreement within the specified time frame, with severe consequences for Tanzanian industry. Several factors contributed to this delay. By 1978 the world supply of aluminum and paper had contracted and the Canadian suppliers gave preference to their established customers over the Tanzanian orders. The fact that the grant was tied to the purchase of Canadian goods

\textsuperscript{40} CIDA Project 902/00501 Project Termination Report.
\textsuperscript{41} Ibid
also posed several logistical problems. The standard sizing of paper and aluminum sheeting in Canada is different from that used in Tanzania and Europe with the consequence that production machinery in Canada had to be reset to process the Tanzanian orders. There was a labour dispute at Alcan, the Canadian supplier of aluminum, and then a strike in the pulp and paper industry in British Columbia where the paper tender had been awarded, both of which caused further delays.

In 1979, still waiting for shipments from Canada, the Tanzanian government, faced with a critical balance of payments deficit, moved to restrict import licenses and foreign exchange allocations severely. The parastatal companies Aluco and Kibo Paper were instructed to obtain most of their raw materials from the Canadian grant rather than purchasing them commercially. Delays in Canada contributed to "a virtual shutdown of the parastatals until supplies were received."\(^{42}\) The final delivery was made in 1981, five years after the commencement of negotiations. The CIDA assessment of the project concluded that "The balance of payments (BoP) effects were positive but not large in the context of total Tanzanian BoP problems. They could have been greater if other types of industries had been supported."\(^{43}\)

Subsequent agreements encountered similar difficulties. Commodity Grant II which received approval in 1981 supplied $21 million in materials.\(^{44}\) Again there were delays in the supply of kraft paper from Eurocan. A shipment originating on the west coast of Canada was delayed en route and the main cement plant in Tanzania was forced to shut down for want of bags in which to transport its product. This in turn affected the construction industry. An emergency shipment from Kenya was arranged and delivered within two months (Commodity Agreement III).\(^{45}\) Later shipments, the last made in April 1984, were delayed by a strike at the port of Vancouver and a storm at sea. The project termination report indicated that CIDA was not happy in its role as middle man sorting out these problems and wished to establish "normal trade relations and procurement practices between Tanzania and its Canadian suppliers." Such a relationship was difficult to build under procurement

\(^{42}\) Ibid

\(^{43}\) Ibid.

\(^{44}\) CIDA Project 902/10819-902/08013 Project Termination Report.
regulations which not only tied aid to the goods offered by Canada, but in which the Canadian government awarded the tenders, in the above cases to a company on the opposite side of the North American continent from Tanzania. This added time, distance and shipping costs to a process which already took several years to complete.

Commodity Agreement IV was signed in February 1984 and again provided $3 million in kraft paper and aluminum. Eurocan was again awarded the tender for kraft paper and again, due to a strike at its B.C. plant, missed the agreed shipment date. Also in 1984, the Tanzanian Minister of Finance made an urgent request to the Canadian government for agricultural inputs and supplied CIDA with a list of necessary materials: fertilizer, pesticides and herbicides, steel for hand tools, sacks or bags, tyres, batteries, and corrugated metal for roofing. This list was reviewed by a CIDA project officer who annotated it to the effect that pesticides and herbicides would be difficult to obtain in Canada, aluminum would be 'no problem,' and tyres and batteries would be considered. A consultant advised CIDA that sulphur might be a better commodity to send for fertilizer than urea "as the cost and freight prices of urea are far greater than world prices." In the end it was determined that Canadian sulphur and urea were equally expensive and the grant included a shipment of $6 million worth of urea from Canada. Commodity Grants V and VI both signed in 1984, provided in total $14 million in industrial and agricultural inputs. Of this, $1 million was untied to purchase hand hoes and truck chains from Zimbabwe and a computer system from the U.K., the required goods not being available in Canada. Apart from the inflated cost of Canadian urea, there were no problems reported with the supply of goods to Tanzania. A few logistical problems occurred on the receiving end where there was no storage space for the hoes and chains, meant to support the Canadian funded oxenization project in Mbeya, or firm orders from distributors, the responsibility of the UFI, a Tanzanian parastatal company. There were also reports of the theft of goods awaiting distribution. The history of these agreements indicates that commodity assistance was fraught with logistical problems on both the sending and receiving end.
Two large grants totaling $80 million were made in 1986 and 1987 following the conclusion of an agreement in principle between the Government of Tanzania and the IMF. In the midst of the negotiation of these agreements, Canadian aid officials reported a meeting at the Tanzanian Treasury “where we were somewhat dragged over the coals for inconsistency re commodity commitments... The meeting at the Treasury resulted from an incident wherein we almost simultaneously advised Kilimo that we could not provide chicken feed this year while asking Treasury/Aluco if they could take more aluminum... GOT [Government of Tanzania] made it abundantly clear that chicken feed and vaccines were the priority not more aluminum.” Next on its list were steel sheets and tyres, with aluminum “a distant last.”46 As recorded in Table 4.1, chicken feed, tyres and vaccines were provided in addition to aluminum.

Canada's final commodity grant to Tanzania (Commodity Agreement IX) was agreed in 1992.47 Preliminary project documentation stated that “the positive impact of the structural adjustment program, coupled with Tanzania's consistent adherence to the terms and principles of the IMF agreements, fully justify continued balance of payments support.” This seems a curious conclusion for aid officials to have drawn given the tenor of Canadian comments at the Consultative Group meetings in the same time period. Canadian officials had voiced their displeasure with the Tanzanian government's record on collecting payments for commodity grants and with the pace of reform in general. Nevertheless, an agreement for $14 million was signed. The materials to be provided were more diverse than previous agreements as will be noted in Table 3.1. Primary among them were aluminum and telecommunications equipment, worth approximately $4.5 and $5 million respectively. The termination report for this project seems to indicate that CIDA had become more proficient in the administration of this type of aid. Between the first agreement and this last, the project development process had been trimmed from approximately three years to eighteen months. As noted above, this grant was fifty percent untied for procurement in East and Southern Africa.

47 CIDA Project 902/17914 Project Termination Report.
The project evaluation done by a consulting firm in 1993 concluded that the project had been a success despite the potential for major problems due to its complexity. It involved not only the provision goods but also training in the use of telecommunications equipment. The evaluation concluded that "Probably the most significant factor in making this project successful was a highly motivated contractor." CIDA project files contain numerous examples of projects which fell into difficulty when contractors failed to meet the requirements of aid projects, a problem highlighted by the most recent report of the Auditor-General of Canada. In this case, the contractor won a CIDA sponsored award for its efforts: the Engineering Prize of the Canadian Awards for Private Sector Contribution to International Development. However, Commodity Agreement IX was not without its problems. The Canadian High Commission was still involved in chasing down delinquent accounts from the previous agreement and outstanding bills from this latest agreement added to the load. In 1992, CIDA was informed that Gentyre did not wish to take up its $3 million allocation as it could get its requirements elsewhere more cheaply. According to aid officials, the efficacy of the agreement was further undermined by a problem common to many Canadian aid projects in Tanzania: the inefficiency of the many parastatal corporations set up to manage various sectors of the Tanzanian economy. Speaking in this case of the Tanzania Telecommunications Company Limited (TTCL), CIDA officials blamed "the lack of responsibility being devolved to middle management, as promised in the TRP [formal agreement]" for problems with spare parts inventory and delays in establishing a technical service center. Though these problems were soon to be resolved, the progress report added that "middle management is generally of good calibre, but de-motivated because of the bureaucratic process."

Commodity Agreement IX was cancelled along with most of Canada's other aid projects in Tanzania in 1993 with less than two thirds of the grant disbursed. In a letter to the Vice President of the Africa Middle East Branch protesting the aid cuts, the High Commissioner for Tanzania in Ottawa noted the "devastating effects" of the cancellation of the aid projects including commodity and import support. In addition

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48 CIDA, Termination Report for Project 902/17914
to reducing the supply of vital industrial inputs, "Total elimination of this project implies that there will be no spare parts for Canadian-imported machinery and equipment already in the country." Over thirty years of capital assistance, the list of Canadian-made equipment which needed to be maintained was long – rail track and switches, locomotives and carriages, hydroelectric machinery, tractors and other farm equipment as well as the new telecommunication system, among other things. Tanzania officials were now in the position of having to purchase Canadian spare parts commercially, in some instances above world market prices, or find another donor willing to untie funds to buy them if compatible replacement parts couldn’t be found from another source. In October 1993, the High Commissioner made a formal request for the grant to be reinstated and the Canadian High Commission in Dar es Salaam recommended that the "restoration of Commodity Grant IX will improve the Canadian relationship with the Tanzanian Treasury whose resentment at budget cuts still lingers." In January 1994, the project was reactivated to disburse the remaining funds. This agreement marked the end of Canadian import support to Tanzania.

3.6 CANADA’S TIED AID POLICY AND THE OPEN GENERAL LICENSE FACILITY IN TANZANIA

As outlined in Chapter Four, the bulk of Canadian commodity grants to Tanzania were made in the 1980’s in support of the IMF/World Bank structural adjustment programme. The decision to provide balance of payments support in the form of goods rather than foreign exchange was contrary to World Bank guidelines but in accordance with Canada’s stringent tied aid policy. The manner in which income from the sale of Canadian commodity grants was to be administered was also determined by Canada’s tied aid regulations, and throughout the 1980’s and early 1990’s, CIDA came under pressure from the World Bank and at the DAC to adopt a less restrictive administrative structure. That Canada resisted this pressure illustrates both the intransigence of the Canadian position with respect to tied aid, and the limitations of the international aid regime in disciplining donor behaviour. However, as both of the examples presented in this chapter demonstrate, there have been

50 Ibid.
51 Letter from His Excellency Fadhil D. Mbaga, High Commission for Tanzania to Mr. Pierre Racicot, Vice President, Africa Middle East Branch, CIDA, 11 March 1993.
52 Termination Report for CIDA project 902/17914
tentative steps toward untying Canadian assistance in the past decade. That they have not resulted in any significant alteration in Canadian policy is the result of a combination of circumstances in Canada, in other donor countries, and in recipient countries as well.

As Howard White has explained, individual donors have elected one of two methods of delivering their import support: i) administrative systems or commodity import support (CIS) or ii) market based systems, which he subdivides into Open General License systems and foreign exchange auctions.\footnote{White:43} Canadian support was of the first type. Subject to the approval of Canadian officials, a Treasury Committee of the Tanzanian government allocated Canadian commodities to individual firms, mainly parastatal corporations. The successful applicants were then required to pay the cash cover to the Treasury as the object was to provide budgetary support to the government not a grant to individual enterprises. The arrangement between Canada and Tanzania specified that twenty percent of this revenue was to be set aside in a government of Tanzania administered counterpart fund. These funds were to be used to cover the local costs of Canadian funded projects — i.e. counter part staff, vehicles, housing, locally procured materials — as well as to finance mutually agreed upon small projects. This system accommodated Canada's tied aid restrictions and provided significant control over the end use of Canadian grants.

When the World Bank renewed its involvement in Tanzania in 1986 it advocated the establishment of a market-based system as a conduit for import support. Removing the government from the allocation process was seen as a means to avoid corruption and the misallocation of resources.\footnote{Ibid.} In 1988 the Tanzanian government established an Open General License facility to administer balance of payments support and the World Bank urged all donors to redirect their aid through this channel. White explains how an OGL system works:

Under an OGL system importers buy the foreign exchange from a commercial bank, which is meant to consider applications on a first-come first served basis... The importer pays the bank local currency for
the foreign exchange as a regular commercial transaction and the commercial bank pays the countervalue to the Central Bank which passes on the funds to the Treasury. These transactions take place at the official exchange rate and donors place restrictions on the goods procured.\textsuperscript{55}

Despite repeated exhortations from the World Bank to support the OGL facility Canada and several other donors resisted pressure to do so. Among major donors, the U.K., the Netherlands, Norway and the EEC contributed to the fund. Canada, Sweden, Denmark, Japan and the U.S.A. did not.\textsuperscript{56}

In 1988 the World Bank outlined guidelines for bilateral donors to use when programming aid for Tanzania stating "The composition of external flows needed to support the Economic Recovery Program and the terms under which they are supplied remain as important as the absolute volume."\textsuperscript{57} The Bank advised donors that the current allocation of twenty-five percent of ODA for technical assistance was too high and should be reviewed. It stated that the current ratio of 50:50 balance of payments support to other types of assistance was satisfactory, but again urged donors to untie their aid and channel it through the OGL, a recommendation reiterated in a brief prepared for the Special Program for Africa multi-donor meeting in October of that year.\textsuperscript{58} In November, CIDA received a letter from the World Bank inviting Canada to co-finance a new Agricultural Adjustment Credit to support reform in pricing and marketing policies for food grains, export crops and agricultural inputs. The funds would be channelled through the OGL facility and used for balance of payments support.\textsuperscript{59} CIDA rejected the request claiming "the untied nature of the facility provides some complications."\textsuperscript{60}

In 1991 the World Bank informed donors that the "continued use by bilateral donors of parallel, tied, windows for importers is hampering the pace of sectoral reform and has resulted in significant differences in the effective exchange rates

\textsuperscript{55} Ibid.
\textsuperscript{56} Source: CIDA Tanzania Programme files; White:44.
\textsuperscript{58} Ibid.
\textsuperscript{59} Letter from World Bank to Vice-President Anglo-Africa Branch, CIDA, 3 November 1988.
\textsuperscript{60} CIDA files, Tanzania-Consultative Group Meetings, 1988
depending on the windows used.\textsuperscript{61} The ratio of project aid to balance of payments support had shifted to 60:40, and the Bank and Tanzanian government expressed concern that the OGL was underfunded. Speaking of the ninth commodity agreement which was under discussion at the time, the CIDA mission head indicated that there was a softening of the Canadian position in favour of the World Bank approach. "It is our intention to align the new project much more closely with the OGL system although not to untie our funds completely or funnel all funds through the OGL."\textsuperscript{62} That an effort was made in this direction is evident in the terms of Commodity Agreement IX which permitted fifty percent of the grant to be untied for procurement outside of Canada. In the end, less than $2 million worth of goods were purchases from other sources, but the authority for up to $7 million had been approved. In April 1992 at the SPA multi-donor meeting, Canada took another step in this direction when it signed a resolution adopting new SPA guidelines for managing import support programs advocating contributions to market based systems.\textsuperscript{63} This soon proved a moot point as the OGL became engulfed in controversy. Balance of payments support from all donors was suspended in 1992 pending an audit of the facility. The audit confirmed suspicions of mismanagement and corruption and in August 1993 the OGL was replaced by a foreign exchange auction. By then Canadian balance of payments support to Tanzania had been cancelled in the wake of budget cuts.

In addition to the problems outlined in the summary of commodity agreements above, the balance of payments support programme operated by the Canadians had weaknesses of its own. Primary among its faults in the eyes of Canadian officials was the lack of any means to enforce the collection of payment from recipients of granted commodities, particularly from parastatal corporations. A 1982 study revealed that $16,036,038 worth of food aid sent to Tanzania as balance of payments support between 1974 and 1980 should have yielded Tsh 142,096,080.80 in revenue for the government. However, in September 1980, the National Milling Corporation, a parastatal notorious for its inefficiency, still owed Tsh 60,921,678 in

\textsuperscript{61} Source: telex from CHC Dar to CIDA HQ 12 June 1991 re donor meeting.

\textsuperscript{62} Ibid

backpayments to the Treasury. CIDA was also displeased that Canadian aid was sustaining the operation of unproductive and dysfunctional enterprises. The same study found that collection of payments for other commodities was better, but that none of the twenty percent counterpart funds had been put to use. Disposing of these funds has remained an unresolved issue between Canada and Tanzania to this date. Collection of cash cover payments became an increasingly sore point between Canada and Tanzania until balance of payments support was finally cut off in 1993.

The most recent CIDA agency wide policy statement on balance of payments support issued in 1994 stated that balance of payment support would hence forth be available only in exceptional circumstances. “Given CIDA’s experience and existing expertise the potential that exists to exert influence and add value to the reform process is not in ‘gap-filling’ exercises, but at the sectoral level.” In the words of Yogi Berra, it was déjà vu all over again. Following the donor consensus of the 1980’s that balance of payments support was the best way to support structural adjustment, this return to a sectoral approach reflected perhaps not only problems with the administration of balance of payments support, but also the shrinking aid budget and the necessity to maximize limited resources. The Liberal government foreign policy statement issued in 1995 named CIDA’s priorities as sustainable development, private sector development, good governance, women, poverty reduction and human rights. Structural adjustment is not listed among them.

3.7 CANADIAN RESISTANCE TO INTERNATIONAL PRESSURE TO UNTIE AID

The debate over the possibly ill effects of tied aid is contentious, long standing and voluminous. However, like the debate over the respective merits of the OGL versus CIS systems, it is not central to the discussion at hand. Of current importance is the fact that Canada found and finds itself on one side of the debate, maintaining a policy of highly tied aid, while on the other side the World Bank and the


65 Quoted in Morrison, 1998:394.

Development Assistance Committee advocate the untying of aid, and this position is formally stated in the guidelines issued by both organizations. Canada sits on the Board of Governors of the Bank and is a member of the DAC. It is a signatory to the DAC Principles of Effective ODA, but its policy runs contrary to the spirit of its recommendations on the administration of balance of payments support and tied aid. The spirit rather than the letter of the law because as all policy positions of the DAC are agreed by consensus, their wording is vague or flexible enough to accommodate some diversity among member policies. For example, the regulation governing procurement in balance of payments support agreements reads as follows:

In a context of market-oriented adjustment and policy reform, programme assistance in the form of freely available foreign exchange helps to promote the development of commercial and financial markets and institutions. Restrictive procurement requirements are not consistent with the longer run objective of liberalising, and making more market oriented, the foreign exchange and trade regimes that are essential for achieving private sector-led growth and efficiency, with resource allocation through market mechanisms rather than through administrative processes. Without an increase in the supply of freely available foreign exchange, it is difficult for competitive market processes and institutions to develop. Therefore, programme assistance to support structural adjustment and policy reform, or to provide general economic support within an effective policy framework should not, in principle, be linked to specific import purchases.68

The document notes institutional weaknesses on the recipient side and donor concerns surrounding the diversion of resources to "unproductive and inappropriate uses" and recognizes some donor preference for CIS systems. "The establishment of these rules and requirements often predates the priority now given to the fostering of market processes, the private sector and good governance." It goes on to say, however, that "the longer-run objective of relying on market mechanisms rather than administrative processes should be kept clearly in view" and states that "programme assistance should be untied to the maximum extent possible." With regard to the establishment of counterpart funds as Canada has done, a practice which is known as "double tying," the DAC Principles note that these funds do not represent additional

67 see for example Sanger; Singer; Hendra; Gillies.
resources for the recipient country and that "Their existence on any significant scale therefore raises important issues both for macroeconomic management (the inflationary potential) and for public expenditure management (transparency, consolidation of public budgets, and conformity with overall expenditure priorities)."
The guidelines outline measures to be taken by donors to minimize the ill effects of these funds, leading to the phasing out of their use altogether.69

When these guidelines were under negotiation at the DAC in 1991, the Canadian delegation raised objections to successive drafts on several occasions with respect to the section on counterpart funds. In September, they said "Canada would want to see some major redrafting" of the section which would reflect the potential benefits of counterpart funds in financing poverty reduction or social sector projects, and in assisting NGOs and private sector development efforts. "If such a re-drafting is not possible we should then suggest its deletion."70 In October, External Affairs in Ottawa wrote to the Canadian mission at the OECD:

We wish to reiterate position taken in previous telex on the subject. We cannot accept the most recent secretariat proposals as we understand them and are unable to support a consensus on this basis even if it delays the adoption of these principles. Grateful you also canvas other delegations to ensure that we are not isolated...CIDA intends to continue this practice.71

In November, Ottawa told the OECD mission that the "Latest version of draft principles represents a quantum improvement over previous drafts." While the proposed agreement was not perfectly in line with Canadian views, the section on counterpart funds had been toned down and the delegation was instructed to sign the resolution.72 A decade later, Canada is gradually trying to dispose of its counterpart funds, now considered an archaic form of aid in development circles.

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70 DFAIT File no. 38-4-OECD-2, Vol.93, Telex EXOTT to POECD 6 September 1991.
3.8 THE DISCIPLINARY POWER OF THE INTERNATIONAL AID REGIME

The above example of Canadian commodity grants to Tanzania has been outlined to raise the issue of donor compliance with international norms in the provision of foreign aid. What must be stated immediately is that there is no automatic or consistent correlation between DAC, World Bank, UN or CIDA written policy and the actual norms which govern international aid practice and it would be mistaken to automatically cite noncompliance with DAC agreements, for example, as evidence of a weak or non-existent regime, or stated another way, a lack of consensus on acceptable and appropriate practice. Rittberger makes this distinction between 'paper regimes' and 'operating regimes.' An obvious example taken from aid practice is the 0.7% GNP target adopted at the U.N. several decades ago. Most donors, including Canada, have never met this target. Canada's most recent policy statement reconfirms commitment to the target, but no longer sets a deadline for meeting it, as it has in the past, but states its intention to "make progress" toward reaching this level "when Canada's fiscal situation allows it." The DAC average is much lower than 0.7% and has fluctuated in the past. So, it would be more accurate to locate the regime norm at a much lower level and say it is widely accepted that it should be contingent on domestic pressures as well as the international commitment. However, as Robert Keohane has observed "it would be circular reasoning to identify regimes on the basis of observed behaviour, and then use them to 'explain' observed behaviour." Keohane reasons that it is necessary to base the argument that a regime is in place on formal international agreements in addition to evidence of active and consistent compliance on the part of actors in an issue area. "Thus, establishing that a regime exists is an issue for descriptive inference, based on publicly available texts, rather than psychological insight or causal inference." 

As the discussion of structural adjustment and the dramatic reduction in aid to Tanzania in 1993 in Chapter Four, and the example of Canadian commodity support to Tanzania presented here reveals, Canadian policy has mirrored very closely World

73 Rittberger, 1993.
74 Canada in the World, pg. 43
75 Keohane: 27.
76 Ibid: 28.
Bank and DAC policy as well as the policies of other bilateral donors in its embrace of structural adjustment and the adoption of balance of payments support as a strategy to meet this universal objective. Canadian policy does, however, violate international guidelines on tied aid. Nevertheless, as the quotation from the 1992 CIDA policy brief and the terms of Commodity Agreement IX indicates, there were moves afoot to bring Canadian policy in line with World Bank dictats over the OGL system. If one argues that external forces exert an influence on Canadian aid policy, as this paper does, there must be evidence of compliance with international norms for Canadian policy to be interpreted as anything other than a straightforward calculation of national interests and material might. The World Bank has no means of forcing donors to comply with its policy positions, but it is hoped that it has been demonstrated in this chapter and the next that its influence is exerted through its control of information, the leadership role it plays in the donor community at the level of macro-level policy consultations and at the programming and project level in the field, as well as by persuasion through the multiplying channels of communication and coordination which connect aid donors and have become an institutionalized part of the aid system.

Likewise, there are no formal sanctions against non-compliance with DAC principles. Agreements are adopted by consensus, and Canada as a member of all working parties in the OECD is presumably involved in the negotiation of each policy position and is at least nominally bound to adhere to them. At the moment both the Chairman of the OECD and the Director of the DAC Secretariat are Canadians, but what influence, if any, this has on the attention Canada pays to DAC pronouncements is an open question. Pressure to comply with DAC recommendations is exerted mainly in two ways. Firstly, every donor country is subjected to a major external review of its aid policy every four years, the results of which are published and placed in the public domain. The most recent review of Canadian aid was done by New Zealand and the Netherlands and released in June 1998. The Vice President of the Policy Branch at CIDA is then required to appear before the other members of the DAC to answer questions on Canadian aid policy for a full day. It seems that the DAC's most powerful means of obtaining compliance with its principles is public embarrassment. There is possibly even an unwillingness among members to employ
this means too heavy-handedly. As an example, a meeting of the Working Party on the Financial Aspects of aid in the DAC in 1988 was devoted to a consideration of a U.S. study of six tied aid projects funded by France, the U.K. and Japan. The Canadian delegation reported that

Although the cases did highlight blatant aid and trade distortions, namely the introduction of mixed credits very late in the transaction process []; donors not stating clearly development merits []; and tying combined with low concessionality making projects very expensive to recipients [], ensuing discussion was rather moderate in questioning, members obviously fearing to be the next target for criticisms.77

However, it was suggested in interviews that members use other means to bring along recalcitrant countries. For example, in the most recent round of negotiations around tied aid, some countries threatened that they would untie their aid for procurement in every country except countries (like Canada) which maintained tied aid policies, unless they signed on to the agreement under debate. Countries have also reportedly used bilateral negotiations in unrelated fields as bargaining chips in getting signatures to DAC agreements. These negotiations over tied aid in the DAC will now be considered with the intention of shedding more light on the domestic factors which have shaped the Canadian position on tied aid as well as the effect of international pressure to untie aid on Canadian policy. That they failed can only be interpreted as the weakness of the DAC as a means of altering donor behaviour. The lack of sufficient incentives to donors to untie aid and the absence of the means to impose penalties for the abrogation of agreements has resulted in the persistence of an international norm condoning the continued tying of aid.

3.9 DAC NEGOTIATIONS TO UNTIE BILATERAL AID 1996 – 1999

Moving away from a focus on Tanzania in particular to consider aid policy more generally, this section will examine briefly the most recent round of negotiations among aid donors aimed at a more comprehensive agreement on untying aid to developing countries. These attempts ended in failure at the DAC High Level Meeting in 1999 when donor countries could not reach agreement on the proposal.

(very limited in scope) under discussion. Both the formulation of the Canadian position and the discussions among donors in the Working Group on the Financial Aspects of Development Assistance of the DAC will be considered. The manner in which this extremely contentious issue has been perceived and handled by various interest groups in Canada and by individual donor countries provides a good illustration of the forces which shape Canadian aid policy as well as the forces which conspire to inhibit innovation in aid practice.

3.9.1 The Canadian domestic political context

Despite quite conclusive evidence that the untying of ODA would have an almost imperceptible impact on the Canadian economy, the Canadian commercial sector has been tenacious in its opposition to any perceived movement in this direction. Hendra quotes a statement from the chairman of a large corporation in 1985: “Canadian businessmen have fought for tied aid in Canada, and we do not intend to see the policy changed.” While commercial sector opposition to untying dates back to the initiation of the aid programme, a consideration of the nature of business lobbying activities and the support they garnered in the relevant government departments in the period leading up to the most recent debate in the DAC is instructive. It also gives some sense of the domestic environment in which Canadian officials were working at the time the World Bank and the DAC were exerting pressure on Canada and other donors to remove restrictions on balance of payments support as described above.

It is very difficult to make an accurate assessment of the extent of these lobbying activities and their impact on government decision-makers and planners where the aid programme is concerned. It has become a truism of debates surrounding Canadian aid policy that it is shaped in large measure by Canadian commercial interests. A review of Canadian aid allocations over the past forty years certainly reveals a heavy emphasis on large, capital intensive infrastructure projects requiring large quantities of Canadian manufactures. The review of Canadian

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commodity grants to Tanzania presented above suggests that there have been occasions when Canada has sought to relieve a surplus of Canadian goods by offering them to aid recipient countries. However, finding concrete evidence that commercial interests have consistently shaped individual aid projects and the aid programme in general is difficult. Rhetoric from DFAIT in particular as detailed throughout this paper would certainly lead one to that conclusion, but the tenders and details of negotiations with prospective contractors is information protected from public access and such discussions (if any took place) of how to maximize Canadian commercial interests in the design of aid projects would most likely be found here. In any case, several sources indicated that business sector lobbying activities are concentrated at the ministerial level, not at the project level. The general conclusion to be drawn from a review of files related to Canadian aid projects in Tanzania is that whatever the motivations of Canadian Executing Agents in seeking aid contracts may be, CIDA project planners and managers are primarily occupied with trying to achieve their stated development objectives within the constraints imposed on them by the system in which they work.\textsuperscript{80}

An attempt was made for the purposes of this paper to assess Pratt’s argument that the commercial sector enjoys preferential access to decision-makers which gives it undue influence on the aid programme.\textsuperscript{81} Ascertaining the extent of lobbying activities at the ministerial level and in the office of the president of CIDA is difficult due to government legislation in this area. Industry Canada (a federal government department) does maintain a register of private sector lobbying activities and it does list some of the commercial firms which have approached CIDA and DFAIT to discuss some aspect of the aid programme in the past year.\textsuperscript{82} However, this is a voluntary register and it is estimated that it covers approximately one third of the lobbying activity on Parliament Hill.\textsuperscript{83} A request was made under the Access to Information Act to review the daily appointment schedule of both the Minister of International Cooperation and the President of CIDA for a six month period in 1999

\textsuperscript{79} See: Pratt,1996; Hendra; Gillies; Freeman,1982.
\textsuperscript{80} In addition to the detailed case studies presented here, a review of approximately one hundred Project Termination Reports for CIDA bilateral projects in Tanzania 1964 – 1994 was made.
\textsuperscript{81} Pratt,1996; 1989.
\textsuperscript{82} Posted at www.strategis.ic.gc.ca/cgi-bin/lobbyist-bin/bin/lrs.e/lrsmain.phtml?
\textsuperscript{83} Interviews.
in an attempt to assess the extent of lobbying activities at this level.\footnote{84} Despite the fact that these are public officials conducting public business on publicly paid-for time, this request was refused under Section Nine of the Access to Information Act which protects third parties from the exposure of information which might damage their market position in relation to that of their competitors. Another possible means of assessing attempts by private sector enterprises to influence aid policy is to look at campaign contributions for the ministers responsible for the aid programme - the Minister of Foreign Affairs and International Trade, and the Minister of International Cooperation and to cross-reference this with the award of aid contracts. However, the manner in which this information is reported to the public obscures the identity of the donor in many instances.\footnote{85} When donations are made through the local constituency association, their provenance is lost to the public record. In any case, such evidence would not be conclusive. On the basis of these foiled attempts to obtain information, one can at least conclude that commercial sector lobbying activity does at least receive preferential protection from public scrutiny.

CIDA holds regular annual consultations with various 'stake-holders' in the aid process including both private sector representatives and the NGO lobby and meets periodically with their representatives on other occasions as issues arise. It has already been noted in Chapter Two that the Canadian Manufacturers Association requested a meeting at DFAIT to make known its disapproval of several policies outlined in \textit{Sharing Our Future}, namely decentralization, the shift to programme aid, and the untying of up to fifty per cent of aid to LDC's. DFAIT files suggest other instances in which private sector opinion has been 'more than significant.' As an example, in 1992, a proposal was made to the Minister that NGO's be able to compete head to head with commercial contractors for bilateral aid contracts. A memo to the Minister stated the rationale for NGO exclusion up to this point:

\begin{quote}
To ensure fairness in the contracting process, it is CIDA’s policy to prohibit competition between for-profit (firms) and non-profit organizations (non-profit organizations and institutions and government agencies)... The existing policy was established to ensure that we encourage fair competition and was premised on the notion
\end{quote}

\footnote{84} This was a suggestion made by Ann Weston of the North South Institute.\footnote{85} www.elections.ca
that a non-profit organization might be advantaged in the bid process because it is not expected to realize a reasonable financial return. A for-profit firm on the other hand is responsible to its shareholders.\footnote{DFAIT File no. 38-1-1-CIDA(1) Vol.60. Memo to the Minister 1 June 1992}

The 'principal' whose interests are being protected under this regulation is not the supposed beneficiary of Canadian ODA in a poor community in Africa as one might hope, but Canadian commercial contractors. The occasion for reviewing this regulation was not to redress this error, but an increase in interest among Canadian NGOs who wanted to bid on consulting contracts as a means to raise funds to support their other activities.\footnote{Ibid.} It was recommended to the minister that they could be accommodated by amending the eligibility criteria for submitting a tender to cover all organizations liable to pay corporate income tax. The Minister agreed. However, the proposed change in policy unleashed an angry letter campaign from private consulting firms and their professional associations,\footnote{Ibid. Letters from the public.} and the decision was put off until 1996.

The new regulation, which came into force in December 1996, requires that all agreements worth over $100,000 be put to tender in an open competition among for-profit and not-for-profit contractors. It also opened funding for unsolicited project proposals to commercial firms. This channel had previously been restricted to NGOs. The rationale for these policy changes was stated by the Auditor-General in his most recent report: "The Agency emphasized that a competitive contracting environment is to be the chief mechanism for delivering the assistance programme."\footnote{Auditor-General of Canada, October 2000, Section 14.21.} However, the submission of bids is still restricted to Canadian contractors and excludes firms based in the recipient country, for example. The comparative success of non-profit versus commercial contractors as executing agents for Canadian bilateral aid projects is a question requiring closer and more rigorous examination than it can receive here. Anecdotal evidence from a review of CIDA bilateral projects in Tanzania and the above cited evidence of how contracting regulations have been determined suggests it is a topic which merits further study.

Frequently in conversation with observers both inside and outside of the government, it has been suggested that the current emphasis at CIDA on the Canadian
private sector’s role in fostering international development was not the result of deliberate collusion between government officials and the private sector to design aid projects in its interests. One official commented “Conspiracy theories are generally not true because we are not that organized.”\textsuperscript{90} Observers have suggested that there is widespread support within CIDA for a focus on the entrepreneurial sector as the engine for development, as advocated by the World Bank. There is also a degree of self-censure evident in CIDA documents. Despite consistent public opinion polling which indicates that the majority of Canadians think that aid should be used to eliminate poverty and towards no other purpose, there is a long-standing belief among politicians and civil servants in positions of authority that the maintenance of tied aid is necessary to maintain public support for the aid programme as a whole, and that mutual benefit does not necessarily compromise the efficacy of aid projects in combating poverty. Aid policy makers do not necessarily have to be told to consider commercial sector interests; they tell themselves. Within the government bureaucracy, DFAIT has traditionally been more openly in support of maximizing Canadian commercial interests through the aid programme than CIDA; a logical position given its principal mandate to protect Canadian interests abroad. An internal memorandum from late 1991 stated:

ODA has made and will continue to make a significant contribution to the Government’s prosperity agenda by strengthening the international experience and contacts of Canadian companies and individuals, and thereby their competitiveness and sales. Six thousand Canadian businesses obtain ODA contracts each year. Many winners of Canadian export awards report their first breakthrough came from aid related contracts.\textsuperscript{91}

The same sentiment is expressed in a negative External Affairs response the following year to CIDA’s new Southern Africa Regional Policy Framework which emphasized regional development cooperation through SADCC.

If in \textit{Sharing Our Future} we could indulge in the conceit that aid somehow floated free from broader policy objectives, we must now realize that the wheel has come half circle and the development

\textsuperscript{90} Interview
\textsuperscript{91} DFAIT File no. 38-1-1-CIDA(1) Vol. 57, internal memo re: International Assistance Envelope, 22 November 1991.
programme is now much more tightly tethered. The PM has indicated that respect for human rights is a sine qua non of the Canadian aid program. In these hard economic times our trade objectives cannot be eschewed. The harmonization of development and other foreign policy goals can be more readily achieved in a bilateral framework, rather than through a regional programming approach.92

This statement is interesting not only because it indicates a continued commitment to pursuing commercial objectives through the aid programme, but also because it hints at a ‘divide and conquer’ approach to aid delivery which inhibits effective aid coordination. However, this view was not and is not universally held within the Department of Foreign Affairs. A briefing document prepared for External Affairs re a CIDA Africa field reps meeting in 1990 stated that “Domestic political factors have to be factored into our strategies if we are not to be marginalized in the budget allocation process.” — a statement indicative of the pressures on the aid programme engendered by its bureaucratic structure. The brief goes on to say, however, that

The bottom line of Canadian interest in Africa is development. There are no short-term potential trade bonanzas in Africa. What this means is that, increasingly, there is a willingness to put money and effort into Africa only so long as development happens. There has to be a sense that development assistance is actually doing some good, and is not being vacuumed into a black hole.93

However, another view was expressed by a senior DFAIT official, later to be appointed High Commissioner to Tanzania. She was speaking with reference to a convoluted rating matrix which had been proposed in 1991 to determine which countries were appropriate aid recipients

Africa is an area in which Canada can make a difference in political as well as developmental terms. Influence with African countries impacts positively on our broader middle power role. The judicious use of moderate amounts of much needed and well deserved assistance to a

number of non-core Tier One and Tier Two countries...will serve important foreign policy objectives.94

Just as there are a diversity of views as to the primary objectives of the aid programme in the Department of Foreign Affairs, there has always been resistance within CIDA to the pursuit of economic advantage through the aid programme. The agency is not the monolith it is sometimes perceived to be. A report from a CIDA field representatives meeting in Harare in 1991 illustrates this point. After a ten hour debate of the Secor Report, which had just been released, the discussion moved on to another contentious topic.

An issue which generated a degree of unease among field reps was the presentation by CIDA’s Partnership Division on private sector participation. Most participants were expecting a presentation on how to involve the African private sector in development efforts: what they got was a lengthy presentation on how CIDA is trying to involve the Canadian private sector in CIDA’s activities. There was much controversy over the perception among some field reps that CIDA is turning into an export development agency, which was only partially allayed by VP Lindores’ sobering concluding presentation on the political realities in Ottawa and the need to build a domestic constituency outside of the NGO community for development assistance efforts.95

That report was made in 1991 around the time of the launch of the Conservative government’s “Prosperity Initiative” for Canada which included “strengthening prosperity through a more competitive development assistance programme.”96 This included beefing up the role of the private commercial sector in the aid programme and there followed a rapid acceleration in the contracting out of the identification, design and implementation of aid projects, a trend promoted within

94 DFAIT File no. 38-1-1-CIDA(1) Vol. 56. Verona Edelstein, Director of Anglophone Africa Affairs, Department of External Affairs.
96 DFAIT File no. 38-1-1-CIDA(1) Vol.61. See: Government of Canada, Inventing Our Future: An Action Plan for Canada’s Prosperity, October, 1992. The Private Sector Development Initiatives Fund established in 1991 to fund proactive private sector efforts to identify and plan projects which could be incorporated into CIDA’s project portfolio was part of this. Already in existence was CIDA Inc., the Industrial Cooperation programme established in 1978 “to provide incentives for Canadian entrepreneurs to study new investment opportunities in developing countries and implement viable investment projects.” DFAIT File no. 38-1-1-CIDA(1) Vol.61. Between 1978 and 1999 CIDA Inc. disbursed $850 million to Canadian companies, which is, incidentally, approximately $80 million more than the sum total of Canadian bilateral aid to Tanzania 1961-1999. See: “Internal Audit Sheds Little Light on $850 Million CIDA Offshoot” in The Globe and Mail, 24 January 2000.
CIDA for other reasons as described in Chapter Two. The leaked Policy Assistance Update of 1993 discussed in Chapter Four revealed that the desire to use the aid programme to promote Canadian commercial interests abroad was alive and well in DFAIT. A change in government in that year has not brought any perceptible alteration the government position on the role of the commercial sector in the aid programme, although where the Conservative government used the language of 'prosperity' and 'sustainable development,' the Liberals have cast their objectives for the aid programme in terms of the promotion sustainable development and 'security.'

3.9.2 Negotiations in the DAC

With some sense of the lay of the political landscape in Canada in the 1990's, we can now turn to consider the most recent attempts to untie bilateral aid launched in the DAC. In a statement which hints at the sometimes frustratingly slow pace of events in the international aid bureaucracy, in 1990 the Chairman of the DAC proposed topics for future consideration among members. He suggested that a review of tied aid policies might be placed on the agenda for discussion in late 1991 or 1992.

With the internal untying within the European Community expected to take place in 1992 or 1993, with more liberal Japanese procurement policies and with the greater competitiveness of North America resulting from dollar devaluation, it should be a propitious time for a new look at our policies on tying.

The following year, some months before the conclusion of the Helsinki agreement in the Participants Group within the OECD Trade Directorate which limiting the use of tied aid for commercial viable projects, the Canadian delegation at the OECD reported that

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98 This discussion is based on a review of DFAIT files related to the DAC 1989-1992, and interviews with Canadian government officials and other participants in the consultation process which shaped the Canadian position taken to the DAC in 1999. Although the minutes of the Working Group on Financial Aspects of Development Assistance were not reviewed for this paper, if these documents were open to the public, a review of the process which created the initial proposed resolution would provide interesting insights into the way in which aid policy is negotiated at the international level.
Widely divergent views of delegations continues to pre-empt any substantive progress as long as no agreement is reached on 'global untying.' For the Japanese delegation, agreement on tied-untying is an ideal for which a consensus remains 'remote'...France and Italy both suggest that greater emphasis be given to the quality of tied aid rather than untying. In their view, tied aid is here to stay. Recognizing the difficulty in reaching agreement on aid untying, the Chairman suggested that there was a consensus on improving tied aid quality and value for money. The issue of aid untying could nonetheless remain in WPFA future work program.\(^{100}\)

One year later, the Canadian delegation reported on a meeting of the WPFA where donors were "Again unable to agree on new measures in the field of tied aid."\(^{101}\) Italy, Spain and Portugal were cited as the primary sources of resistance.

The Italian DAC delegation informed the Canadian delegation that Rome authorities are resisting further disciplines (i.e. DAC WP/FA new measures) coming on the heels of those of the export credits Participants Group. As a result, they are attempting to thwart progress in the working party by calling for the resolution of implementation procedures, clarification on the date of effectivity and transitional arrangements before agreeing to new measures.\(^{102}\)

According the report, the U.S.A. delegation, one of the major proponents of further untying, was not pleased and expressed concern at "the inauspicious beginning for the two newest DAC members [Spain and Portugal] on an issue which has been under discussion for two years."\(^{103}\) Regarding future discussions in the WPFA, France, Japan and Switzerland reiterated their preference for 'global untying,' that is, that the new measures should apply equally to all projects including technical assistance, and including agreements with a concessionality level of above eighty percent, exempted under the 1987 resolution. This would encompass Canadian ODA projects for the first time. The Canadian delegation stated that "it is clear that several members will push for an inclusion of this issue under future work. If they succeed,

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\(^{99}\) DFAIT File no. 38-4-OECD-2 Vol.88. OECD DOC. JCW(90)603 ca/2302, 11 October 1990.
\(^{100}\) DFAIT File no. 38-4-OECD-2 Vol.85. Telex POECD to EXOTT 22 January 1991. The phrase 'global untying' refers to a difference of opinion among donors as to whether aid should be untied by sector, in countries above or below a certain income level or across the board, to large and/or small projects, and at what threshold of concessionality the tying of aid should be prohibited.
\(^{102}\) Ibid.
Canada and U.S.A. will need to mobilise [sic] their respective financial and development arguments to preserve present exemption for large projects."\textsuperscript{104}

Little progress was made towards an agreement over the next four years. The proposal to revisit the issue was put forward by the U.K. and Norway at the DAC High Level Meeting in 1996. The Working Group on the Financial Aspects of Aid was asked to draw up a resolution on tied aid to LDC’s which would ultimately be put to members for approval at a subsequent High Level Meeting. Canada was a participant in this working group which finally reached a consensus on a draft agreement in 1998. The proposal under discussion was very limited in scope. Its application was restricted to aid to Least Developed Countries (which comprises 23 per cent of Canadian bilateral aid). It exempted much of what comprises bilateral aid: food aid, the inclusion of which would not have been acceptable to the major grain exporters Canada, U.S.A. and Australia; and technical assistance, which accounts for forty per cent of all aid to Africa (and thirty per cent to Tanzania)\textsuperscript{105}, but was excluded at the insistence of Japan. The proposed agreement was also restricted to projects with a value greater than SDR (Special Drawing Rights) two million or approximately 4.6 million Canadian dollars, a threshold determined by ‘horse-trading’ among donors.

With the imposition of these limitations on the proposed agreement, its affect on the Canadian aid programme would have been minimal. Following the reduction of the Canadian aid programme by thirty per cent over the past decade, there are not that many Canadian projects worth more that $4.6 million being funded these days. For example, the entire annual budget for CIDA’s programme in Tanzania is approximately $12 million. Nevertheless, there was still opposition to Canadian support for the resolution within Canada. Throughout the period of international negotiations on the substance of the resolution, Canadian government officials at CIDA and DFAIT organized consultations with policy ‘stakeholders’ in the private sector and from non-governmental organizations. Evidence presented elsewhere in this paper suggests that the Canadian commercial sector through its various lobby

\textsuperscript{103} Ibid.  
\textsuperscript{104} Ibid.
groups has historically been very vigilant in monitoring even subtle shifts in Canadian aid policy and in taking immediate, well organized steps to counteract policies perceived to be detrimental to its interests. Given this historical pattern, it seems somewhat surprising that the negotiations on tied aid going on in the DAC after 1996 did not initially rouse much interest among big business, even to the extent of participating in government consultations on the matter.

However, in a discussion of this most recent round of negotiations over untying Canadian aid in accordance with a proposed international agreement, a distinction must be made between the two elements of the business community which have profited from the aid programme over the course of its existence. In the early days of the aid programme and throughout the 1960’s, ‘70’s and early ‘80’s, big Canadian manufacturers like Massey-Ferguson and Bombardier won large contracts to provide the capital goods required for the large infrastructure projects which made up the bulk of Canadian commitments in Tanzania and elsewhere. Hendra cites a study which claims, for example, that Massey-Ferguson, (which provided the first lot of tractors and heavy equipment for the Tanzania-Canada Wheat Project), was dependent on aid contracts to stay solvent until it finally went bankrupt in the 1980’s. Also that approximately one quarter of the locomotives produced by Bombardier up to the mid 1980’s, (including those supplied to the Tanzania Railway Corporation), were sold to African countries with the assistance of CIDA and the Export Development Corporation. This supports evidence from Burch’s study of British aid to mechanized agriculture which reveals ODA contracts to have been important in sustaining British manufacturers of farm machinery. The structure of the Canadian economy has, however, changed significantly in the past twenty years. There are far fewer firms manufacturing locomotives and heavy farm machinery in Canada. This alteration is reflected in the aid programme, which has begun to shift from a heavy preponderance of infrastructure projects to involvement in the social sector – education in particular. While this shift should not be attributed in its entirety to a desire to accommodate Canadian commercial interests, you can’t sell tractors if you

105 Helleiner, 1999:18.
106 Hendra: 271.
don't have any. It could be argued that Canada has developed a 'comparative advantage' in social service provision in the health and education sectors.

This shift does explain to some extent the lack of interest of Canadian 'big business' in the negotiations over untying aid in the DAC in recent years. Not only are traditional Canadian manufactures in decline, but more importantly, the proposal under discussion at the DAC was limited to projects worth less than $4.5 million, and therefore not worth the effort of those still left standing or of newcomers in the high-tech field, for example. As one Canadian official put it, "We are talking about loose change here." In addition, as a result of deep cuts to the aid budget over the past decade, there are relatively few bilateral projects above the $4.5 million mark being initiated. The Canadian Alliance of Manufacturers did eventually muster up a pro forma statement of opposition to any proposed loosening of tied aid regulations. The most vociferous opposition, however, came from those small and medium-size consulting firms (engineering, management and others) which rely on aid contracts for an important part and sometimes all of their income. According to a 1993 Audit and Evaluation of CIDA Inc., (the industrial cooperation programme designed to foster Canadian investment in productive enterprises in developing countries through the provision of funds for feasibility studies), consulting firms received fifty-eight percent of programme funds, manufacturers eighteen per cent, and the remainder went to various services and associations. There are no comparable statistics available for the bilateral aid programme, but a review of the list of CIDA bilateral projects in Tanzania indicates a similar pattern in the award of bilateral aid contracts. In this quarter the proposed resolution, while limited in scope, was regarded as the thin edge of the wedge which would reduce the market for their services. The 1998 ActionAid report which argued that the U.K. would be a winner under an Open Bidding System for procurement on aid contracts had suggested that Canada would be among the losers. This coincided with the poor record of Canadian firms in securing World Bank contracts. The prospect of competing with American, European and recipient country firms for Canadian aid contracts was not welcomed.

108 Interview.
111 Hendra:278.
The non-governmental community's response to the proposed resolution was ambivalent. While most NGOs advocate untying of bilateral aid on the grounds that tying reduces the potential economic impact of aid, it has been suggested that adopting an Open Bidding System for procurement contracts would not necessarily change the balance of power between aid donors and aid recipients. Having a European firm implementing a CIDA funded aid project rather than a (perhaps) less qualified, more expensive Canadian one may garner some financial savings, but it would not increase the level of involvement of qualified locals in the aid process or foster local industry and development expertise. NGO's also suggest that open market procurement would jeopardize the building of long-term relationships between organizations in Canada and those in aid recipient countries. However, given the limited scope of the proposed agreement and their support in principle for the concept of untied aid, the proposal received general approval from this quarter.

Within the Canadian government, reactions to the agreement under discussion were likewise mixed. The Department of Finance, the most powerful department in the government system, was in favour of supporting the proposal, arguing that as the Canadian government had chosen to pursue the liberalization of economic relations, it must take the good with the bad. DFAIT initially opposed the agreement on the grounds that it compromised Canadian commercial interests, but according to a DFAIT official, by April 1998, it had come around to share the Finance position. Within CIDA, the response to the proposed agreement was divided. The Vice-President of Policy Branch (who is responsible for Canadian participation in the DAC) said that the Canadian negotiating team had exceeded their instructions and vetoed Canadian support for the proposed resolution. His view was that (in the words of another government official) "Canada would be good boy scouts and be taken to the cleaners" by other donor country contractors, and that accepting such an agreement would be courting controversy at home. However, following the Senior Level Meeting of the DAC in December 1998 where the views of other donors were canvassed, it was decided that Canada would support the resolution as a step towards improving the efficacy of aid.
With Canadian support in hand, the Canadian delegation went back to Paris for the High Level Meeting in June 1999 where the proposed resolution was put before member countries for their approval. However, although a tentative consensus had been achieved in the working group, the agreement was scuttled within the DAC plenary by renewed opposition from several member countries -- Japan, France and Portugal in particular, who faced significant opposition to the proposal at home. Belgium pressed for technical assistance to be included, an amendment unacceptable to several donors. France argued that EU aid should be exempted from the agreement as already subject to internal regulations. Heavy pressure was brought to bear on recalcitrant members by the U.K. and the U.S., which France countered with a demand that food aid be included, a proposal unacceptable to the U.S. among others. As a result, the matter was set aside for reconsideration at a later date. While Britain has stated that it may pursue the unilateral untying of its aid, there is no plan to pursue such a course in Canada.

3.10 CONCLUSIONS

The discussion of Canada's tied aid policy presented in this chapter provides an illustration of the non-linear, decidedly un-straight forward nature of aid policymaking. It also highlights the numerous obstacles to enhancing aid efficacy through policy innovation found both in within the Canadian political environment and in the international aid bureaucracy. The fact that untying aid is on the policy agenda in organizations like the DAC and the World Bank, and that donors are willing to meet to discuss the issue and to make some adjustments to their ODA practices illustrates that international organizations can and do exercise a certain degree of influence on bilateral aid policy. However, the negotiations within the DAC around tied aid show the considerable time and effort required to make even incremental changes to regime disciplines. Despite a general willingness to proceed with the further untying of aid (if Jepma's assessment of donor inclination is correct), little real progress has been made in the past thirty years.

Furthermore and somewhat dishearteningly, it appears that even hard won consensus on principles designed to improve the efficacy of aid may have little
perceptible impact on donor practice. These agreements are not legally binding, and no international authority has the means to compel compliance, monitor adherence on a regular basis, or to apply sanctions against donors who abrogate the agreed principles of ODA. The peer review mechanisms of the DAC are weakened by the unwillingness of individual bilateral donors to condemn another agency for practices - like using aid to support domestic industry - in which the majority of them indulge.

This divergence between international agreements and donor practice suggests that the actual norms which govern the international aid system are sometimes contrary to formal agreements and official policy statements. International organizations like the World Bank and the DAC secretariat advocate the untying of aid, yet the international consensus which has been achieved to untie aid funds has been very limited in scope, affecting only a small proportion of bilateral aid agreements. Donor countries may be willing to consider the loosening of restrictions on procurement under aid contracts, but not to compromise their own interests in the process. Over the past fifty years, there appears to be a tacit concurrence among donors that this is an acceptable position.

In addition, there seems to be no guarantee that agreements made and honoured by donors, for example, to institutionalize Open Competitive Bidding, would necessarily benefit recipient countries, or more precisely, the poor communities within them. As the troubled history of the OGL facility in Tanzania demonstrates, the World Bank is not omnipotent in its leadership of the international aid system, and World Bank/DAC exhortations of donors to support OGL type administrative structures for balance of payments support were ill-founded, at least in this instance.

Despite increased Canadian participation in international donor coordination discussions and in international conferences on various poverty related issues, domestic interests remain paramount in defining aid policy, especially with respect to the controversial issue of tied aid. These interests are predominantly shaped by powerful interest groups in Canada, of which the private commercial sector is most significant. The protection of lobbying activities and campaign contributions from public scrutiny inhibits the effective oversight of the aid programme. As the cases
discussed in Chapters Four and Five will demonstrate, the public airing of policy decisions in parliamentary committees, through the office of the Auditor-General, or through more informal mechanisms like journalistic investigation, scholarly research, or NGO activities, plays an important role in preventing, identifying and correcting policy failure. Civil servants and elected officials cannot be held to account for actions of which no one is aware. Whether or not they make their public policy decisions in response to pressure exerted by lobby groups or the expectation of political favours in return for financial contributions to election campaigns, the shielding of these interactions and transactions from public scrutiny makes it possible for them to do so with relative impunity, and leaves their motives open to question. Further, with respect to lobbying activities around ODA policy, it should be noted that the interests of the intended beneficiaries of aid overseas are represented by proxy in Canada by the Canadian government and by international development NGOs. The evidence of pressure from the NGO community to open the tendering process for aid contracts to Canadian NGOs suggests conflicting interests in this sector as well, as they become both a principal beneficiary and an agent in the aid relationship.

Finally, the history of the negotiation and implementation of Canadian Commodity Agreements with Tanzania suggests that constraints on the effective use of aid resources are not limited to the level of policy-making, but extend to the programming and implementation stages of the aid process as well. The nature of these constraints is explored in subsequent chapters. As a final demonstration of how domestic and international pressures shape Canadian aid policy, the following chapter examines another dramatic policy change: the cancellation of bilateral aid to Tanzania in 1993.
CHAPTER FOUR

The 1993 Cancellation of Canadian Bilateral Aid to Tanzania: The embrace of structural adjustment and the collective application of policy conditionality

"In the interests of sustaining the bilateral relationship, while at the same time promoting our new economic focus on investment and trade, I undertook a series of high level calls to explain the rationale of the decision to cut the bilateral CIDA program in Tanzania...It was not until today's call on the Minister of Industry...that I heard the real frustration and broader based concern in the Cabinet with the Canadian decision...How, he said, in the case of East Africa, could Canada cry deficit reduction as an excuse to make what in CIDA's total budget amounts to a small cut when Canada has just announced a major new assistance package for Russia...The Minister referred to an evident loss of supporters and friends in Canada. I explained that because of Tanzania's historic choice to keep out foreign business and foreign investment, Tanzania did not have one lobby group enjoyed by other countries, i.e. the business community of Canada."

— The Canadian High Commissioner to Tanzania, telex to External Affairs Ottawa, 29 April 1993.

4.1 INTRODUCTION

The purpose of this chapter is to examine further how Canadian aid policy is determined by focusing on two related policy decisions: Firstly, CIDA's embrace of structural adjustment as an aid priority and the acceptance of policy conditionality as appropriate ODA practice in the 1980's. Secondly, CIDA's decision in 1993 to terminate bilateral aid to Tanzania and the rest of East and Central Africa.

The period between the early 1980's and the mid 1990's saw a shift in bilateral donor programmes to an emphasis on economic structural adjustment and the adoption of policy conditionality as common practice. The wholesale embrace of structural adjustment by donors as the latest aid wonder drug is apparent in a quick perusal of aid policy documents produced in the mid 1980s to early '90s. What is not so obvious is the extent to which the consensus which emerged on these issues and

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1 DFAIT File no. 20-1-2-TANZANIA, Vol. 15, Telex YNDA0278 29 April 1993 re: "The Bilateral Aid Program – Dead and Gone."
the similarity among donor programmes was the result of a conscious decision to follow a uniform policy; the result of pressure from the World Bank, the laboratory in which structural adjustment was concocted; or the convergence of independently constructed positions. This distinction is important because the extent to which Canadian aid policy has been or is shaped by international norms and the structural forces embodied in the institutions of the international aid system affects the degree of autonomy CIDA is able to exercise in formulating Canada's response to poverty in other countries. It is also important in determining how broad the scope for innovation and how much flexibility or inclination Canadian policy makers have to seek new solutions to intractable problems.

As the circumstances surrounding the advent of structural adjustment in Tanzania as outlined below illustrate, the shifting of the international aid agenda to the level of macro-economic policy required greater coordination among donors than had previously been the case. This facilitated the assumption of leadership by the Bretton Woods Institutions for establishing and controlling aid doctrine. Bilateral donors, including Canada, gradually fell into line on structural adjustment, and the provision of bilateral assistance was made conditional on adherence to the terms of an IMF agreement.

In a discussion of the influences shaping Canadian aid policy and their impact on policy outcomes, the development of an international consensus among donors on this issue is interesting not only because it represents a major policy shift in recent years, but also because in contrast to the debates surrounding tied aid, in this instance domestic pressures do not appear to have played any direct role in policy formation. As outlined in previous chapters, there was a generalized dissatisfaction in Canada with the perceived inefficiencies of the aid programme in this period, but no public clamour for structural adjustment as a solution. The language and the plan of action came from the World Bank. In fact, as noted in Chapter Two, the business lobby was actively opposed to the shifting of a greater proportion of ODA into balance of payments support, a primary mode of donor assistance to structural adjustment programmes in Tanzania and elsewhere.
It is argued here that the adoption of structural adjustment programmes with attached policy conditionalities as a principles of international aid practice in the 1980’s set the stage for the decision to end Canadian bilateral assistance to Tanzania and the rest of East and Central Africa in 1993. In that year, CIDA cut its aid to Tanzania by seventy percent and informed the government of Tanzania that the rest of the bilateral programme was to be phased out. At the time, Tanzania was CIDA’s largest programme in Africa as well as the third poorest country in the world. The decision caught many observers by surprise, and was roundly condemned within Canada. At first glance, it would appear that it was made in direct response to federal budget cuts in Canada, but this begs the question of why Tanzania and the rest of East Africa, arguably the poorest region of the world, was singled out to bear the brunt of these cuts.

An examination of these events, and in particular the activities of the World Bank led donors’ Consultative Group for Tanzania in the period leading up to 1993, reveals that the decision taken by Canada to terminate its bilateral programme in Tanzania, while contrary to the mass of expressed public opinion in Canada, was in accordance with an international consensus among donors that Tanzania was failing to adhere to the conditions attached to its structural adjustment loans from the IMF and related assistance from bilateral donors. Several donors made drastic cuts in their aid to Tanzania in the same year. However, it is also true that when weighed against the competing objectives of the Canadian aid programme as identified in previous chapters, the application of the principle of conditionality in Tanzania was predicated on a consideration of Canadian interests there. Again, it is suggested that this calculation of interests was facilitated by the lack of protection for the interests of the supposed beneficiaries of Canadian ODA in the institutional structure of the aid programme.

The decision to end bilateral aid to Tanzania was an abrogation of the non-legally binding Canadian ODA Charter of 1987 which committed CIDA to assisting the poorest people in the poorest countries of the world. The decision was made without prior consultation with recipient countries as to what projects would be affected, and with disregard to the views of elected members on all sides of the House.
of Commons. That this could occur suggests a weakness in the formal mechanisms of policy oversight for the aid programme. The restitution of bilateral aid to Tanzania as a result of protracted public outcry provides an illustration of the significance of informal mechanisms of policy oversight.

The structure of this chapter is as follows: It will first consider the development of an international donor consensus on structural adjustment and policy conditionality and its impact on Canadian bilateral aid policy in Tanzania. This is done through a consideration of CIDA programming documents and Canada’s participation in the Consultative Group meetings for Tanzania in this period. In an attempt to understand why CIDA decided to cancel bilateral aid to Tanzania in 1993, this chapter will then describe the events surrounding this decision. There are actually four policy decisions at issue in this case:

i) the Conservative government’s decision to reduce the ODA budget in late 1992.
ii) the redefinition of aid policy objectives as outlined in the International Assistance Policy Update prepared by External Affairs and leaked to the press in January 1993.
iii) the decision taken by the Africa Middle East Branch of CIDA to excise Central and Eastern Africa from the aid programme in February 1993.
iv) The decision to recommence bilateral aid to Tanzania in 1994.

Having addressed the issue of international influences on Canadian policy, we will then consider several other possible explanations for CIDA’s actions in this instance, including Tanzania’s limited strategic and economic importance, and the constraints imposed on the aid programme by domestic political imperatives.

4.2 STRUCTURAL ADJUSTMENT AND THE ROLE OF THE WORLD BANK IN SHAPING BILATERAL AID POLICY

In 1979 the Executive Board of the World Bank adopted a policy which would permit long term project aid to be extended to countries which agreed to submit to a
structural adjustment programme.2 This type of loan became an important component of World Bank programmes in the 1980's and established conditionality as a norm of the international aid regime. Structural adjustment also became a central priority of bilateral aid donors including Canada in the 1980's and was enshrined in the Principles for Effective O.D.A. produced by the DAC. This reorientation of policy is illustrated in a review of the four major O.D.A. policy documents CIDA has produced to date. In 1970 the emphasis was on large infrastructure projects and technical assistance as a means to spur economic growth.3 The next policy statement made in 1975 outlined CIDA's commitment to basic human needs as had been articulated by World Bank President MacNamara in the international arena.4 Canadian aid was to focus on rural development, health, shelter, population growth and food production. In fact, this policy was never enacted due to interdepartmental conflict over the objectives of the aid programme and the constraints imposed by Canada's tied aid policy, but this was the stated orientation of the programme in 1975.

In CIDA's next policy document issued in 1987, aid priorities had changed: they were now stated as poverty alleviation, structural adjustment, the increased participation of women, environmentally sound development, food security and energy availability.5 In 1989 Marcel Masse returned to the CIDA Presidency after a stint at the IMF a convert to structural adjustment. Canada's 1989 memorandum to the DAC reported a 'significant' reorientation of bilateral aid "in many of the poorest countries to provide balance of payments support and structural adjustment assistance."6 Balance of payments support comprised a large percentage of Canadian aid to Tanzania as described in Chapter Four. The Sharing Our Future policy document in 1987 stated that Canadian aid would be increasingly dependent on adherence to an IMF agreement where one was in force. To bring the story full circle, Canada's most recent foreign policy statement cited the priorities for ODA as basic human needs; women in development; human rights; democracy and good

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2 See Wade; Toye, Moseley and Harrigan.
3 Canada, Foreign Policy for Canadians, 1970.
governance; private sector development; infrastructure services; and the environment. Structural adjustment is not listed among them.

In examining the question of how World Bank policy became bilateral aid policy in the 1980's, Ikenberry's analysis of the establishment of the post-war economic system in the Bretton Woods Institutions is instructive. He argues that two important conditions prevailed at this time which allowed the establishment of a new economic regime. Firstly, a group of intellectuals had formulated an acceptable compromise of the preferences of the American State Department and the British government. Ikenberry also cites the end of WWII as a ‘breakpoint’ in history, a volatile period “when the possibilities for major change are particularly great and the scope of possible outcomes is unusually wide ... The end of a major war or the aftermath of large-scale economic crisis alters the parameters of policy-making.”

Whereas after WWI there had been a general desire to reestablish the prewar laissez-faire economic system, following WWII the global political climate had changed. The Peace of Versailles had been a failure and there was a recognition that a new basis for stability had to be found. Europe was financially dependent on the U.S. The U.S. had abandoned its isolationist stance and there was a revival of American internationalism. The welfare state had been born. Ikenberry concludes: “In this sense, the ‘demand’ for new ideas was greater the second time around.”

One could argue that a similar situation existed in the aid system in the early 1980's. Many southern countries were in extremely precarious states and two oil shocks had wreaked havoc. There was palpable frustration among donors with the failure of aid to make any perceptible impact on poverty and pressure for reform building within Tanzania. The intractable nature of poverty had revealed itself with sobering intensity in the horrific famines in Ethiopia and the Sudan, the alarming build up of Third World debt, and in reports of failed aid projects in Tanzania and elsewhere. Conservatism was on the rise in the west, with the election of Margaret Thatcher in Britain, Ronald Reagan in the U.S.A. and Brian Mulroney's Conservative government in Canada. In this atmosphere, the ready-made solution presented by the

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8 Ikenberry:318.
World Bank in the form of structural adjustment had understandable appeal. The Bank brought its considerable resources to bear in analyzing Tanzania’s problems. It conducted economic surveys and comprehensive sectoral studies at a time when budget cuts and an organizational restructuring in CIDA were diminishing the agency’s capacity for independent research and policy-making. World Bank documents are routinely used in the preparation of CIDA programming strategies for Tanzania. One CIDA official commented “There is no point in reinventing the wheel”

Prior to 1986 and particularly during the decade long standoff between the IMF and the government of Tanzania, the bilateral donors were pretty much left to their own devices in designing their aid programmes in Tanzania. Canada and Tanzania negotiated bilaterally to fit Canadian interests and capabilities to Tanzanian priorities as outlined in the five year plans. CIDA also sought to identify areas of intervention by conducting sectoral studies of its own (such as those done for the water, power and rail sectors). With the conclusion of the IMF agreement in principle in 1986, the World Bank presence in Tanzania increased significantly, with the Bank financing several new large scale projects and co-financing projects with bilateral donors. It also assumed a leadership role in the donor community in Tanzania, chairing not only the annual Consultative Group (CG) meetings, but also the monthly donor meetings in Dar es Salaam and a number of the sectoral consultative groups which have been established in the past decade. In fulfilling its leadership role, the World Bank sets the agenda for meetings and its documents and economic analyses form the basis for discussions. The existence of the IMF agreement, the conclusion of the Policy Framework Paper, Public Expenditure Reviews, and the ESAF agreements created a framework of development objectives towards which donors subsequently directed their aid. In these ways World Bank policy has shaped Canadian aid policy at a fundamental level.

There is no sense that the World Bank has usurped this authority from other donors. In fact, events indicate that the bilateral donors delegated/deferred leadership

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10 Interview.
on certain elements of aid coordination quite willingly. The bilateral donors have not ceded control to the World Bank in all fora, and various donors have taken the lead in coordinating assistance to various sectors of the Tanzanian economy. Further, while universally in support of structural adjustment in Tanzania since the mid 1980's, there is evidence that the bilateral donors have acted to temper the hard line approach advocated by the IMF. Nevertheless, the World Bank has shaped aid to Tanzania in a fundamental way and instigated a major redefinition of objectives and strategies. This clearly seems to have been the case with CIDA's embrace of structural adjustment as a programme priority and the transfer of resources to programme aid. However, a review of Canadian programme documents and interviews with CIDA officials indicate that efforts to bring Canadian aid into line with World Bank objectives or DAC guidelines on less elemental points occurs sporadically, unevenly, and often after the fact as a confirmation of current Canadian policy.

4.3 THE IMPOSITION OF CONDITIONALITY

The imposition of conditions attached to aid flows to Tanzania in the period leading up to 1993 offers another perspective from which to gauge the comparative influence of international norms and other forces on Canadian aid policy. It is significant that the imposition of policy conditionality on Canadian aid to Tanzania preceded the conclusion of the IMF agreement in principle in 1986 at which time World Bank and continued bilateral aid was made conditional on compliance with an IMF agreement. As described below, the decision to attach conditions to Canadian ODA to Tanzania was made within the African Middle East Branch at CIDA after the consideration of several policy options in 1982 and 1984. However, conditionality was a standard feature of IMF agreements at the time, so the precedent was well set, and it was not a Canadian invention by any means. Also significant was the later extension of the principle of policy conditionality to include political reform. The centrality of this goal in the Canadian aid programme and the consensus of donors on this point is revealed in the review of the proceedings of the annual consultative group meetings presented below.
The 1982 CIDA Tanzania Country Programme Review contains the first reference to the imposition of conditions on Canadian aid to Tanzania. The document noted the deteriorating economic situation in Tanzania, particularly that in the aftermath of the oil shocks fifty seven percent of foreign earnings were going to purchase oil and nineteen percent went to servicing debts. Foreign exchange reserves and economic growth rates were in the negative and inflation was running at thirty percent. Industry was operating at twenty to thirty percent capacity and agricultural production had declined. Tanzanian efforts towards achieved equity and self-reliance had been considerable, but "hard won social gains are jeopardized" by the precarious economic conditions. The analysis concluded "Today Tanzania is leading a hand to mouth macro-economic existence," a statement which reflected the renewed attention on macro-economic policy in development circles at the time. The CIDA analysis of Tanzania's ills cited a combination of external and internal factors: the oil shocks, increasing prices for imports and declining commodity prices, the break up of the E.A.C., invasion by Amin, and a drought, as well as "a number of dysfunctional government policies" — the pricing of agricultural products, insufficient emphasis on material incentives, inefficient parastatal companies and the villagization programme. However, CIDA noted with approval "an overdue realization that world economic structures will not change to Tanzania's advantage in the near future and therefore solutions must be enacted internally (though not without external assistance)" and "a distinct trend toward a more pragmatic approach to economic problem-solving." CIDA identified a role for itself in urging Tanzania to make economic policy reform.

As a 'friendly' donor, Canada has an opportunity and obligation to encourage Tanzania's economic liberalization and recovery through influence, through concerted action with other donors, and through increased elements of conditionality. We therefore propose that future adjustments in the IPF [the indicative planning figure — a five year budget] be commensurate with GOT efforts to implement programs of practical economic adjustment.

12 For an analysis of Tanzania's political and economic history, the government's development initiatives, and the evolution of the crisis in the 1980's, see: Brett, 1973; Pratt, 1976 and 1979; Coulson, 1982; Barkan, 1994; Lofchie, 1994; Campbell and Stein, 1992; Boesen, 1986; Bagachwa, 1997; and Sobhan, 1996.
Canada and other bilateral donors had not yet tied aid disbursements to an IMF agreement, but were urging Tanzania to settle with the Fund. The 1982 Review contained a survey of the degree to which other donors were employing conditionality in Tanzania. Among major donors, Norway and the U.K. attached few conditions to their assistance. Swedish aid had little but increasing conditionality, the U.S. imposed 'some' conditions, German conditionality was 'implied.' Both the Netherlands and Denmark imposed considerable conditionality. It was also noted that "All major donors are concerned with the same basic economic issues including an IMF agreement, Tanzanian capacity and recurrent costs." Donor programmes were responding to these problems with broadly similar strategies. "In general, greater emphasis is being placed on liquid program transfers, productive sectors of the economy, rehabilitation and consolidation."\textsuperscript{14}

The 1982 CIDA policy review determined that the volume of future Canadian assistance "should be conditional upon the implementation by the GOT of an appropriate economic recovery program... this will allow Canada to show positive support for positive initiatives."\textsuperscript{15} Such initiatives would include the adoption of an IMF structural adjustment programme, the commitment of more resources to agricultural development and particularly to support small scale farmers, as well as measures specifically related to Canadian aid projects — i.e. letting the market determine wheat prices and imposing realistic tariffs on rail freight.

With lips pursed a little tighter in disapproval, the 1984 CPR Update noted Tanzania's continued economic decline with no IMF agreement in sight. It records the dissatisfaction of CIDA officials with Tanzanian progress on economic reform.

Lately the GOT reaction to this economic crisis at the political level...appears to be increasingly characterized by dependence on ideological rhetoric in lieu of effective economic management.\textsuperscript{16}

\textsuperscript{14} Ibid.
\textsuperscript{15} Ibid.

184
The update referred also to the recent enactment of the Economic Sabotage Act and the Human Resources Redeployment Act which gave the government authority to, respectively, detain horders, and to redeploy to rural areas 'non-productive' urban elements such as peanut vendors and shoe shiners. This legislation, it was suggested, "raises questions relative to human rights issues while doing little to address real economic problems." However, political conditionality was not considered in 1984. The document's authors cited "the growing perception that good development is hampered by current Tanzanian policies" but cautioned that

Overt attempts to criticize or change that policy, perhaps even some of its ramifications at the project level, could be detrimental to our objective of maintaining friendly and thus, hopefully, influential relations with the government of Tanzania. The same could be said of any precipitate withdrawal from current commitments.17

With this in mind, CIDA considered three different courses of action in Tanzania in 1984. Firstly, the gradual scaling down of the entire programme. Secondly, a shift in programming to a level and to sectors less directly affected by government policy — i.e. small scale community development projects. Finally, increasing conditionality at the project and sector level. Management chose the third option which left the basic contents of the programme intact, with its emphasis on mechanized agriculture, rail transportation and energy distribution. Canadian officials stated a desire to maintain good diplomatic relations with Tanzania, a leader in the region and within the Group of 77, which made the first option particularly unattractive. They reasoned that rerouting aid through the NGO sector or a similarly low key, low cost approach to development would not have been favoured by the Department of External Affairs and International Trade or the commercial interests which profited from bilateral aid contracts.

We therefore propose to develop and apply a conditionality based strategy at the project and sectoral levels that will address our developmental concerns while taking into account any managerial or interdepartmental concerns relating to Canadian political/economic objectives. This will include working with other donors where appropriate.18

17 Ibid:2.
18 Ibid.
Within current projects, conditionality was to be “applied gradually but increasingly stringently, and at increasingly higher levels.” Future programming would move away from the allocation of resources to non-responsive parastatals to direct assistance to the private farming sector (large and small), and from project aid to more commodity assistance, a transfer which “would both reward agricultural policy improvements and aid development.” Conditionality was to be implemented through specified measures to be taken in relation to Canadian funded projects within an established timetable with predetermined milestones at which progress would be assessed and subsequent action decided. Compliance would be encouraged through “continuing sectoral dialogues” with the appropriate, and if necessary, increasingly senior Tanzanian officials.

In the railway sector, CIDA funding was to be dependent on: i) the development and implementation of incentives and productivity programmes; ii) the implementation of realistic financial structures, including the collection of appropriate fees from users; iii) the allocation of funds for spare parts. Future involvement in the Hanang wheat farms and any other agricultural initiatives was made conditional on government efforts to restructure and improve the management of the farms, including increasing their autonomy from the parastatal NAFCO, and the implementation of the new national agricultural policy. Commodity grants and the spare parts projects were to be conditional on the realistic pricing of the goods imported and the collection of fees from the buyers. Interestingly, the program review determined that the scope for applying conditions to Canadian aid in the energy sector was limited due to the involvement of other countries in the sector and in co-financed projects, as well as the difficulty and cost involved in stopping and starting large construction projects. This assessment indicates that the application of conditionality at the project level was not standard practice among bilateral donors at this time and that donor coordination in this regard was still in its nascent stage.

The decision to pursue a policy of conditionality was accompanied by a retrenchment of Canadian aid in Tanzania. The review determined that the emphasis of the programme should be on protecting past investments and rehabilitating
salvageable projects. It recommended that CIDA cut its losses on disastrous projects like the semi-automatic bakery in Dar es Salaam and concentrate support on those "absolutely critical in the current context." Conditions would be applied to these rehabilitation efforts, which were to consist of training programmes and technical assistance with policy reform. It was recommended that "any new capital investment scrupulously be avoided." It should be noted that this decision came after the fivefold expansion of the wheat project discussed in the next chapter. Finally, the review proposed the preparation of contingency plans for revising the programme if conditionality did not prove successful in stimulating reform within two years.

Two years later, the *Country Programme Review* of 1986 reported that "During the past five years, it has proven difficult to maximize the effectiveness of development resources under the economic conditions which have prevailed in Tanzania." The most favourable assessment of the impact of Canadian aid which could be offered was that it "has been effective in moderating Tanzania's economic decline." Despite minimal success overall, the report expressed satisfaction with the implementation of the policy of conditionality. It stated that "CIDA has successfully used project level conditionality" citing "informed pressure" from Canada as key in securing from the government major tariff increases on the railways and greater access to foreign exchange for the Tanzania Railway Company.

Despite the fact that Canadian aid made up less that six percent of Tanzania's total ODA intake in this period, Canada claimed a degree of influence disproportionate to the resources it provided on the basis of an historically close and cordial relationship. Noting in a self-congratulatory tone the recent agreement in principle between the IMF and the Tanzanian government, it was suggested that "Canada's insistence on economic reform — coming from a friend and moderate — no doubt influenced the government of the inevitability of coming to terms with the IMF." In bilateral consultations between Canada and Tanzania held earlier that year, Canada had informed Tanzania that "there would be no further programme growth and that the provision of commodities for balance of payments support was being

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187
discontinued until economic policies had been reformed in conjunction with an IMF agreement. This condition was subsequently met and CIDA pledged $30 million for balance of payments support in June of 1986, with the proviso that

It should be clear that the future of CIDA's Tanzania programme is dependent upon internal developments in Tanzania. If the Tanzanian government continues to address the country's problems in a realistic and pragmatic manner, CIDA should maintain, and even expand, its level of support. Alternatively, if the macro-targets under the ERP are not substantially met and the IMF programme is suspended, support should be reduced accordingly. If steps are not taken to restore economic stability within a reasonable time frame, the entire programme would be scaled down.

Thus in 1986, conditionality, still not an agency-wide policy within CIDA, was, in the Tanzania programme, extended from the project level to include specific conditions at the macro-policy level. In addition to the unilaterally imposed conditions attached to Canadian projects, Canada in concert with other donors made bilateral aid conditional on compliance with the IMF agreement. The above quoted statement is likewise significant in that it marked the second point in time at which CIDA officials considered phasing out Canada's involvement in Tanzania altogether. This is significant in light of the sudden cancellation of Canadian aid to Tanzania in 1993, an action which at the time seemed to many members of the public and the development community in Canada to have come out of the blue.

However, the donor community was in a jubilant, triumphant and enthusiastic mood at the 1986 annual Consultative Group meeting for Tanzania held following the signing of the agreement in principle. CIDA's memorandum to the Minister of External Relations on Canada's position at the CG that year declared

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21 Ibid: 12.
23 The World bank sponsored Consultative Group (CG) for Tanzania was first convened in 1968 when Tanzania's aid requirements were considered jointly with those of Kenya and Uganda. In subsequent years each country has been dealt with individually. In 1977 the CG met for the last time until 1986, the intervening decade characterized by a standoff between the Tanzanian government and the international financial institutions over the appropriate strategy for development in Tanzania. IMF funding was cut off in 1980 for Tanzania's failure to comply with the terms of the current loan. Meetings resumed in 1986 with the conclusion of an agreement in principle between Tanzania and the IMF on a structural adjustment plan which reopened the flow of World Bank funds to Tanzania.
This is an event of major significance in Tanzania's post-colonial history; it signifies their recognition that there are limitations to their socialist model and paves the way for pragmatic economic policies, market-oriented decision-making and a resumption of economic growth.24

This event was deemed significant for international development in general because as "one of the last and most prominent hold-outs against 'IMF imperialism,' Tanzania's decision will have a demonstration effect on other Third World countries still resisting market-oriented economic policies."25 The Canadian delegation reported that the 1986 CG meeting for Tanzania was "the most well attended in recent history. Twenty-eight multilateral and bilateral delegates arrived to witness the fall of the last domino. Delegates were not disappointed. The meeting was held in an atmosphere of high drama, last minute suspense and occasional comic relief." There was a night meeting to reach the agreement in principle. "Donors then put on an impressive display of support for the Tanzanian economic recovery programme although all pledges were conditional on GOT concluding and adhering to the IMF programme." The U.S., having pushed hard for an IMF agreement, pledged no new money.26

It is interesting that any reference to any external sources of Tanzania's woes had by this point been dropped, and the emphasis was solidly on internal policy reform. Tanzania's predicament was attributed to a "well-intentioned but poorly

The meetings are convened and chaired by the World Bank, which sets the agenda, calculates the estimated aid requirements each year, and circulates its economic briefs and policy documents among donors in advance of the meetings. Between 1986 and 1997, the agenda for the CG for Tanzania centered on the consideration of various Tanzanian policy documents drawn up in consultation with the World Bank to affect economic structural reform, and the country's progress in meeting these objectives. The meetings are divided into two parts. One session is devoted to a discussion of substantive issues. In the annual pledging session, donors commit to providing a specific sum of aid over the next year to make up the total funding requirements as determined by the World Bank. Debate of the contents of individual donor programmes does not occur in the formal proceedings of the CG's, though donors typically use the delivery of their formal statement at the opening session to raise concerns related to their particular projects in Tanzania. The importance of the CG in the formulation of bilateral aid policy is as a forum in which the overall policy objectives are debated and agreed between Tanzania and its donors. The CG also performs a useful function in providing an opportunity for informal discussion and coordination among donors.

24 Memorandum to the Minister, 16 May 1986.
25 Ibid.
26 Telex POCD to EXOTT 12 June 1986, DFAIT File no. 38-6-1-TANZ-1, Vol.2.
conceived economic ‘dirigisme’” which had weakened individual initiative, misallocated scarce resources and created a large and inefficient public sector. The responsibility for implementing the reforms which would free Tanzania from desperate poverty was placed with the government. There was, however, an acknowledgement of the responsibility of donors to hold up their end of the bargain, having chosen to impose conditions on their aid. “Tanzania’s economic future as well as the economic remedies of the IMF and the West will be on public trial.”

Despite the continuing dispute between the IMF and the Tanzanian government over the contents of a structural adjustment agreement, the celebratory mood among donors continued into 1987. CIDA officials were content that the current ERP (introduced in the 1986/87 budget) was “obviously on track and becoming one of the very few recent African success stories.” Their view was more circumspect the following year as Tanzania and the IMF still had not come to terms. President Nyerere gave a speech criticizing the IMF and Canadian aid moved into a holding pattern. The CIDA mission in Dar stated “We would wish to keep our options open until we see policy plans beyond the ERP, given the somewhat uncertain outcome of current party/government, ideologue/pragmatist debate.” The World Bank itself was cautiously optimistic about the reform process in Tanzania claiming “The government has been successful in implementing the bulk of its economic reform program and economic activity has already responded.” But its enthusiasm was tempered. “recovery is still incipient: the nature of existing infrastructural, institutional and administrative constraints indicate that it will be some time before the benefits of policy reform are fully realized.”

CIDA officials showed a moment of doubt over the tying of Canadian aid to IMF policy, as the Fund continued to have trouble bringing the Tanzanian government to heel and structural adjustment remained in any case an unproven antidote. “Given the political context of Tanzania and the fact that the IMF has not

27 Ibid
29 Telex CHC Dar to CIDA HQ 19 May 1988

190
yet proven its infallibility, we may wish to consider conditionality tied to something like ‘rational and progressive economic policies’ rather than IMF conditions.\textsuperscript{32} However, an IMF agreement was signed in November 1989 after long, arduous and acrimonious negotiations.\textsuperscript{33} The consultative group meeting held immediately following the conclusion of the agreement was judged by CIDA officials as “highly successful” with donors pledging “more financial support than even optimists would have expected.”\textsuperscript{34} The meeting was not a love-fest, though. The Nordic countries were extremely critical of the operation of the large network of government sponsored cooperatives which they believed had become merely inefficient party organs. Donors in general urged Tanzania to place greater emphasis on private sector development. There was at the same time a new awareness among donors of the “social dimensions of adjustment” and the limitations of economic structural adjustment as a cure-all. The Canadian delegation reported that

The meeting served to raise some real ‘structural’ structural adjustment issues such as the role of cooperatives and made at least this participant question whether in some cases we and the IFIs are over emphasizing the importance of macro indicators to the detriment of real structural problems that cannot be fully addressed with the economic tools we have at our disposal such as exchange rates, money supply and prices.\textsuperscript{35}

The Canadian statement contained a low key admonition for the slowness of management reform at the TRC. “We believe that it has the potential to render much greater service to the country if the spirit of structural adjustment is brought to bear on its operations.” The Canadian delegate also reiterated once more Canada’s desire that the wheat produced by the Hanang farms and by small-holders be sold at market prices rather than below them.\textsuperscript{36}

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\textsuperscript{32} Telex CHC Dar to CIDA HQ 31 May 1988.
\textsuperscript{33} “One participant in sessions with Bank described them as the most difficult he had ever experienced” from telex CHC Dar to CIDA HQ 6 December 1989.
\textsuperscript{34} Telex CIDA HQ to CHC Dar 6 December 1989.
\textsuperscript{35} CIDA. \textit{Report of the Canadian Delegation to the Consultative Group Meeting for Tanzania}, December, 1989.
\textsuperscript{36} \textit{Statement of the Canadian Delegation} at the Consultative Group for Tanzania meeting, Paris, December 1989.
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The honeymoon between Tanzania and its donors was well and truly over by 1991. The 1991 CG marked the onset of disillusionment among donors with the progress of structural adjustment in Tanzania. All donors expressed concern over the pace of reform and for the government's heavy reliance on external aid. The country was at that point almost entirely dependent on donor financing for its development budget and for a high percentage of the recurring budget as well. In addition to chronic concerns over the inefficient operation of parastatal companies, there was general concern expressed by donors that aid to the social sectors intended to ease the impact of structural adjustment was instead being used to cover the recurrent costs of unsustainable health and education programmes which were themselves in need of reform. The pervasive sentiment among donors was that the will for reform had dissipated in Tanzania and the whole project lacked direction and was foundering. A CHC Report summarized the mood among donors following a pre-CG meeting in Dar in 1991.

Most remain concerned and committed to supporting meaningful change and development of this resource rich country, but frustrated by the enormous difficulty of getting anything done in it. There was a sense of frustration at not knowing who, if anyone, was managing the larger agenda for change for Tanzania. One outcome of the discussion was a strong sense that no one, not GOT, not IMF/IBRD and certainly not the bilaterals, had the 'big picture' fully in mind much less under control.

Prior to the CG meeting in 1992, the IMF representative in Dar urged donors to stay the course in support for Tanzania saying "It needs to know that donors are still there and can be counted on." Structural adjustment continued to dominate the agenda that year as donors and Tanzanian officials discussed reform initiatives in the financial sector and the civil service. As in previous years, the problem of parastatal inefficiency was raised and there was much debate over the shortcomings of the Open General License facility set up to administer balance of payments support. Donors also reiterated their concerns over the overall pace of reform and of Tanzania's dependence on aid. A significant new addition to the agenda in 1992 was the matter

38 Ibid
39 Telex CHC-CIDA HQ June 9, 1992
of democratic reform as donors lobbied for the legalization of opposition groups. The inclusion of this issue was significant because it marked the expansion of the reform agenda beyond economic institutions to encompass political institutions as well.

Memos related to the preparation of the Canadian position at the 1992 CG meeting make it clear that Canadian aid to Tanzania was henceforth to be conditional on both economic and political reform. Canadian Prime Minister Brian Mulroney gave a speech at the Commonwealth Heads of State conference in Harare that year in which he stressed the importance of democratization and good governance and Canada’s support for both. In departmental discussions held to formulate the Canadian position for the CG in 1992, the Vice-President of the Africa-Middle East Branch at CIDA stressed the importance of emphasizing Canada’s desire for the evolution of democratic government (i.e. a multiparty electoral system) in Tanzania and to have this position supported in the final press communique. The Canadian delegation was instructed to canvas other donors at the head of delegation dinner to ensure that all were on board. It was suggested that “Although Canada’s intervention in this regard should be delivered in a supportive manner, the real meaning should be clear, i.e. ODA flows to Tanzania are linked to continuing progress on the political front.”40 The instructions for the Canadian delegation from the Department of External Affairs stated that Canada should congratulate Tanzania for its accomplishments “but put them on notice that the pace of reform must increase and that they must increasingly look to their own resources.”41

In the event, the statement given by the Canadian delegate had the tone of the ‘I think we should see other people’ stage of a relationship. Canada noted the new emphasis on regional development in its aid programme as outlined in the Africa 21 strategy, congratulated Tanzania for the role it had played in responding to regional crises in Rwanda and Uganda, and urged further economic integration with Kenya and Uganda. The delegate voiced support for democratic reform in Tanzania and declared that Canada “shall be increasingly channelling its development assistance to

40 Telex CIDA HQ to CHC Dar, June 18, 1992
41 Memo from the Department of External Affairs to the Canadian permanent representative at the OECD in Paris, June 1992.
those countries that show a respect for the fundamental rights and individual freedoms of their people.” The Canadian delegate when on to say

   Tanzania has for a long time been the darling of the bilateral aid community in Africa. This situation should not continue indefinitely: the time must eventually come when Tanzania no longer requires financial assistance as its development will have reached the point of self-sustaining growth. Indeed it is what we are all aiming for.42

   In making Canada’s financial pledge for the coming year, the Canadian delegate referred again to the problem of uncollected fees for Canadian commodities imported under grant agreements and said

   I want to stress that this high level of Canadian assistance to Tanzania can only be sustained if these resources are used in the full spirit with which they were given. We expect the government to take all necessary measures to ensure that all existing and future beneficiaries of import assistance will meet their full cash cover obligations.43

   The sentiments expressed by the Canadian delegation were echoed in other donor interventions. There was praise for the ‘impressive array of fundamental policy and institutional changes’ and some sympathy for the government’s predicament shown in strong recommendations from Sweden, Italy and Finland that all official bilateral debts be cancelled and that donors should assist in covering the IMF/IBRD debt service load and initiate a commercial debt buy-back scheme,44 but the mood was characterized by the Canadian delegate as ‘distinctly critical.’45 The final communique made explicit the connection between economic reform, progress towards democratization, respect for human rights and the continued provision of assistance at significant levels. Ironically, as noted by a CIDA official, after making statements chastising Tanzania for its heavy dependence on aid, donors had proceeded to pledge twenty-percent more funds than the World Bank forecast had indicated were

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42 Statement of the Canadian Delegation, Consultative Group Meeting for Tanzania, June 29-30 1992, Paris
44 Canada had forgiven all its loans to Tanzania in 1987.
45 Telex CIDA HQ to CHC Dar es Salaam July 7, 1992 reporting on CG meeting held June 29-30, 1992 in Paris
required.\textsuperscript{46} This suggests that donor coordination of aid programming was not smooth or complete, even in terms of sharing out the financial burden, let alone in allocating areas of intervention for each donor.

In February 1993, Canadian aid to Tanzania was cut by seventy percent, to be phased out entirely, with the exception of access to the three small projects funds noted above. Relevant to the discussion at hand is the fact that Canada was not alone in making substantial aid cuts at this time. Between 1992 and 1993, Finland reduced its aid to Tanzania by sixty per cent, Swedish commitments declined by forty-eight per cent, aid from the U.K. fell by twenty-eight per cent, from Norway by eighteen per cent and from Japan by twelve per cent. Germany and Denmark increased their commitments by twenty-two and twelve per cent respectively, but overall, total bilateral assistance pledged at the 1993 CG was down by thirty-two per cent from the previous year, from $710 million US to $538 million US.\textsuperscript{47}

The reasons for these cuts were multiple. In Canada, Sweden and Finland ODA had been reduced overall and there were extenuating domestic factors at play in each case. However, the significant reduction in bilateral aid to Tanzania on the part of the majority of its major donors at the same time cannot logically be attributed to mere coincidence, particularly in light of the general dissatisfaction with the pace of policy reform in Tanzania and the threats of the withdrawal of support voiced by donors over a period of several years. There is no evidence of an organized, collective agreement among bilateral donors to reduce aid in this manner, and in fact Canadian documents indicate that the decreases from the U.K., Norway and Sweden were unexpected. However, as all donors had frozen balance of payments support to Tanzania in 1992 pending an audit of the OGL system, and bilateral aid to Tanzania was subsequently frozen for a time in 1994, the 1993 cuts must at least in part be attributed to a solidifying consensus among donors that the impetus for reform had

\textsuperscript{46} Telex CHC Dar es Salaam to CIDA HQ August 20, 1992 re monthly DAC/IBRD/UNDP aid coordination meeting.
\textsuperscript{47} Source: telex CHC to CIDA HQ 19 August 1993 from Lorne E. Heuckroth Head of CIDA mission in Tanzania. These figures refer to annual pledges made at the CGs rather than the annual disbursements of aid as recorded in the DAC tables. The discrepancy between the two sets of figures is attributed to the uneven disbursement of previously pledged project funds over several years.
dissipated in Tanzania and it was unable to use aid effectively. In accordance with the principle of conditional assistance, aid was reduced.

However, while bilateral assistance fell by more than a third, multilateral assistance was up by two thirds in 1993, the increase coming from the African Development Bank and the CEC. Thus total aid pledged to Tanzania in 1993 was eight per cent more than in 1992, $1204 million US from $1110 million US.48 This reconfiguration of aid was significant for two reasons. Firstly, as noted by the CIDA head of mission in Dar at the time, Tanzania’s already overwhelming debt burden worsened with the acquisition of new multilateral loans to replace lost grants. Secondly, rather than acting in accordance with the bilateral donors and reducing their pledges likewise, the multilateral banks acted to offset the bilateral cuts. This possibly indicates a weak international policy regime, uneven consensus over the appropriate course of action, and/or the mitigating influence of domestic factors not experienced by the multilateral institutions.

Despite its abrupt withdrawal of resources from Tanzania, the Canadian government evidently still felt entitled to lecture the Tanzanian government at the 1993 CG declaring “We are following very closely Tanzania’s ongoing moves to multiparty democracy,” ‘applauding’ and ‘encouraging’ legal reform while at the same time expressing concern that local elections had been postponed by a year.49 The Canadian delegate acknowledged the sizeable reduction in support but said

Nevertheless we see this as an opportunity to change our relationship to a more mature one, where we encourage the cooperation of our private sectors [nil at the time] as well as support your movement to a more democratically based political system.50

The delegation reported that the Tanzanian officials did not respond to the Canadian statement either in the sessions or in the corridors.

48 Ibid
50 Canadian Pledging Statement at the Consultative Group meeting for Tanzania 12-13 July 1993, Paris.
The critical tone of the previous year continued in 1993 as donors again expressed dissatisfaction with the pace and substance of policy reform in Tanzania. In informal discussions some donors conceded that although progress was slow, the government was on the right track, but, as the German delegate stated “It is time for Tanzania to pass from strategies and plans to reality and action if the country wants to keep donors’ support.” The Canadian delegate reported that “there is an aid fatigue expressed by even the most committed donors.”

With its new status as one of Tanzania’s smallest donors, Canada took a backseat at the CGs in subsequent years. Certain issues had become perennial topics of discussion – parastatal inefficiencies and privatization, economic reform and the OGL facility. Democratization had assumed major importance as a donor priority and there was a new emphasis in donor statements on social issues including health, education, population growth, support for women and the ‘empowerment’ of the poor. The reappearance of these issues last raised in other incarnations in the 1970's, represented a shift in the focus of donor priorities away from strictly economic policy reform to reform of political and then other social institutions. In the wake of the SPA Joint Evaluation Mission to Tanzania in 1992 which confirmed suspicions of the mismanagement of the OGL system, commitments for pure balance of payments support became ‘noticeably scarce’ after having comprised approximately fifty per cent of total ODA in recent years. Smaller aid budgets were increasingly channelled into projects to rehabilitate and maintain existing investments. The atmosphere of the annual CGs became increasingly critical and hostile. Following the 1995 CG, the Canadian delegate reported that it was “evident that there was much strain between Tanzania and the IFIs” and characterized the closing statement from the World Bank as “hard-hitting.” The chair warned Tanzania that “if trust was broken once more, consequences for aid would be serious indeed.”

Statements from the bilateral donors were delivered in the same vein. “All donors emphasized at great length and repetitively that GOT had to demonstrate

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political commitment with action or risk an inevitable large reduction in donor funding.”53 The same report went on to say that the “pledging session was strange, leaving the Canadian delegation feeling that although pledges were given, they were given grudgingly.” Most new bilateral aid was, in fact, frozen at this point while negotiations over the latest Enhanced Structural Adjustment Facility between Tanzania and the IMF stalled. Negotiations recommenced in mid-1996 and the mood of the 1996 CG meeting was summed up by the Swedish delegate as “It was time to ease up on Tanzania a little and to give the GOT some encouragement instead of raising only negative points.”54 Nevertheless, most pledges that year were made conditional on the approval of and adherence to the new ESAF. The government was also urged to adhere to the twenty/twenty principle adopted at the Copenhagen International Conference on Poverty55 and to meet its debt repayment obligations.

These recommendations, reiterated the following year in Dar es Salaam, provoked an exasperated response from Tanzanian officials. They sought to impress upon donors the extremely difficult constraints within which they were operating. The President himself expressed resentment at the imposition of cross-cutting conditionalities by which means funding in one sector was “held hostage” to performance in another sector.56 Several donors, including Canadian officials, confidentially opined that the numerous conditions included in the Policy Framework Paper of 1991 were too arduous. The World Bank sponsored Special Program for Africa Joint Evaluation Mission to Tanzania in 1992 had made thirty-four recommendations for public policy reform and while they had been accepted by the Government of Tanzania under the hand of the World Bank, the government freely confessed that it did not have the capacity to deliver on all of them.

53 Ibid
55 Participants agreed that donors would allocate twenty per cent of their aid budgets to poverty reduction and recipients were meant to allocate twenty per cent of their general budgets to social programmes directed at the poor.
56 From: Talking notes for speech by His Excellency Benyamin Mkapa at preliminary discussions with representatives of the donor community, Dar es Salaam 6 December 1997.
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56 From: Talking notes for speech by His Excellency Benyamin Mkapa at preliminary discussions with representatives of the donor community, Dar es Salaam 6 December 1997.
57 Quote from files
Hectoring from donors over social spending must have goaded Tanzanian officials as a recent UNICEF report had cited Tanzania as the top performer relative to income level (above all of its bilateral donors) in meeting children’s needs in health, education and nutrition. Addressing representatives of the donor community in Dar es Salaam in 1997, President Mkapa said

An African saying has it that you cannot sow and reap at the same time. In Tanzania we are hardly beyond the sowing stage. We, and our well-wishers, need to have the patience to wait for results, and at the same time the will to weed, water and tend the crop to fruition.58

The President stated that the government of Tanzania was spending one third of its revenue on debt repayments, one third on salaries, with one third left over for everything else, including social services and funding for new development efforts. He noted the criticism made by donors that Tanzania is chronically delinquent in meeting its counterpart financing obligations for aid sponsored projects. As noted in the Introduction, in 1992 there were fifteen hundred active foreign aid projects in Tanzania, all with their attendant requirements and conditions.59 By fiscal year 1996/97 this number had been pared down to six hundred which had been given top priority, but the demands they made on Tanzanian resources were still formidable. In 1996/97 the government was required to set aside Tsh 7.8 billion as counterpart funds for the implementation of twenty-one IDA financed projects. On the basis of revenue estimates, only Tsh 20 billion could be set aside for the entire development budget. That left Tsh 12.8 billion for the remaining five hundred and seventy-nine projects financed by other donors which also required counterpart funds.60 The President concluded

I ask you to look again at these figures while you are here and perhaps you can show us the magic of how we can raise sufficient counterpart funds to utilize fully all donor funds.

58 op. cit. speech by His Excellency Benyamin Mkapa, 6 December 1997.
59 Source: CIDA files
60 op. cit. Speech by President Benyamin Mkapa
The donor community in Tanzania is dominated by the Nordic countries and other 'like-minded' countries such as the Netherlands and (until 1993, at least) Canada who have historically been supportive of the objectives of the Tanzanian socialist project and sympathetic to the difficulties it faced in pursuing this goal. However, there is a belief, certainly expressed in Canadian documents, that the Tanzanian government is in large part responsible for its current predicament. By 1997, Tanzania’s relationship with its donors, and perhaps particularly with Canada, once characterized as 'Tanzanophilia,' had deteriorated badly with a loss of faith on both sides. Over the past few years, the donor community and the government of Tanzania have devoted considerable energy to repairing and improving cooperation on the basis of the recommendations of an independent group of advisors. 61

With an awareness of the nature of international discussions around aid to Tanzania and the tenor of Tanzania’s relationship with its donors including Canada leading up to 1993, we now turn to a more detailed examination of the decision to end Canadian bilateral aid to Tanzania in that year.

4.4 THE DECISION TO CANCEL BILATERAL AID TO TANZANIA

On December 2, 1992, the Canadian Finance Minister delivered a mini-budget in the House of Commons which detailed further cuts to government spending in support of the Conservative’s deficit reduction programme. Among the casualties was ODA, which was to be cut by 10% in 1993 and a further 10% in 1994. The International Assistance Envelope was heavily hit in comparison to other government departments, taking 8.2% of all spending cuts announced in the budget despite accounting for less than 2% of total government spending. 62 CIDA’s share of government spending had been progressively reduced since 1989, but for the first time the budget was reduced in real terms. ODA shrunk by 7.4% overall; bilateral assistance by 4.6%. 63 This immediate loss of funding left CIDA with some difficult programming decisions to make. At the same time, the cuts suggested a reorientation of aid policy priorities. The government announced that an increased share of the

smaller ODA budget would be devoted to humanitarian assistance, as it subsequently rose by 16%, while aid to the former Soviet bloc, drawn from the same envelope, increased by 50%.  

Subsequent events illustrate the existence of competing policy objectives and the tension inherent in a bureaucratic structure which places the mandate of CIDA as stated in the ODA Charter in conflict with the foreign policy and trade enhancement responsibilities of the Department of Foreign Affairs and International Trade, which maintains ministerial authority for CIDA. The cancellation of aid to Eastern and Southern Africa is also informative in terms of understanding where and how policy decisions are made within the government structure. The case also demonstrates the shift in aid policy priorities which has taken place over the past decade.

It was determined within CIDA that the task of absorbing the cuts would be borne equally by the three bilateral branches -- Asia, the Americas, and Africa and the Middle East, with Africa retaining its existing 45% share of the total bilateral budget. It was left to each branch to decide how to cope with its reduced funding. The Vice-President of the Africa Middle East Branch embarked on a tour of the region to consider where cuts might be made. At the same time, within the Department of External Affairs, officials were considering new directions for Canada's aid policy. Canadian aid policy was at that time formally approved by a now dormant Interdepartmental Committee on Economic Relations with Developing Countries composed of the president of CIDA, representatives from the Ministry of Finance and the Export Development Corporation and chaired by the Department of External Affairs. On January 23, 1993, CIDA staff members, alarmed at the new strategy developed at External Affairs to be implemented by CIDA, leaked a policy document to development NGO's and the media.

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63 Morrison: 371.
64 Crosby, 1993.
66 Brian Mulroney's Conservative government had created the Department of External Affairs and International Trade out of the former Departments of Foreign Affairs and of International Trade and Commerce. Jean Crețien's Liberal government renamed it the Department of Foreign Affairs and International Trade in 1993. This accounts for the use of both titles in the above narrative.
This document entitled ‘International Assistance Policy Update’ was based on the 1991 DEAITS policy proposal discussed in Chapter Two. The significance of this earlier document is that it indicates that moves were afoot to redirect aid policy prior to the December 1992 budget cuts. The January 1993 Policy Update reiterated the intention to use aid more aggressively to pursue Canadian economic interests abroad. It quoted from a Memorandum to Cabinet which stated the underlying principles of Canadian ODA in the following terms:

Canadian assistance is predicated first on our national interest, including the enhancement of our security and the development of democratic regimes and market economies compatible with our own. And second, on burden-sharing responsibilities as a member of the G7 and the G24 [the Paris Club].

The Update outlined the government's intention to reduce the number of aid recipient countries from one hundred and thirty-six to something less than fifty. Significantly in light of subsequent events, Tanzania was cited a country where core funding should be maintained. The concentration of aid on fewer countries had been advocated by CIDA as well as several parliamentary commissions in the past. However, previous efforts in this direction had been scuttled by domestic and foreign policy considerations which dictated a wide global dispersal of Canadian aid. While the geographical concentration of Canadian aid was a popular objective both within CIDA and the larger international development lobby in Canada, there was widespread criticism for the perceived reorientation of the aid programme to focus on countries where commercial opportunities for Canada were greatest. As suggested by the December 1992 budget, the January Policy Update outlined a redirection of aid to Eastern Europe and stated that Canada would “intensify its cooperation with those developing countries which are making economic and political progress.” It stated “We have to make sure that reduced funds effectively support the highest priorities in the foreign policy agenda.”

A CIDA employee, disgruntled with the diversion of aid to Eastern Europe and fearing the substitution of emergency relief for

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70 Policy Update quoted in Dave Todd, February 3, 1993.
development assistance, was quoted in the press saying “Canadian assistance in the Third World is going to be cut back to a bag of grain and a peace keeper.”\textsuperscript{71}

The leak of this document occurred just before International Development Week in Canada with the (perhaps intended) consequence that international development organizations used previously arranged events to protest both the budget cutbacks and the newly defined policy objectives. NGOs waged a letter writing campaign in the press and to members of Parliament. The tone of press coverage was distinctly critical.\textsuperscript{72}

On February 25, 1993 it was revealed how CIDA would absorb the cuts made to its bilateral programme. On that day, the day before the House rose for a two week break, the government tabled its Main Estimates which outlined spending for the coming fiscal year. On the same day, a letter was sent to the Ambassadors and High Commissioners of seven African countries from the Vice-President of the Africa Middle East Branch informing them that Canadian aid was being withdrawn. The Americas Branch had imposed cutbacks across the board and maintained all of its country programmes. The Asia Branch had eliminated its small aid programmes in seven small scattered states and extracted the remainder of its budget shortfall by cutting across the board in the rest of its programme countries. In the Africa Middle East Branch, the decision was made to excise the whole Eastern and Central African region from the programme -- Tanzania, Kenya, Ethiopia, Burundi, Rwanda, Uganda and Madagascar. This decision was approved by the Secretary of State for External Relations and International Development, and the Estimates submitted to Parliament by the government stated that bilateral assistance to Eastern and Central Africa, which totalled $125.5 million in fiscal year 1991/92, and $98.2 million in 1992/93 would be cut from a pre-budget cut allocation of $118.2 million for 1993/94 to $81.3 million, a reduction of $36.9 million\textsuperscript{73}. With the exception of three regional funds which made small grants for community development projects, all current and planned projects were to be terminated.

\textsuperscript{71} quoted in Jeff Sallot, January 25, 1993.
\textsuperscript{72} As listed in bibliography.
\textsuperscript{73} Minutes and Proceedings of the House of Commons Standing Committee on External Affairs and International Trade 61: Appendix Exte-3- Africa Middle East Branch Budget reductions, April 21, 1993.

203
In comparison, West Africa received $143 million in 1992/93 and was to receive $142 million in 1993/94, a cut of $500,000 from the previously approved allocation. With the exception of Canadian projects in Namibia, aid to southern Africa was untouched. The Middle East and North Africa was to lose $1 million in total. Tanzania, which received 32.6 million in fiscal year 1991/92 and 28.3 million in 1992/93, had been allocated 30.4 million prior to the December cuts. As a result of the AMEB decision, it would receive $10.8 million in 1993/94, $19.4 million less than anticipated. The cuts to Tanzania accounted for more than half of all funding withdrawn from the region.\textsuperscript{74}

The government of Tanzania was informed of this decision in a letter from the Vice President of AMEB to the Tanzanian High Commissioner to Canada. The letter cited the budget cut of December and said

We recognized that an equal and across-the-board reduction in each of the more than twenty countries in which we now have bilateral programs would lead to a decrease in both developmental effectiveness and administrative efficiency. We therefore had no choice but to concentrate our programming.\textsuperscript{75}

The letter explained that CIDA's decision had been guided by its 1991 long term strategy for Africa, \textit{Africa 21: A Vision of Africa for the Twenty-first Century}.\textsuperscript{76} This strategy stressed a regional approach to economic development and support to the private sector.

Consistent with the regional approach implicit in this strategy, it was decided to give greater priority to those regions within sub-Saharan Africa in which there already exists greater opportunity to support regional cooperation and integration -- Southern Africa and West Africa.\textsuperscript{77}

\textsuperscript{74} Ibid.
\textsuperscript{75} Letter to His Excellency Fadhil D. Mbaga, High Commissioner of the United Republic of Tanzania from Pierre Racicot, Vice President, Africa Middle East Branch CIDA, February 25, 1993.
\textsuperscript{77} op. cit. letter to F.D. Mbaga
The letter informed Tanzania that CIDA would be unable to proceed with the already initiated Hanang Community Development Project. Likewise, a planned small business development project and commodity and import support would end immediately with the exception of $1 million in telecommunication equipment. The construction of housing at the Selian Agricultural Research Institute would be completed, but no further operational funds or technical assistance would be made available. A Power Systems maintenance project and power sector study update would be wound up sooner than planned. Students studying under CIDA’s Training Fund for Tanzanian Women would be allowed to finish their courses, but no new students would be sponsored. Technical assistance and a spares project for the Tanzania Railway Company would be completed as agreed, but no new projects were to be initiated. These projects accounted for all of CIDA’s bilateral commitments in Tanzania at the time. It was stressed that Canada would continue to provide aid to Tanzania through its sponsorship of UNICEF’s AIDS prevention programme, through future grants to SADC, and the continuation of the mission administered $500,000 Canada Fund for small community projects. The Vice President's letter also stated that Tanzania would be eligible for funding from two new regional funds designed to foster private sector development and “to provide support in the areas of human rights, democratic development and good governance.”

The response of the Tanzanian government to the withdrawal of Canadian aid was surprise and dismay. In his reply to the Vice President, the Tanzanian High Commissioner referred to Canada as “an all-weather friend of Tanzania” for the past thirty-two years and said

I have to let you know that the recent drastic reduction in areas of cooperation between our two countries has created an impression that Canada is no longer interested in Tanzania. This move will have a negative psychological effect on the minds of those in the Canadian private sector who have been thinking that Tanzania is a place to invest and a new market to watch. The sudden deep cuts will also cause severe strains in our planning exercise.

78 Ibid.
79 Letter to CIDA Vice President Pierre Racicot from Fadhil D. Mbaga, High Commissioner for Tanzania, March 11, 1993.
The letter noted that Tanzania had embarked on its current economic and political reform programme “with the encouragement of countries like Canada” suggesting that these objectives were jeopardized by the withdrawal of Canadian aid. It went on to outline the “devastating effects” of the elimination of CIDA projects. As previously noted, the loss of commodity and import support would mean no spare parts for Canadian equipment already in use by the National Urban Water Supply Authority, the Tanzania Harbour Authority, Air Tanzania, the Ministry of Works and the National Milling Corporation, as well as a shortage of building supplies for rural housing projects. The cancellation of the training fund for women during a continued critical shortage of scientific, technical and managerial skills was lamented. Regretting the cancellation of the small business development project, the letter referred to the role of aid in easing the hardship that accompanies structural adjustment. “In our experience, as the economy liberalizes, income gaps widen. If the poor, who are the majority, feel left out of the changes, there is created a very explosive situation.” The possible benefit accruing from Tanzania’s continued access to SADC aid was acknowledged, but the High Commissioner wrote “this has not been so in the past, and is unlikely to be so in the future. Indeed CIDA’s policy document Southern Africa Regional Policy Framework asserts that Tanzania ‘is unlikely to derive significant benefits from free interregional trade in Southern Africa’”

In an unprecedented event, the ambassadors and high commissioners of all African countries affected by the budget cuts requested permission and were invited to give testimony to the SCEAIT subcommittee on Development and Human Rights. The Tanzanian High Commissioner was not present, but those diplomats who were had been designated to represent the interests of all affected countries. They protested the fact that they had not been consulted prior to the decision to cut funding. The Ambassador of Senegal, where some Canadian projects were affected, though not on the scale of those in Tanzania, said “What we find most noteworthy is the lack of consultation to decide which projects will be affected. Projects have been designated unilaterally.” The Ambassador of Ethiopia reported that aid recipient governments had not been consulted during the formulation of CIDA’s new regional approach to

80 Minutes and Proceedings of Evidence of the Subcommittee on Development and Human Rights of the House of Commons Standing Committee on External Affairs and International Trade (37:16), March 31, 206
development which had informed AMEB's decision of where to cut. "Africa 21 was distributed as having been approved." Several speakers intimated that African support for Canada's campaign for a seat on the Security Council could be in jeopardy.

Because the House of Commons rose for a two week break the day after the aid cuts were announced to the recipient governments, the matter was not discussed in Parliament until it resumed sitting March 8. Nor was the event immediately front page news, coming to light in the national media on March 3. As protests from outraged development NGOs and politicians from all political parties including that of the government continued, the story became front page news. The tenor of the press coverage was emotionally charged and highly critical of the government's withdrawal of aid from several of the poorest countries in the world. Several commentators claimed the cuts were proof that Canadian ODA was becoming more commercial in orientation.

The nature of the regionally based cuts suggest a two-tiered approach toward Africa: an arbitrary division into winners and perpetual losers, with the latter seen as worthy mainly of humanitarian aid.

All of the fourteen countries completely excised from the aid programme were on the World Bank's list of forty-three least developed countries. It was suggested as ironic that CIDA was cutting aid to countries which had adopted the structural adjustment prescription pushed by Canada and other donors. Stephen Lewis, Canada's former ambassador to the United Nations and then Special Advisor to the U.N. Special Programme for Africa called the cuts an "act of such astonishing international delinquency that it takes one's breath away."

The official government explanation stressed that the decision to cut aid to Central and Eastern Africa had been consistent with the regional approach to assistance adopted in 1991, by which priority was given "to those regions in Sub-

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1993.
81 Ibid, 37:15.
82 Todd, April 12, 1993.

207
Saharan Africa in which there is now greater opportunity to support regional activities. In our view, Southern Africa and West Africa are the two regions in which there has been the most significant progress toward regional cooperation and in which there is the greatest potential for Canada to play a catalytic role in the support of such cooperation and integration. The government was quite candid about Canada's other interests in Africa. "We also considered the potential political and commercial importance of the regions for Canada." West Africa encompasses a number of important members of la Francophonie and the Commonwealth "as well as the most heavily populated and potentially the most powerful and important economic state in Sub-Saharan Africa -- Nigeria." Likewise the emerging democracies of southern Africa, a region of considerable economic potential.

Appearing before the SCEAIT, the Minister for External Relations defended the continuation of high levels of aid to middle income countries in the Middle East and North Africa on the grounds of the government's desire "to promote the establishment of long-term, mutually beneficial economic links while also working to support the peace effort." Speaking of the implications of the budget cuts outside of Africa, the Minister elaborated on the government's pursuit of Canada's economic interests through the aid programme and the priority attached to private sector development in recipient countries. According to her testimony, the Americas had been 'sheltered' from the budget cuts because of Canada's long term economic interests in the region related to the North America Free Trade Agreement, with the Caribbean states and the poorer small states of Central America bearing the brunt of the cuts. While funding to NGO's had been substantially reduced, the Industrial Cooperation Program which provides financial and technical assistance to Canadian entrepreneurs investing in the Third World was largely spared "because of the priority attached to developing strong economic ties between the private sector and developing countries." However, when the Liberal International Development critic (soon to be Minister) noted that approximately the same sum which had been cut from

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84Quoted in Crosby, op.cit.
85CIDA, AMEB. "Questions and answers on the cuts exercise" mimeo, 1993.
86Ibid
87Ibid
89Ibid, (61:8).
Eastern and Central Africa -- $47 million -- had been pledged to Eastern Europe in the same period, the Minister called this "pure coincidence."  

In response to the question of why CIDA was withdrawing aid from countries like Tanzania, Uganda and Ethiopia which had been improving their economic performance and becoming more politically democratic, CIDA's written notes for the press were at pains to stress that "Our decisions in this regard were based on regional criteria and not on the performance of individual countries." Actual statements to the press were slightly less tactful, one official claiming that the cuts to Tanzania had "nothing to do with Canada liking them less. Unfortunately, it is part of a region that is not going anywhere for some time."

At the Minister's appearance before the parliamentary committee to account for the cuts, members were unanimous in their criticism of the decision. Government member Walter McLean argued that the issue was the process of decision-making, saying that the African ambassadors' testimony indicated that "none of the major players feel any sense of ownership for Africa 21." He suggested that "we are sending mixed messages" to new democracies like Ethiopia and Namibia. Lloyd Axworthy, later to become the Liberal Minister for Foreign Affairs, declared that CIDA was becoming "a business finance trade agency... I suggest to you that this is not the mandate of CIDA. That is a fundamental policy shift done with no consultation, no public debate, no public examination." Quoting from the International Assistance Policy Update, Axworthy claimed that the policy's objective was market penetration, and aiming at the ten o'clock news said "Well, to be blunt with you, we know who's getting penetrated under this program." Liberal Charles Caccia argued that the policy was economically unsound, stating that "to promote activities of the private sector you need basic infrastructure."

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88 Ibid, (61:9).  
89 CIDA, AMEB. "Questions and answers on cuts exercise" mimeo, 1993.  
90 Todd, 12 April 1993, pg A8.  
91 Minutes of Proceedings and Evidence of the Standing Committee on External Affairs and International Trade, April 21 1993 (61:16).  
92 Ibid, (61:17)  
In response to criticism that neither the affected countries nor the Canadian public had been consulted on a policy shift of such magnitude, the Minister, new to the job, argued that she had been forced to act quickly between being sworn in on January 15 and tabling the Estimates on schedule by February 25. Revealing a limited knowledge of the subject matter under grilling by the parliamentary committee, the Minister stoically bore responsibility for a policy she had not much part in developing. Referring several times to a statement by Boutros Boutros Ghali on the merits of regional cooperation, the Minister claimed she had based her decision on her own favourable impression of regional development in her home province of Quebec. She said “I thought there was a social, cultural and international consensus in favour of a regional approach, and that this could be acceptable to the NGO’s, our partners and Africa.” 96

The Minister’s lacklustre performance before the Commons Committee hints at the limited role of parliament in the formulation of Canada’s aid policy. The reorientation of aid policy in 1993 bears the stamp of the Conservatives’ neo-classical economic agenda, but also of the struggle between CIDA and DEAITC for control of the aid programme as described in Chapters Two and Three. The Policy Update was part of DEAITC’s play to incorporate the aid programme in support of its wider foreign policy objectives. The refinement and implementation of these objectives was left to the bureaucracy with Parliament and the public having little input to the process. CIDA’s financial allocations and objectives are laid out in Part III of the Main Estimates submitted for approval to the Priorities and Planning Committee of Cabinet each year. Although all government spending must be approved by Parliament in three readings, there is no requirement that specific allocations like the aid budget be debated in the House. Theoretically, years could go by without development assistance policy being discussed on the floor of the House.97 The time available for debate on the wide range of issues which concern Parliament is constrained by set allocations of time to discuss money supply bills and other legislation in process. Each party is given a certain number of days on which they can determine in advance the topic to be debated, for example environmental policy or

96 Ibid, (61:14) 97 Interview.
national defence. However, development assistance is not a priority issue for the elected members, and these descretionary days are infrequently given over to it.

Between the announcement of the budget cuts on December 2, 1992 and the adjournment of Parliament on June 23, 1993, the subject of aid was raised in the House in a total of thirty statements by members. Some members brought the matter into debates on the budget itself, on defence mismanagement, and environmental policy, but most members spoke under Standing Order 31 which permits private members to make personal statements of less than one minute in the House. The government is not required to respond to these statements or to respond in the House to questions from members, though a written reply must be given if requested, and is entered into the record. Secretary of State for External Affairs Barbara MacDougall gave only two brief responses to questions on the matter, reiterating that the decision was based on “the regional concept recognized by NGO’s as well as the U.N.” and that “We will be appearing before Committee. There will be normal consultations with the NGO community and others once we have approved the document.”

The cuts were first discussed in committee on March 31 when the African ambassadors presented their case. External Affairs Minister Monique Vezina (the minister responsible for CIDA) did not appear before the parliamentary committee to account for the decision until April 21, nearly two months after the fact. Secretary of State MacDougall addressed the matter in her appearance before the subcommittee on Human Rights and International Development on May 27. Each of these sessions lasted approximately three hours and together accounted for the total time devoted to the matter by Parliament. In his study of the Canadian parliamentary system, Franks makes the point that because much of government policy is not debated in the house and is subjected to often superficial scrutiny in committee, parliament does not perform effectively the function of mobilizing public consent for policy or legitimizing it. Despite strong opposition from elected members on all sides of the

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98 The government's controversial purchase of high tech helicopters for $5.8 billion was a hot topic at the time and several members linked the $4.3 billion cuts to ODA made by the Conservatives over the previous five years to this expenditure.
100 House of Commons, Debates. 26 March 1993 (17637).
101 Franks:218.
House, the NGO lobby, the press and the public, the budget Estimates outlining the termination of aid to East and Central Africa were accepted by the Standing Committee on External Affairs and International Trade, and approved by the government majority in Parliament.

The promised consultations with the NGO community on this subject did not materialize. Parliament was adjourned for the summer break on June 23 and dissolved on September 8. A Liberal government was elected in October, and heeding public calls for an open review of foreign policy, established a special joint committee of Parliament to hold public hearings and report to the government. After serving as the issue which prompted the government to initiate broader consultation on aid policy, references to the cancellation of aid to East Africa were strangely absent from the presentations to the Parliamentary committee reviewing aid policy in 1994. Liberal Minister for International Cooperation Christine Stewart restored aid to Tanzania in May of 1994, at a level of approximately $10 million per year, a level it has maintained since then.

**4.5 EXPLANATIONS FOR THE CUTS: TANZANIA'S DECLINING STRATEGIC IMPORTANCE**

CIDA's explanation that it terminated aid to Tanzania on the basis of a new regional approach to development is questionable on several points, apart from the merits of the approach itself. As noted above, several countries in the region, including Tanzania and Uganda, were in fact engaged in economic and political reform, and were at the very least no more delinquent in this respect than many other countries where aid was maintained. Critics have suggested that had the ODA Charter continued to be the guiding policy for Canadian aid as Minister MacDougall reconfirmed in her appearance before parliamentary committee in May 1993, aid to East Africa should have been preserved.102 The ODA Charter states that the first priority of Canadian aid policy is to help the poorest people in the poorest countries of the world. According to this criteria, even allowing for Canada's foreign policy

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interests in West and Southern Africa, relatively more prosperous North Africa would have been a more logical choice to absorb cuts.

Further, despite intermittently hostile relations between Tanzania, Kenya and Uganda in the past and the violence which engulfed Rwanda and Burundi soon after the decision to cut the aid budget was made, and therefore the possibly limited potential for regional cooperation in the immediate future, a strong argument for the preservation of aid to Tanzania could have been made on the basis of its historical role in the struggle for liberation in southern Africa. Tanzania has played an important leadership role in African affairs. The 1967 Arusha Declaration outlined the Tanzanian government's commitment to a socialist approach to development. In this statement and in other essays Nyerere expressed the belief that it is possible to build a prosperous society based on equality and mutual assistance. In doing so, Nyerere, a respected statesman, dared to espouse ideals of social justice that most of the leaders of the western world had abandoned as naive or unattainable. Nyerere's vision was heady stuff in the late 1960's and was embraced not only by the Tanzanian public, but also by a body of Western academics who took up the cause, and by donors from east and west. In this period Nyerere, representing Tanzania, became a voice of moral authority in global forums like the United Nations, the Commonwealth and the OAU. Nyerere asserted the autonomy of 'Third World' states, and pressed for a fairer global economic structure. Tanzania provided an outlet to the sea for landlocked states; a base for liberation movements in its own territory and military support at great cost -- both human and material -- to itself. Further, although the East African Community is now defunct, Tanzania remains a member of SADC. Tanzania's strategic importance in Africa has in the past been cited in CIDA documents as a factor in CIDA's maintenance of a large aid programme there.  

Gordon's examination of Tanzania's foreign policy offers a plausible explanation of why CIDA did not spare Tanzania on these grounds in 1993. Whereas in the late 1960's and throughout the 1970's Tanzania played an active role in world politics, Gordon argues that the late 1980's and early 1990's saw the economic and

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103 CIDA, Tanzania Country Programme Review, various years.
political marginalization of Tanzania and of Africa in general.\textsuperscript{104} This he attributes to three factors:

i) The end of the Cold War, which removed an entire dimension from international relations in Africa. Despite Nyerere’s indignation at the machinations of East and West in Tanzania and the rest of Africa, the Cold War kept Africa on the map, provided donors with an incentive to maintain ties, and allowed Tanzania to play its donors off against one another to its own advantage. The end of the Cold War removed this leverage.

ii) A reconfiguration of regional issues, namely the end of apartheid in Southern Africa and resolution of conflict in Uganda, which reduced Tanzania’s importance as a regional leader and mediator. In 1990, after the collapse of the Soviet bloc and the legalization of the ANC which decamped from Dar, Western interest in Tanzania declined.\textsuperscript{105}

iii) Tanzania’s depressed economic state and its increasing dependence on aid has limited both its inclination and ability to play an active role in international affairs. As discussed in previous chapters, aid in the 1980’s and 1990’s became increasingly conditional on policy reforms which limited the government’s political autonomy. Illustrative of this point is the contrast between western political support for Tanzania’s interventions in liberation struggles in the 1970’s, and the lack of support for its military action against RENAMO forces in Mozambique in the late 1980’s. Out of money and under pressure from the IMF and World Bank to end the campaign, Tanzania withdrew its troops from Mozambique in late 1988 without achieving its objective.\textsuperscript{106}

Gordon notes that Africa as a whole produces a declining share of world output. Its share in world trade in the mid 1960’s was 4%; in 1990 it was 1%.\textsuperscript{107} Tanzania’s return on investment, highly favourable at independence, now lags well

\textsuperscript{104} Gordon:327.
\textsuperscript{105} Ibid:261.
\textsuperscript{106} Ibid:252.
\textsuperscript{107} Ibid:237, IMF figures.
behind the rest of the Third World. After the Arusha Declaration, Tanzania forbade direct foreign investment. Following the adoption of the structural adjustment programme in the mid 1980's, Tanzania went looking for investors, but few jumped at the chance. Gordon says

Africa was the only area of the world that was neither an existing nor an 'emerging' market. For the international private sector (i.e. commercial banks, investment houses, and multinational firms), Africa had quite simply ceased to be part of the picture.\(^\text{108}\)

Gordon's research adds credence to the view that CIDA's decision to end aid to Tanzania was based primarily on Canada's economic and foreign policy interests abroad. However, it is suggested that other factors as outlined in Chapter One, including domestic political issues and a donor consensus on aid doctrine emerging in international organizations also contributed to the decision.

**4.6 QUEBEC SEPARATISM AND CANADIAN AID TO TANZANIA**

As the African continent has been the stage for political manoeuvering between the superpowers, it has also served as one front in Canada's cold civil war waged between the federal government of Canada and Quebec separatists. The Quiet Revolution in Quebec in the 1950's and '60's saw French Canada emerge from its economic and political subjugation to English Canadian interests and loosen the repressive control of the Catholic Church. However, as Schlegel observes, until the late 1960's, the French part of Canada's national identity (approximately 35% of Canadians speak French as a first language) was not reflected in Canada's foreign policy or in the image of Canada projected abroad.\(^\text{109}\) The Department of External Affairs remained a largely Anglo preserve until Pearson initiated a programme to biliteralize it in 1965. A bias towards Canada's ties to the Commonwealth was also reflected in Canada's early aid programme. In 1961, aid to French Africa amounted to $300 000 while Commonwealth Africa received $14 million.\(^\text{110}\)

\(^{108}\) Ibid:239.
\(^{109}\) Schlegel:23.
\(^{110}\) Ibid:223.
While the low priority accorded French Canadian heritage in Canada’s aid programme was criticized in Quebec, the separatist faction was not interested solely in better representation for French Canada in federal policy. From the early 1960’s, successive nationalist governments in Quebec have sought to assert the autonomy of the Quebecois nation by assuming the role of a sovereign state in international affairs, setting up diplomatic missions abroad, signing treaties without prior approval from Ottawa, and initiating aid programmes in West Africa. In 1961, Quebec opened a diplomatic mission in Paris. In 1964, President de Gaulle elevated this delegation to full diplomatic status and the Premier of Quebec was received in France as a Head of State. In 1968, federal Justice Minister Pierre Trudeau and the provincial premiers met in Ottawa to negotiate constitutional reforms intended to address Quebec’s concerns as to its status in Confederation. At the same time, Quebec was participating as a full delegate at a conference of l’Agence de cooperation culturelle et techniquelle in Gabon, a meeting to which Ottawa had not been invited.\footnote{Morrison, 1998:76.}

In light of events of this nature, in the 1960’s the federal government moved rapidly to establish diplomatic missions and aid programmes in Francophone Africa in an effort to pre-empt an independent Quebecois presence there and to demonstrate to French Canadians that Canada’s bicultural origins were reflected in its foreign policy. Maintaining parity between development assistance to la Francophonie and Commonwealth Africa became a bedrock principle of Canada’s aid programme.

It might be said that if French Africa had not existed at this point in time [after de Gaulle’s rallying cry of “Vive le Quebec libre” in Montreal], Ottawa would have had to invent it. It was imperative for the Federal government to find some French-speaking ambience upon which to turn its attentions and lavish its aid dollars.\footnote{Schlegel:223.}

The Trudeau government elected in 1968 advanced the concept of the ‘Just Society’ in developing a constitutional structure which would protect the rights of minority groups within the Canadian nation while maintaining the principle of the equality of all citizens and regions of the country. This idea of social justice was to be extended to Canada’s development assistance programme. The Liberal government’s
1970 foreign policy statement declared that “A society able to ignore poverty abroad will find it much easier to ignore it at home; a society concerned about poverty and development abroad will be concerned about poverty and development at home.”

As 1967 marked a turning point in Tanzania’s political orientation, the election of the Trudeau government in 1968 also marked a shift in Canadian foreign policy from “Pearsonian internationalism” to “Trudeau nationalism.” Pearson had sought to create a role for Canada on the world stage as a moderate, mediating influence, pursuing its objectives through international institutions like the United Nations. Up to 1968 the Foreign Aid Office was a relatively small branch within the Ministry of Foreign Affairs and functioned as a reactive agency, responding to generally unsolicited requests for assistance from sovereign governments. As Pearson had been preoccupied with international affairs, Trudeau’s major concern was the domestic political situation. Federal-provincial negotiations over constitutional reform had begun while Trudeau was Minister of Justice in the Pearson government and continued after he became Prime Minister. At the time of Nyerere’s Arusha Declaration and embarkation on the pursuit of Ujamaa, Canada was in the throes of fractious and increasingly polarized constitutional wrangling and separatism in Quebec was reaching fever pitch. Schlegel argues that the Liberal government’s foreign policy statement of 1970 embodied Trudeau’s desire to employ foreign policy in pursuit of his domestic political objectives, i.e., to assert the primacy of a Canadian identity above the regional differences and inequality represented by Quebec’s claim to special status. One means of enabling Canadians to discern a strong national identity would be to project it onto the global stage. As Canadian participation in two world wars had enhanced its independent profile in world affairs, likewise the aid programme could be used to demonstrate the character traits of a uniquely Canadian nation. As noted in Chapter One, some writers have identified this idealized version of Canada’s international persona as the ‘humane internationalist’ occupying the moral high ground, mediating the interests of the large western industrialized

113 Canada, 1970.
114 Schlegel:324.
115 Morrison, 1998:42.
116 Schlegel:324.
countries and the so-called ‘likeminded’ states of northern Europe, and demonstrating empathy with the aspirations of the newly independent countries.

But Schlegel suggests that Trudeau’s policy had a harder edge to it. In 1968, CIDA was established as a more proactive, interventionist aid agency with a growing budget. As the research reviewed in Chapter One suggests, the Canadian aid programme had its origins in Canada’s opposition to communism and subsequent governments had used it to serve domestic policy objectives, for example to unload grain surpluses in the 1950s. However, in the late 1960s, the Canadian government began to use the aid programme systematically to pursue Canadian interests abroad, thus demonstrating to Canadians that there were such a thing as discernible ‘Canadian’ interests. In Tanzania, this translated into the provision of paper and aluminum from British Columbia, locomotives from Quebec and Nova Scotia, and the reproduction of a Saskatchewan wheat farm on the plains of Hanang.

In addition to influencing the geographical allocation of Canadian ODA in the first instance, Quebec’s ever imminent succession from Canada has continued to affect the Canadian aid programme. In 1970 Trudeau appointed Paul Gerin-Lajoie president of CIDA. Gerin-Lajoie was a former cabinet minister in Jean Lesage’s nationalist Liberal government in Quebec and the devisor of the concept of Quebec as a ‘distinct society’ which advocates a policy of separate development for Quebec. Morrison quotes a former CIDA official who claimed the significance of this appointment was that “the aid programme was being subordinated to the interests of national unity.” Gerin-Lajoie’s tenure is noted primarily for his ill fated attempt to reorient aid policy towards a basic needs agenda in the 1975 *Strategy for International Development Cooperation* and for his flamboyant style of leadership rather than any attempts to subvert the Canadian state. However, his political background enhanced the aid programme’s susceptibility to domestic politicking. When Gerin-Lajoie made French the working language of the Latin American

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118 Charlton.
120 Morrison, 1998; Berry, 1981.
Division, disgruntled Anglo staffers responded by leaking sensitive documents concerning Canada’s reaction to the recent coup in Chile to the press.121

With respect to Tanzania’s role in this ongoing domestic drama, Schlegel suggests that the rapid growth in Canadian ODA to Tanzania in the 1960’s and ‘70’s was at least in part due to the necessity of finding another outlet for aid dollars in Anglo-Africa after aid to Nigeria was withdrawn as a result of the civil war. And as the Quebec question was a determining factor in the origins of Canada’s aid programme in Tanzania, it played a role in its demise. The central drama of Canada-Quebec relations has been played out in several rounds of negotiations over the division of federal-provincial jurisdiction and language laws. The issue has nonetheless affected aid policy, primarily in terms of the geographical distribution of assistance and its volume. The Conservative government of Brian Mulroney, an English speaking Quebecker, was elected in 1984 and re-elected in 1988 by securing the support of the sovereigntist vote in Quebec.122 In 1992, a separatist provincial government was elected in Quebec with a mandate to take the province out of Confederation pending the results of a referendum, subsequently held in 1995. When deep cuts were made to the aid budget as part of the Conservative government’s deficit reduction exercise of December 1992, the volatile political situation in Quebec made it inconceivable that CIDA would make significant cuts to its aid programmes in French speaking countries. Tanzania, no longer strategically important, part of an region of marginal economic importance, and having already irritated its donors with its failure to fully implement a structural adjustment programme, was deemed among the most expendable.

4.7 THE INTERNATIONAL CONSENSUS AMONG DONORS

On the basis of public statements made by government officials alone, it seems clear that an assessment of Canadian political and economic interests in Tanzania did play a significant part in the decision to end bilateral aid there. However, the events recounted in the first part of this chapter support the argument

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that CIDA's decision to withdraw aid from Tanzania did, despite Canadian officials' protestations to the contrary, have much to do with CIDA’s assessment of the progress of reform in Tanzania, and that the budget cuts were seized as an opportunity to extricate CIDA from Tanzania. Canada’s major commitments in Tanzania were all experiencing problems. The railway project had for years been having trouble fulfilling its objectives due to equipment and management problems. The transfer of technical knowledge from expatriate staff to Tanzanian trainees was not occurring. As previously discussed, the Canadian High Commission in Dar es Salaam was involved in tracking down delinquent accounts for commodity assistance. The Canada-Tanzania Wheat Project, for years a target of much criticism within Canada and Tanzania, continued to be surrounded by controversy as a government commission investigating human rights abuses had been called. As outlined in some detail above, Canadian officials placed the blame at the feet of the Tanzanian government and shared the dissatisfaction expressed by many donors at the state of policy reform in the country. It was felt that Canadian projects were being compromised by the government’s inaction. As indicated by the tone of Canadian interventions at the annual Consultative Group meetings, the once cordial and supportive donor-recipient relationship between Canada and Tanzania had deteriorated badly by 1992. CIDA’s negative perception of the prospects for its programme in Tanzania was compounded by the unflattering attention of the Canadian media on CIDA projects in Tanzania. Perhaps more than any other aid recipient country, Tanzania has been a favoured destination for journalists looking to expose the failures of the Canadian aid programme and they have found there a rich vein of material.

According to several Canadian officials, due to the perception among field staff that CIDA aid was not being used effectively, the High Commission in Dar es Salaam had been recommending to CIDA headquarters for some time before 1993 that aid to Tanzania be reduced. The 1992 budget cuts provided an out. Canada was able to attribute the cancellation of most of CIDA’s commitments in Tanzania to a sudden decrease in Canadian ODA overall, and to the recentralization of CIDA staff

in Ottawa in 1992 which reduced the field staff from eighteen to six and resulted in the lay off of most of the Tanzanian field support staff. According to one official, "That's how we sold it."\textsuperscript{126} In cutting aid to Tanzania on these grounds, CIDA was not behaving like an 'international delinquent' as charged by Stephen Lewis, but in accordance with the internationally sanctioned principle of conditionality. As described above, the majority of Tanzania’s other donors took similar steps at the same time. Tanzania’s pursuit of African socialism and its tentative embrace of liberal economic principles were distinctly out of fashion and donor attention moved elsewhere.

4.8 CONCLUSIONS

The first part of this chapter described the development of an international consensus among donors on support for structural adjustment and policy conditionality as norms of international aid practice in the 1980’s. It also detailed the adoption of these policies within CIDA and in its bilateral aid programme in Tanzania. It has been argued that it was the identification of macro-economic policy as an appropriate area for donor intervention that necessitated and facilitated the development of donor consensus on this issue. It also facilitated the concentration of control over aid doctrine in general in the hands of the Bretton Woods institutions. The agreement among donors, including Canada, to make the provision of bilateral assistance conditional on adherence to the terms of an IMF structural adjustment loan permitted the World Bank a degree of influence over Canadian bilateral aid policy which it continues to exercise, though as the discussion of the OGL system in the previous chapter suggests, this authority is not absolute. The World Bank orchestrated a donor consensus on the right prescription for Tanzania’s ailments, and there was a collective perception evident in the proceedings of the CG meetings that Tanzania was not making sufficient progress on institutional reform. It is argued that this played a significant role in the drastic reduction of aid from several bilateral donors, including Canada in 1993.

\textsuperscript{125} Interviews.
\textsuperscript{126} Interview.
However, the second part of this chapter has outlined the events within Canada which surrounded CIDA’s decision to withdraw aid from Tanzania and the rest of East Africa in 1993. A range alternative explanations for this sudden drastic measure have been offered. It now remains to assess the relative importance of each of the factors cited. In making this analysis, it should be remembered that there are actually four significant policy decisions involved: the government’s decision to reduce the ODA budget in the first instance; the redefinition of aid policy objectives in the Policy Update; CIDA’s choice of East and Central Africa to absorb the cuts to the Africa programme; and finally, the government’s decision to reopen bilateral aid to Tanzania the following year.

The options open to decision-makers at each juncture were weighed against the competing objectives of the aid programme; a process in which, it has been argued in the preceding chapters, using aid resources in the most effective manner possible to help the poor has been relegated to a secondary or tertiary consideration. There appears to be little evidence to support the ‘humane internationalist’ interpretation of aid policy in this instance. The decision to cancel aid to several of the world’s poorest countries is a blatant abrogation of this principle. The contents of the International Assistance Policy Update, the minister’s comments before the parliamentary committee and the subsequent pledging of substantial sums of assistance to Russia lend considerable credence to the view that the advancement of Canada’s economic interests is an underlying principle of the aid programme. Likewise, there appears to be evidence that Canada’s political interests, both at home and abroad and Tanzania’s declining strategic importance internationally made CIDA’s programme there more expendable than elsewhere. However, the decision cannot be adequately explained by a straightforward calculation of Canadian interests. The consensus among donors on development priorities and Tanzania’s failure to pursue them with adequate vigour were a significant consideration in the decision-making process. Whereas Tanzania’s priorities had coincided with the objectives of its major donors in the 1970’s, by the 1990’s donor interests had shifted elsewhere.

In examining the factors which contributed to CIDA’s withdrawal from Tanzania, it is also necessary to consider structural influences on policy; that is those
exerted by the institutional framework in which the decision was taken. This includes a consideration of both CIDA’s position within the larger Canadian government structure, as well as the internal bureaucratic structure of the aid agency, and the process of decision-making in both contexts. Viewed from this perspective, it could be argued that the cancellation of aid to East Africa in 1993 was at least in part the result of CIDA’s ambiguous mandate. Although there may have been legitimate concerns among donors about the Tanzanian government’s commitment to reform and its capacity to use aid funds effectively, the same would apply to many states where aid was maintained. Consideration of Canada’s large aid programmes in Nigeria or China with their poor record of human rights abuses (but huge potential markets) enfeebles the argument that Tanzania was being punished for not moving quickly enough on democratic or economic reform. It at least suggests an uneven application of the principle, enunciated by the Canadian government in the early 1990’s, of tying aid to democratic reform. In the event, Tanzania’s failure to meet IMF conditions was not given as an explanation for the cuts either to the Tanzanian government, or in public statements in Canada. So, if CIDA wanted to send the Tanzanian government a message, it did not say it in so many words.

The more logical explanation for targeting Tanzania and the East African region to bear the brunt of the budget cuts appears to be its limited economic and strategic importance. As suggested by the other cases reviewed in this paper, CIDA’s ambiguous mandate has permitted the pursuit of competing objectives through the aid programme. In this case, as in others, Canada’s commercial interests, and political concerns -- both domestic and international -- took primacy over its stated obligation to assist the poor. Thus, although CIDA’s ODA Charter, which was created in 1987 and according to Foreign Minister MacDougall still government policy in 1993, stated that the foremost priority of Canadian aid was to help the poorest people in the poorest countries, the government was not legally bound to abide by this principle. The cancellation of aid to several of the poorest countries in the world in 1993, while morally repugnant to many, was not illegal.

This interpretation of events does not negate the significance of the international donor consensus on making aid flows to Tanzania conditional on its
adherence to the IMF reform programme. Rather, it suggests that donors are more willing to apply these conditions in cases where they have a limited material or strategic interest. The drastic reduction of aid flows to Tanzania in 1993 was in accordance with international norms, but the decision appears to have been predicated on a consideration of Canadian interests at that time. As noted above, similarly dissatisfied with the status of its projects in Tanzania in 1984, CIDA had considered either terminating its assistance or channelling it through NGOs. It had rejected these options because of Tanzania's strategic importance at the time, and because it was believed that either would be unacceptable to DFAIT and to the Canadian commercial sector. Tanzania's importance in this regard had waned a decade later.

It is significant that the termination of aid to East Africa occurred in the midst of the reorientation of the aid programme to serve more commercial objectives as embodied in the International Assistance Policy Update of 1993. The leak of the Policy Update demonstrated the interdepartmental friction which exists. The Update originated in External Affairs and was handed to CIDA to implement. The reorientation of aid towards fostering trade and investment in Eastern Europe reflects the interests of DEAIT. The decision to end aid to East Africa, while taken within CIDA, was in accordance with this new policy position and provides another illustration of the aid programmes vulnerability to politicking.

It might also be argued that the policy options open to aid officials were constrained by the institutionalized processes of aid, adding to the other pressures which divert aid policy from its developmental objectives. These were alluded to in Vice-President Racicot's letter to the Tanzanian High Commissioner when he referred to the high overhead costs of the aid programme making it inefficient to impose across the board programme cuts. This hints at a systemic bias which sanctions certain modes of responding to poverty overseas — technical assistance, food aid and capital assistance — and precludes the use of other policy instruments which might enable Canada to aid development efforts more effectively even with its reduced ODA budget.
CIDA’s decision to reinstate aid to Tanzania following a sustained public protest by the international development lobby in Canada illustrates the strength of organized public opinion as a means of monitoring the aid programme. However, the ability and willingness of the government to override opposition to the termination of aid emanating from many quarters in the first instance suggests the limited capacity of Parliament to fulfil its duties in monitoring public policy.

Chapters Two through Four have examined the various factors which influence the aid policy-making process in Canada: domestic and international; philosophical, political, economic and structural. It is obvious, however, that the articulation of objectives and the policy statements which emerge from this process are not the end products of the aid cycle, and cannot in themselves answer the question of why aid so often fails. Much more can be learned from also examining the way in which policies are implemented in the form of programmes and projects. The following two chapters examine this phase of the aid process. They illustrate how the constraints on the effective use of aid funds continue to pile up through the project design and implementation stages.
PART II
INTRODUCTION
The Aftermath of Aid: The Tanzania-Canada Wheat Project, The Hanang Participatory Development Fund, and CIDA’s Capacity to Learn from Experience

Previous chapters have examined the forces which shape Canadian aid policy in the formulation of general policy objectives and the identification of programming priorities. These stages involve macro-level policy decisions – the volume of aid, its geographical distribution and sectoral allocation. The case study presented in the following two chapters examines the final stages of the aid process: the identification, design and implementation of aid projects. It focuses on Canadian assistance to two projects located in Hanang District, Northern Tanzania: the Tanzania-Canada Wheat Project (TCWP) which ran from 1969 to 1993; and the Hanang Participatory Development Fund (HPDF), which was initiated in 1989, implemented in 1996, and is ongoing. Including all ancillary projects as listed in Appendix II, together these projects represent a Canadian investment of around eighty million dollars.

Canadian involvement in Hanang began in 1967 with a request from the Tanzanian government for assistance in increasing domestic wheat production in support of the goals of food self-sufficiency and self-reliance set out in the Arusha Declaration. After considering several possible sites for development throughout the country, Canadian experts recommended establishing large-scale mechanized farms

1 This discussion of CIDA involvement in Hanang District is based on material obtained from several sources. A review of relevant documentation was conducted: CIDA project files and programming documents; files and documents related to Hanang made available by various NGOs; the related academic literature; and popular press coverage. Observation at project sites in Hanang was conducted in June 1999; and interviews with CIDA staff, Tanzanian government officials and other involved parties were conducted in Canada and Tanzania between January and December 1999.

It will be noted that the chapter contains extensive quotations drawn from memoranda and reports contained in CIDA files. They were included as illustrative of the thought processes which informed CIDA’s policy decisions and reveal a vigorous exchange of views among generally well-informed, thoughtful and committed aid officials. Though the decision-making process within CIDA appears ultimately to be rather autocratic, the articulation of motives and the diversity of opinions expressed serve to dispel the image of CIDA as a monolith in the service of one interest group or another. It also serves as a reminder that policy decisions are in the end made by human beings. This statement does not negate the principle argument of this paper: that aid policy is shaped to a significant degree by structural and systemic influences inherent in the aid process. Rather, it highlights the sites of contention within the institutions of aid where the perceptions and actions of individuals are shaped by the structure of the process they manage.
on the fertile Basotu Plains in Hanang as the best way to increase production to meet anticipated demand. Canadian assistance in support of the project was comprised of research assistance in adapting northern wheat varieties to grow in Tanzania, capital assistance in the form of farm machinery and agricultural inputs, and technical assistance in establishing and maintaining farm operations. After some initial setbacks, Canadian and Tanzanian scientists were successful in creating a wheat strain which would flourish in Hanang. Following an overall decline in agricultural production in Tanzania and food shortages in the 1970’s, the TCWP was expanded fivefold to bring an additional 50,000 acres into production. Yields and overall production increased throughout the ‘80’s, but serious problems developed on the farms. There were violent confrontations between farm employees and local residents, particularly the pastoralist Barabaig people who had traditionally grazed their herds on the land on which the farms were established. With the assistance of a Canadian NGO, they brought land claims against NAFCO, the parastatal company which managed the farms, before the courts. The farms were also operating at a financial loss. In addition, the transfer of technical knowledge was not occurring, and this, compounded by a shortage of foreign exchange to buy spares and fuel resulted in problems with maintaining the Canadian supplied heavy machinery. Alerted to a CIDA project gone bad by Canadian NGO’s and academic researchers, Canadian media coverage and public opinion has been highly critical of CIDA’s involvement in Hanang, both with respect to the heavily tied machinery and technical assistance components of the project and because of the displacement of the Barabaig population. Until Canadian involvement in the project ended in 1993 with the cancellation of Canadian bilateral aid to Tanzania and even since, the project has been a chronic source of embarrassment for CIDA.

It was because of this intense criticism at home that CIDA began in 1989 to investigate the possibility of setting up a rural development project in Hanang as a means to redress the negative impact of the wheat project on the local population, particularly the Barabaig. The outcome of extensive planning missions and consultations over the next seven years was the establishment of the Hanang Participatory Development Fund in 1996. The HPDF makes small grants to local groups and individuals in support of income generating projects and efforts to
improve community services like building classrooms, digging clean water wells or setting up village medical dispensaries. Facilitated by a Canadian cooperator and his Tanzanian counterpart, project proposals are assessed and funds allocated by an independent committee drawn from the community. In addition to fostering local economic development, the other stated objectives of the project are conflict resolution and the improvement of local management capacity. The HPDF made its first disbursements in 1999.

Although these projects are very different in terms of objectives, scope, and means, they are considered together here because the HPDF was a direct result of CIDA’s involvement in the Wheat Project. Canadian assistance to both projects comprises a substantial portion of total Canadian aid to Tanzania and spans a period of thirty years and thus provides a good vantage point from which to examine how policy is made and remade. Canadian assistance in Hanang also encompasses a dramatic shift from support to a large, heavily tied mechanized agriculture project to a small community development project with its emphasis on local participation, a shift in emphasis which is reflective of the gradual redefinition of priorities within Canadian programme in Tanzania as a whole over the years.

CIDA’s involvement in Hanang District makes an interesting case study for other reasons. Within Canadian public discourse on aid in both the academic and popular press, the TCWP has come to symbolize all that is wrong with Canadian ODA and has served as a lightening rod for critics of aid in general. It was a high profile project, discussed on the floor of the House of Commons, in Parliamentary committees, academic journals and the international media. In Tanzania, it led to the formation of a presidential commission to examine allegations of human rights abuse on the farms. While these chapters will address the genesis and outcome of the wheat project, the focus will be on how CIDA responded to the problems created by the project and the criticism it engendered. It is meant to be an examination of how an aid agency like CIDA learns or fails to learn, and the factors which influence policy-making in an atmosphere of heightened sensitivity to the possible consequences of each and every action.
The history of Canadian assistance in Hanang comprises a microcosm of the aid process. The cast of players includes a good cross-section of the aid community and thus affords the opportunity to study their relative influence on Canadian bilateral aid policy and on the manner in which aid projects are implemented in the field. In addition to numerous CIDA officials and consultants involved in the projects both in Ottawa and Tanzania, several other actors played important parts in the unfolding of events in Hanang. The central government of Tanzania is represented in the District by the Prime Minister (formerly the Minister of Agriculture) who is the local MP, and he took an active interest in Canadian interventions there, as did representatives of various line ministries. The local District Council is responsible for the administration of social services and community development in the district and played a significant role as a sometimes reluctant partner in determining how the CIDA funded community development project would be implemented. The expansion of the wheat project in the 1980’s brought the local Barabaig population into conflict with the state owned wheat farms and prompted CIDA’s decision to fund a community development project in the area. The response of NAFCO, the parastatal corporation which owned the farms to evidence of violent and illegal acts perpetrated by its employees against local residents, and the activities of Bulgalda and KIPOC, local organizations established to advocate for pastoralist rights in Hanang were both of primary importance in the determination of the nature and scope of subsequent Canadian interventions in the area.

Two Canadian NGOs were engaged in activities in Hanang during the period discussed: CUSO (Canadian University Service Overseas) and the Canadian Lutheran World Relief (CLWR), and both came into conflict with CIDA over their respective actual and proposed interventions in the area. A number of other foreign development organizations operate in Hanang: NOVIB, a Dutch-based NGO; the American Peace Corps; and a few other voluntary organizations which played a less direct role in the events described here. Also significant in shaping the course of events in Hanang in the past twenty years have been a number of academic researchers and representatives of the international media. Add to this lots of money – close to $80 million dollars invested by Canada in the Wheat Project followed by $4.5 million dollars currently allocated for the HPDF, in addition to Tanzanian government resources in support of
both projects (estimated by one source to be greater than the sum of Canadian aid)\(^2\) — and one has a good opportunity to observe the dynamics of aid policy implementation in the field and the manner in which each of these actors and other, more systemic factors have affected Canadian bilateral aid policy. To this end, this Chapter Five contains an examination of the origins of the TCWP. Chapter Six presents a detailed exposition of CIDA’s response to the negative impact of the TCWP on the local population through the process of the design and implementation of the HPDF.

Much has been written about the Wheat Project from a political perspective, and about its social and cultural implications.\(^3\) A number of economic analyses of the scheme have also been conducted.\(^4\) The work of Freeman and Lane in particular has set the tone for the academic debate surrounding the wheat project. Writing in 1982 before the outbreak of violence on the farms and in the midst of their expansion, Freeman analyzed the wheat project from within a framework of marxist theories of the state as a means to explain the motivations of the Canadian and Tanzanian governments in supporting the project. As outlined in Chapter One, she argues that Canada’s desire for political influence abroad combined with the private sector’s ability to ensure that Canadian ODA remains heavily tied explains both CIDA’s willingness to fund an agricultural development project in Tanzania and its design as a mechanized production scheme requiring a large component of Canadian manufactured machinery.

To explain the disjunctive between the Nyerere government’s rhetoric of self-reliance which advocated communal production using locally available technologies to foster economic development, and the government’s establishment of a huge capital-intensive mechanized farming complex in Hanang with an increasing dependence on external aid, Freeman adopts Michaela von Freyhold’s conceptualization of the Tanzanian state.\(^5\) Von Freyhold makes a distinction between

\(^2\) Freeman, 1982:494.

\(^3\) Lane; Freeman, 1982; Freeman, 1978; Monbiot; P. Walsh. In addition there has been voluminous press coverage of the project as listed in the bibliography.

\(^4\) Frank; Stone; Prairie Horizons; Hamilton et al. The project has also generated a large body of scientific research related to wheat production in tropical countries and its environmental implications. See for example Clarke; and reports held in the National Archives of Canada.

\(^5\) Freeman, 1982:485.
the ‘ruling’ and the ‘governing’ classes in Tanzania, arguing that the real ruling class in Tanzania is international capital as represented by the World Bank, the bilateral aid agencies and multinational corporations, which in the 1960’s and ‘70’s were promoting large modernization projects in Africa using western technology. The governing elite in Tanzania acts in concert with these interests and under their command. Freeman suggests that the Ujaama policies themselves led Tanzania to support the establishment of the wheat project in Hanang. She argues that peasant producers responded to forced villagization, inappropriate price policies for agricultural produce, and the inefficiency of the parastatal organizations responsible for supplying agricultural inputs and marketing outputs by retreating into subsistence farming and black market trading. This, combined with drought and the oil crisis caused a dramatic drop in agricultural production in the 1970’s. According to Freeman, the TCWP and the aid supplied by Canada enabled the Tanzanian government to circumvent an uncooperative peasantry in its efforts to deal with the domestic food shortage.

Freeman claims that the combined political and economic interests of the Canadian and Tanzanian governments resulted in an ill-conceived project. She is highly critical of the importation of the western agribusiness model applied in the project and which she views as inappropriate to Tanzanian conditions. Writing at the mid-way point of the project’s life, her major criticisms of the project were of its heavy foreign exchange requirements for fuel, spares and replacements; and the fact that although it was supported by CIDA as a rural development project, it actually bypassed the rural poor and was established as an enclave in Hanang, producing wheat for the urban market rather than foodstuffs for the ninety per cent on the Tanzanian population which live in rural areas. She also quotes several statements from Canadian and Tanzanian officials which suggested that they did not at that time regard the dispossession of the local pastoralist population as a very serious matter. However, Freeman concludes that “In evaluating CIDA’s contribution to the wheat sector in Tanzania, the issues lie in the overall conception of the project, not in its execution by Agriculture Canada and NAFCO.”6

231
With the benefit of hindsight, the history of the TCWP suggests that in focusing exclusively on the determinants of Canadian and Tanzanian policy and on the tied aspect of the project, Freeman’s analysis did not accord due importance to the process of project implementation in explaining aid failure. The mismanagement of the wheat scheme by NAFCO and the resistance of the local residents to the project have subsequently been revealed as major contributing factors in the problems which developed with the project throughout the 1980’s. In addition, although Freeman’s analysis emphasizes the benefits accruing to the Tanzanian government in establishing the mechanized wheat scheme, Burch’s study of British aid to mechanized agriculture in Sri Lanka identifies local elites as key supporters and beneficiaries of this type of assistance. This finding resonates with evidence which came to light in the late ‘80’s and early ‘90’s that certain government officials and large independent farmers in Hanang were using the wheat project’s assets for personal gain.

Writing about the wheat project fourteen years later, it is the local dispute over land use on which Lane focuses his attention. Lane was living in Hanang conducting an anthropological study of the Barabaig in the late 1980’s during the worst period of local unrest and the sometimes violent confrontation between pastoralists and NAFCO wheat farm employees over rights to the land on which the farms were established. While he does not probe Canadian motivations for funding the project, like Freeman he traces the Tanzanian government’s decision to set up the farms to its desire to increase domestic food production. He lays out the Barabaig’s claim to be the legitimate owners of the land on the basis of customary use, and suggests that their way of life has been severely threatened by the establishment of the CIDA funded project. His main argument is a refutation of Hardin’s tragedy of the commons thesis, claiming that the Barabaig are in fact very efficient users of local resources, and that if the government’s intention in Hanang is to increase food production, cattle raising is more economically viable than mechanized wheat cultivation.

6 Freeman, 1982.
8 Lane, 1996.
To address Lane’s central thesis is beyond the scope of this paper, which is focussed on the causes of aid failure and CIDA’s capacity to learn from experience. The issue raised by his research in this context is the failure of Canadian planners to foresee problems in this area and how they handled them when they did arise. However, the evidence presented below will demonstrate that whatever the validity of the Barabaig’s legal and moral claim to the land on which the wheat scheme was built as argued by Lane; and whatever the respective economic merits of pastoralism versus mechanized cultivation may be, the TCWP was an economically unsound investment in and of itself. While the heavily tied nature of Canadian aid as highlighted by Freeman was an important part of this, the primary culprit, as identified by numerous independent consultants reports discussed below, was the geographic isolation of the farms and the cost of getting Hanang wheat to market.

QUESTIONS TO BE ADDRESSED

Revisiting this case several years on, in the context of a study of the causes of aid failure and CIDA’s capacity to learn from experience, the central concerns of the research presented here are of a somewhat different nature to those which occupied Freeman and Lane. In assessing the TCWP, it must be remembered that the project was developed in the late 1960’s when modernization through the transfer of western technology was almost universally believed to be the best route to economic development in poor countries, just as it was believed that economic growth in itself would end poverty. That this has not been the case was not foreseen by very many thirty years ago; nor is such faith in the technological cure so widely held as it was then. A comparison of CIDA’s project portfolio in Africa in the 1960’s – 1970’s and today would seem to indicate that the agency’s development philosophy has, in the words of one CIDA official, ‘matured’ from its wholesale embrace of modernization theory in its earliest years to a deeper understanding of the limitations of this approach to development. While CIDA still has many long standing commitments in large, tied, infrastructure projects on the continent, there has been a gradual trend away from this type of turn-key project assistance. After a certain point, criticizing an aid agency like CIDA for an approach it no longer employs is not useful. Again, it is how it responds to failure which is of interest here. However, in the face of numerous
negative assessments of the project made by consultants hired by CIDA, the agency continued to fund the TCWP until 1993, and one must ask why.

The initial feasibility study had concluded that expanding wheat production by mechanization in remote areas was not economically viable. After the initial success of adapting northern wheat strains to grow in Tanzania, Phase I of the project went badly with poor crop yields over several years, yet the project was expanded fivefold in a second phase. Evaluations of the project conducted during Phase II concluded unanimously that the project was not economically sound. In addition, violence and social conflict had erupted on the farms over the issue of land rights. Yet the recommendations of these reports and the claims of local residents were ignored and the project was extended into a third phase. The primary issue examined here is why CIDA appears to have been so slow to respond to evidence of project failure and, crucially, what finally prompted the agency to change its approach in Hanang? The primary conclusion drawn is that structural weaknesses inherent in the aid process made it difficult for CIDA to respond quickly to evidence of aid failure. CIDA’s main motivation to address the problems its project had created was vocal public criticism in Canada.

In light of the troubled history and outcome of the wheat project, Chapter Five addresses a number of other specific questions: Firstly, given that the staple food in Tanzania is maize, why did the governments of Canada and Tanzania choose to make this huge investment in wheat to meet domestic food requirements? Secondly, given the conflict which arose over the land on which the wheat farms were built, why did the project planners choose to locate the farms in Hanang, and why did they not foresee problems on this front? The argument has been made by Canadian and Tanzanian government officials that the decision to establish the farms on the fertile grazing grounds of the Barabaig was in line with the Nyerere government’s philosophy of placing national objectives like food self-sufficiency above the individual rights of a minority population. Therefore, the question of how successful the project has been in meeting its stated objective of helping Tanzania achieve food self-sufficiency must be addressed. Thirdly, based on an economic cost/benefit analysis, can the project be deemed an effective use of aid funds. Finally, eight years
have passed since after Canadian involvement in the project ceased, and this provides the opportunity to assess how sustainable has this large Canadian-Tanzanian investment proven to be.

The Hanang Participatory Development Fund was initiated by CIDA in response to local resistance to the wheat project, and in reaction to public criticism in Canada. An examination of the genesis of this project provides the opportunity to understand the forces which shaped CIDA’s response to the problems created by the wheat project. As the details of this case illustrates, policy-making does not end with the formulation of policy statements, or with the allocation of funds, or with the identification of specific projects. The process of implementing aid comprises a host of decisions which influence the outcome of aid in fundamental ways. The history of the TCWP and the HPDF presented here is particularly instructive on this point. The decisions made by Canadian aid officials in the 1960’s as to what form Canadian assistance to Tanzanian agriculture would take and where the wheat farms would be located had enormous repercussions for the outcome of the project. Political necessity subsequently determined that CIDA would fund a community development project in Hanang District. The rather arbitrarily chosen sum of $4.5 million dollars was allocated to the project, drawn from the Tanzania Railway Corporation project budget. The decision then had to be made of what to do and how. These decisions were not minor or incidental. Nor were the identification of project objectives and the delineation of a course of action a straightforward exercise. How these matters were resolved were of profound importance to the outcome of the project.

One of the most intriguing aspects of the HPDF is that despite the ardent wishes of all the major players involved at the outset, and particularly those of the funding agency CIDA, that the HPDF⁹ be implemented as soon as possible, it was nevertheless ten years between the conception of the project and the first disbursement of aid funds. During this period, the project objectives were redefined a number of times, the identity of the proposed Canadian executing agency changed five times, and a variety of administrative structures were considered. Project
planners also struggled to identify a Tanzanian counterpart agency. The project was
cancelled once, resurrected, then put on hold again before it finally got off the ground. That a project CIDA was so keen to put into place could be delayed for so long is illustrative both of the complexity of the aid administration process and of the considerable pressure exerted on the aid agency from several quarters during the implementation phase. It is also revealing of CIDA’s capacity for self-reflection and adaptability to changing conditions in the field. While the administrative structure of the wheat project did not give planners much pause in the 1960’s, the identification of a Canadian Executing Agency, a Tanzanian counterpart, and an administrative structure for the Fund were of central importance in determining the objectives of the HPDF and these decisions will be examined in detail here. Given that the conflict over land use lay at the heart of CIDA’s woes in Hanang, particular attention will also be paid to how this issue was handled in the development of the project.

Addressing the specific questions outlined above through a detailed examination of the project identification, design and implementation process in Hanang offers insight into CIDA’s capacity to learn from experience and the effectiveness of oversight mechanisms for the aid programme. This case points to several weaknesses in the aid process as it is currently institutionalized. The combined attentions of the NGO lobby, the media and Parliamentarians brought the wheat project to public attention and prompted CIDA to redress the problems its first project had created in Hanang. However, up to that point, Canadian aid officials seem to have ignored the expert advice on the viability of the project it solicited on several occasions with little consequence beyond public rebuke. In addition, the lack of a provision for conducting evaluations of CIDA funded projects after Canadian involvement has come to an end means that the lessons of project sustainability are habitually lost. CIDA subsequently attempted to redress the problems created by the wheat project through the HPDF. It devoted considerable time and resources to laying the groundwork for the new project in an effort to avoid past mistakes. These efforts have been rewarded by broad local support and commitment to the HPDF.

9 The Hanang Participatory Development Fund was, in the early stages of planning called the Hanang Community Development Project. For the sake of simplicity, its final title is used throughout this discussion.

236
However, this type of project has its own limitations, born of the process in which it was constructed, and these are addressed in Chapter Six.
"After two weeks here you think you know everything about Africa and the wheat farms, and you have all the answers. But after a few months you think that maybe some of the answers won't work, and after six months you realize that none of them will. After a year you realize you'll never understand the place and you never had any answers in the first place... We have tried to introduce a highly capitalized operation based on western business principles and cultural values, and we tried to impose a little stand of that on a country with a completely different culture and business values. I just don't think it will work."

— Lyle Minogue, Saskatchewan farmer and Canadian technical advisor to the Tanzania-Canada Wheat Project, quoted in The Ottawa Citizen, 22 May 1993.

This chapter will examine Canadian assistance to the Tanzania-Canada Wheat Project located in Hanang District, Northern Tanzania. To facilitate the discussion of its long and complicated history, the first section presents a brief chronology of the project from its inception in 1967 to the present. This is followed by a socio-economic description of Hanang District. In addressing the question of the determinants of Canadian aid policy and their impact on the outcome of development assistance, the chapter will then examine the actions of the aid agency at four crucial junctures in the course of the project: the decision to fund the project and its design; CIDA's decision to expand the project despite initial poor results; the decision to continue to fund the project despite several negative evaluations of its potential benefits and economic viability; and finally, the decision in 1993 to end Canadian assistance to the project after twenty-five years. Eight years after Canadian assistance came to an end, we will then assess the long-term impact of the TCWP on Hanang and on the Tanzanian economy.

5.1 CHRONOLOGY OF THE TANZANIA-CANADA WHEAT PROJECT


1 Quoted in Taylor, 1993.
June 1967 – Canadian External Aid Office mission to Tanzania to identify possible projects for assistance. President Nyerere identifies large-scale mechanized wheat production as top priority.

July 1967 – Official request from Tanzanian government for Canadian assistance to develop appropriate seed varieties and in introducing mechanized cultivation practices “as a demonstrator to both smaller producers as well as large-scale producers.”

Late 1967 – Tanzanian government establishes state wheat farm on 2000 acres at Basotu in Hanang.

May 1968 – Pre-feasibility mission to Tanzania highlights doubts as to economic viability of proposed wheat project.

October 1968 – Feasibility study examines several possible sites for development. Notes weak transportation and marketing infrastructure as severe constraints on expansion of wheat production in remote areas.

August 1969 – Review of Canadian aid programme in Tanzania recommends that aid be concentrated on promoting Canadian private-sector involvement in Tanzania through infrastructure projects (railways, hydro-electric power transmission and road-building). Concludes that Canadian expertise relevant to Tanzanian agriculture is limited.

November 1970 – MOU signed between Canada and Tanzania for support to increasing wheat production.

1970 – 1975 – Phase I of Tanzania-Canada Wheat Project ($6.7 million): Experimental research to develop appropriate seed varieties and cultivation techniques in Tanzania. Includes the provision of two Canadian scientists, training for Tanzanian staff, and the technical assistance, machinery and chemicals necessary

2 A summary of all CIDA projects related to the TCWP is found in Appendix II.
for trials at Basotu. Very low yields recorded until adjustment to cultivation methods boosts production to North American levels in 1976. Second farm established nearby at Setchet.

1975 – Request from Tanzanian government for continued Canadian assistance as Phase I of project comes to an end. CIDA advised that a National Wheat Plan “appeared to be a precondition for the allocation of substantially new resources.”3 It funds a wheat sector study ($230,000).4 It was to examine the justification for growing wheat in particular areas, the appropriate scale of production, the type of pre-investment research required, and recommend alternative investment plans. The consultants’ final report outlined technical measures and management practices to be implemented to improve and increase mechanized wheat production in Northern Tanzania. CIDA is not satisfied with the study, particularly with its lack of specific recommendations for alternative investment strategies. It argues that the terms of reference for the study “did not predetermine that the way we have proceeded in the past was or necessarily will be the only way to proceed in the future.”5 The significance of this statement is that CIDA appears to have been open to alternatives to large-scale mechanized production at this stage. However, the sector analysis was not repeated, and CIDA subsequently agrees to continue funding to the TCWP.


Soils survey to identify areas for project expansion ($2.4 million)

1977 – Basotu Farm Equipment ($1.5 million) – provision of spare parts and machinery maintenance tools.

1979 – 87 – Phase II of Tanzania-Canada Wheat Project ($43.9 million):

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3 CIDA Project Termination Report 902/00407.
Technical and capital assistance for the establishment of five new wheat farms at Hanang, bringing an additional 50,000 acres into production. Project included training for Tanzanians in Canada, a staff of 16 Canadian technical advisors in Tanzania, and required farm machinery and agricultural inputs.

By the end of Phase II, CIDA reported that research had provided successfully adapted wheat varieties and yields had stabilized at North American levels. The Arusha Research Institute and the Hanang Wheat Complex were both under Tanzanian management. A Central Maintenance and Service Centre serving all seven farms in the scheme was fully operational. The wheat farms were employing approximately 1700 people. CIDA felt that Tanzanian management capacity was improving, and that it was realistic to look at phasing out Canadian technical assistance by 1991.

However, significant problems were encountered during Phase II of the project: Local opposition to NAFCO’s seizure of land which had traditionally belonged to the Barabaig nomadic cattle herders intensified. Crop yields after 1983 were lower than in 1979 for every year except 1985. This was attributed by CIDA officials to "The difficulties inherent in assisting the absorption into the Tanzanian context of relatively high tech equipment, much of which appeared to have been inappropriately chosen in the initial transfers." There was a shortage of spare parts necessary to run farm equipment, lack of inventory control at NAFCO, and apparent weaknesses in farm management. Further, a series of project evaluations conducted in the 1980’s – '92 were unanimous in their conclusions that the project was not economically viable and would collapse without continued Canadian assistance.

1980 – Spare Parts Technical Assistance Project ($117,000)
1982 – Opening of Line of Credit for Spare Parts procurement for five Canadian assisted parastatals including the Hanang Wheat Complex. ($13.1 million in total).

April 1982 – Reports of private shambas established on wheat project land and project farm equipment being appropriated for private use and therefore not available for regular farm work.  

1985 – Barabaig launch first land claim for Mulbadow farm. They win their case against NAFCO, but the decision is overturned by the Court of Appeal, and the land is returned to NAFCO. Several other claims are brought before the courts.

1986 – CIDA funded Cost-Benefit Analysis of Phases I and II of the TCWP concludes that project is not economically viable. Several other project evaluations over next few years reach the same conclusion.

1987 – 1993 Phase III of Tanzania-Canada Wheat Project ($27 million). Contrary to the recommendations of several project evaluations that the wheat project was not economically viable, CIDA agrees to extend the project into a third phase. In Phase III, no expansion of production was planned. The objectives are: to provide funds for the purchase of replacement equipment and spare parts, technical assistance to strengthen NAFCO management and research capacity (51 p/y – 17 full-time Canadian staff in Hanang, and 65 p/y of training for Tanzanian staff), and a socio-economic study to serve as the basis for long-term planning in the wheat sector. CIDA plans to withdraw Canadian technical assistance in 1991. In fact, Canadian technical advisors remained on the project until funding is cut in June 1993 when all CIDA bilateral aid to Tanzania is terminated.

1989 – Canadian NGO CUSO launches media campaign in Canada against impact of TCWP on local Barabaig population.
– CIDA begins to plan a community development project in Hanang.

7 CIDA Project Termination Report 902/00805/10829.
1989 – Canadian NGO CUSO launches media campaign in Canada against impact of TCWP on local Barabaig population.
- CIDA begins to plan a community development project in Hanang.

1990 – Controls on the pricing and sale of Hanang wheat lifted. Due to its high production costs, Hanang wheat is significantly more expensive that the going market price, and has difficulty finding buyers.

1992 – Evaluation of project concludes that it is not commercially viable, and recommends the privatization of Hanang farms.

1993 – Establishment of Kisanga Commission to investigate allegations of human rights abuse at the Hanang Wheat Farms. Concludes that there have been violent and illegal acts committed against local residents by some NAFCO employees. Finds also that although it had been granted 72,500 acres, NAFCO is operating illegally on 100,000 acres. The Commission determines, however, that NAFCO should retain all land that it had been allocated.

Decision to terminate Canadian bilateral aid to Tanzania, including assistance to the TCWP, which ended in June 1993. NAFCO immediately cancels existing arrangements to procure spare parts and agricultural inputs from Canadian suppliers.

1996 – Commencement of the Hanang Participatory Development Fund.

1996 – Hanang Wheat Farms identified by Parastatal Review Commission as among the enterprises which should be privatized, and they are put up for sale. As yet, no buyer has been found. Wheat yields have declined and large tracts of land lie fallow.

**Figure 5.1**

<table>
<thead>
<tr>
<th>Tanzania Canada Wheat Project 1968 - 1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total funds approved: $77,299,104.44 (for Phases I, II, III)</td>
</tr>
<tr>
<td>Disbursed: $72,102,119.79</td>
</tr>
<tr>
<td>Tied: $69,046,125.36/Untied: 4.24%</td>
</tr>
<tr>
<td>Plus related and ancillary projects as listed in Appendix II, accounting for an additional $17.93 million, mostly tied</td>
</tr>
</tbody>
</table>

*Source: CIDA Project Files*
5.2 A DESCRIPTION OF HANANG DISTRICT

Hanang District is located in Arusha Region in Northern Tanzania (please see map in Figure 5.2 below). The landscape is a mixture of dry scrub and the fertile Basotu plains, which Canadian scientists have described as akin in climate and soil composition to the Saskatchewan prairie. The local Barabaig herders call them 'Muhajega' and have traditionally used them as their wet season grazing grounds. While there are several lakes in Hanang, they are scattered, some of them seasonal and/or saline, with rainfall concentrated between November and March, so that scarcity of water is a constant concern for the inhabitants and their livestock. Hanang covers a total of 3436 square kilometres with a widely dispersed population of approximately 150,000, a projection based on 1988 census figures. The population is a mixture of ethnic groups, of which Iraqw comprise sixty-two percent, Barabaig thirty percent, with the remainder a variety of other ethnic groups. Subsistence farming is the primary occupation of the majority of the population, though a number still practice nomadic or semi-nomadic pastoralism, often in combination with cultivation.

Life is extremely difficult for the majority of residents. Women spend up to six hours a day collecting water from distant and often unclean sources. Apart from a few villages along the main road, there is no electricity, no telephones, no sewerage facilities and few roads. Infant and maternal mortality rates both are estimated at over two hundred per thousand, as compared to infant mortality rates of seventy-five per thousand in Tanzania as a whole and 5.5 per thousand in Canada. There is only one medical doctor in the district and health services as a whole are scarce and overburdened. Access to formal education is becoming more important as the traditional economy breaks down under the incursion of modern capitalism. According to a 1991 survey, approximately forty percent of the population is illiterate,

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10 Evjen, 1991; Statistics Canada.
the percentage higher among pastoralists. Only one quarter of children over the age of seven attend school. Due to a shortage of classrooms and teachers, they average seventy-five to one hundred pupils to a classroom with little in the way of instructional materials.\(^\text{11}\)

**Figure 5.2: Hanang District, Tanzania**

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5.3 THE ORIGINS OF THE TANZANIA-CANADA WHEAT PROJECT

As grim as the statistics sited above are, CIDA’s initial intervention in Hanang District was not focussed on the condition of local residents, but on the nationally identified priority of self-sufficiency in food production. It is worth examining the origins and history of the Tanzania-Canada Wheat Project in some detail as it has been singled out by critics of Canadian aid policy as an example of the failure of aid to meet its stated objectives, and more particularly, of how Canadian commercial interests undermine the aid programme. As noted in the prologue to Part III, the

course of events in Hanang were shaped to a significant extent by a series of decisions made by Canadian aid officials over a period of thirty years: the agreement to fund the wheat project in the first instance; the decisions to expand and extend it into a second and third phase despite poor results; and the aid agency’s response to the crisis which erupted in the mid-1980’s over the issue of land use rights. In assessing the influences shaping Canadian actions in Hanang and their outcome, it is necessary to consider the context in which these decisions were made. Therefore, this analysis will place Canadian involvement in the Hanang wheat scheme in the context of significant policy trends and events in Tanzania and Canada, as well as the prevailing international aid doctrine at each juncture in the life of the project.

5.4 THE ARUSHA DECLARATION AND TANZANIAN COMMITMENT TO FOOD SELF-SUFFICIENCY

Tanzania’s political and economic history can be divided roughly into four phases demarcated by significant shifts in its development policy and its relations with its aid donors. Barkan characterizes the period from independence to 1967 as an era of consolidation for the nationalist government with the continuation of the modernization economic policies initiated in the final years of British occupation. From the Arusha Declaration in 1967 until the early 1980’s, Tanzania pursued a socialist model of economic development. Sobhan labels this the period of ‘local ownership’ of the development process when Tanzania defined its own objectives and strategies with the enthusiastic support of its foreign donors, including that of its later nemesis, the World Bank. This phase was followed by a period of acute economic crisis and a contraction of aid to Tanzania. As described in the previous chapter, the years 1980 to 1986 marked a stand off between the government of Tanzania and the IMF as the government resisted, then finally capitulated to pressure from the IMF, bilateral donors, and from some quarters within Tanzania to implement a structural adjustment programme to liberalize the economy.

In the post ERP-I era (1986 to the present), the initiative for plotting Tanzania’s development policy has shifted from the government of Tanzania to the
International Financial Institutions, and issues of economic and political reform have dominated the policy agenda. A revival of donor support in the late 1980's was followed by a second wave of donor fatigue in the 1990's when the reform programme failed to take hold. Since 1994, there have been renewed efforts to improve Tanzania's relationship with its donors, and a shift in donor assistance to the social sectors, particularly health and education.

At independence in 1961, Tanganyika embarked on the project of national development with a shortage of the resources necessary for the task. The country inherited an economic structure which had been created to draw wealth out of the region and into the coffers of its colonial occupiers. The establishment of a primary, mainly agricultural export oriented economy began with the German occupation in the 1880's. Peasants were compelled to grow cash crops and many were moved onto plantations in the most fertile growing areas. Other regions were designated as sources of labour, laying the foundation for uneven regional economic development.

The British took over the administration of the territory of Tanganyika following WWII under the auspices of the Trusteeship Council of the U.N. However, its policies in Tanganyika were not designed with the development of the territory or the welfare of the local population in mind. To assist in its own economic recovery effort, Britain maintained compulsory cultivation and enforced settlement policies to boost production of export crops such as cotton, coffee, sisal, tea, tobacco, and cashews. The colonial government also attempted to enforce a series of questionable conservation and cultivation practices which were resisted by farmers. Faced with this opposition and with stagnating agricultural production, in its final years, the colonial administration shifted its attention to encouraging progressive individual farmers as a means to increase production. This was a deliberate policy aimed at establishing a rural elite. "It was the intention to increase inequality."

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14 Barkan:8.
18 Havnevik:12.
20 Coulson:55.
The establishment of manufacturing enterprises in Tanganyika was actively discouraged by the British administration.\textsuperscript{21} The transportation system had been built to carry produce out of the territory, not to connect communities or to foster regional development.\textsuperscript{22} Little of the physical infrastructure necessary for industrial production or to provide basic social services existed at independence, and there was a severe shortage of the professional expertise necessary to address these problems on a national scale.\textsuperscript{23} Faced with this set of circumstances, the first autonomous government of Tanganyika led by Julius Nyerere chose continuity over a radical transformation of the economic structure.\textsuperscript{24} While espousing a commitment to the creation of a socialist state, Nyerere wrote in 1962 that “The basis difference between a socialist society and a capitalist society does not lie in their methods of producing wealth, but in the way that wealth is distributed.”\textsuperscript{25}

As detailed by Pratt, independent Tanganyika’s early economic development plans were drawn up with the assumption that a certain volume of financial and technical assistance would be forthcoming, particularly from Britain.\textsuperscript{26} These expectations were disappointed, however, and Tanzania’s relations with its three principal donors – Britain, U.S.A., and West Germany -- soured over political issues in the mid-1960’s.\textsuperscript{27} Nyerere was also dismayed at the development of an elite class in Tanzania. These events prompted a radical redirection of Tanzanian development policy, enunciated in the Arusha Declaration of February 1967.\textsuperscript{28} In this document, the Tanzanian leadership committed itself to the pursuit of a socialist state based on equality and self-reliance. The steps to be taken to implement this vision in Tanzania were outlined in a number of statements and policy documents adopted by the government in the 1960’s and early 1970’s.\textsuperscript{29}
Of central relevance to a discussion of the Tanzania-Canada Wheat Project are the implications of the Arusha Declaration for Tanzanian agricultural policy. Despite the failure of several early government agricultural schemes as described by Coulson, agricultural production continued to rise up to 1967. This Coulson attributes to the expansion of large-scale private mechanized farms in this period and to sheer hard work on the part of small-scale peasant farmers using traditional cultivation practices. However, speaking in the National Assembly in June 1966, Nyerere noted the country’s worsening balance of payments situation, which he ascribed to falling prices for Tanzanian agricultural exports. He argued that Tanzania needed to reduce its imports of consumption goods so that all available foreign exchange could be used to purchase the machinery and other inputs necessary to establish import substitution industries and to develop the domestic economy. He said “It is absurd that this country should still be buying food from abroad.”

The Arusha Declaration stated that agricultural production should provide the engine for economic development in Tanzania. It called for an increase in the production of both food and cash crops for export. Self-sufficiency in domestic food production became a policy objective of the Nyerere government. Of particular relevance to subsequent events in Hanang district, the Arusha Declaration stated that the major means of production in the country should be owned by the state in order to prevent economic exploitation and disparity. Further, it stated that “Because the land belongs to the nation, the Government has to see to it that it is used for the benefit of the whole nation and not for the benefit of one individual or just a few people.” As the events described below illustrate, this view, which granted primacy to the rights of the majority over the claims of minority groups, was contested in Hanang when the state-owned wheat scheme at Hanang was established then expanded with Canadian assistance over the objections of the local population.

With respect to how agricultural production was to be increased, Nyerere argued in 1967 that Tanzania needed to take advantage of modern technology and

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cultivation techniques. However, he emphasized the government’s commitment to social equality, and stated that “there are certain things which we shall refuse to do or to accept, either as individuals or as a nation, even if the result of them would be a surge forward in our economic development.” Among such things as identified by Nyerere, was relying on imported foodstuffs even when they were offered for free, as this increased Tanzanian vulnerability to external forces. He was also opposed the establishment of large, privately owned farming operations in Tanzania.

We have to stop thinking in terms of massive agricultural mechanization and the proletarianization of our rural population...Instead of aiming at large farms using tractors and other modern equipment and employing agricultural labourers, we should be aiming at having ox-plows all over the country...The jembe [hoe] will have to be eliminated by the ox-plough before the latter can be eliminated by the tractor.

Nyerere qualified this statement, however.

This does not mean that we shall have no tractors or modern machinery working in Tanzanian agriculture. We shall have these things to deal with special problems, or working on large, highly organized state farms where there is all the work discipline of a modern factory. But they are not appropriate at the present time for the majority of our farming units; and in any case we cannot afford them, nor could we use them in such a way as to justify their expense.

When Nyerere made this statement in 1967, his government was already in negotiations with Canadian officials around possible Canadian assistance in establishing a large-scale mechanized wheat cultivation scheme in support of Tanzania’s objective of food self-sufficiency. It was the attempted reorganization of agricultural production into communal villages which was the most significant government initiative in the late 1960’s and 1970’s. The proposed wheat project may be viewed as one of the ‘special cases’ to which Nyerere referred.

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33 Ibid:305-06.
34 Ibid:317.
According to CIDA folklore, the TCWP had its origins in a conversation between Canadian Prime Minister Pierre Trudeau and President Nyerere, who were personal friends. In 1967, representatives of Canada's External Aid Office travelled to Tanzania to discuss a variety of possibilities for Canadian assistance there. The Canadian delegation reported that "On our last day in Dar es Salaam, we saw the President who said that the one project he wanted us to get into was mechanized wheat production on a large scale in the Southern Highlands."38

Wheat cultivation was introduced in the southern highlands of Tanzania by the Germans around 1898, and in the north in Mbulu District and near Kilimanjaro shortly thereafter. A large wheat scheme was developed west of Arusha by the British in 1943, but produced low yields and was subsequently abandoned in 1948. Production of wheat continued both in the north and the south on small-holdings using hand cultivation or oxen, with the occasional use of rented tractors, and on larger, private, partially mechanized mixed farms in the north.39 In 1967, the Tanzanian government established a state farm on two thousand acres at Basotu, in what is now Hanang District. The original plan was that the state farm would serve as the nucleus for the development of two hundred acre farms in the surrounding area, to be established on a cooperative basis.40 In 1967 there were in total 80,000 acres under wheat in Tanzania, supplying sixty per cent of domestic consumption at that time.41 The Tanzanian government's objective was to increase this to 200,000 acres by 1970 to meet the forecasted domestic demand.42

Freeman argues that the Tanzanian government "decided to phase out the settler farms and to forestall the emergence of a class of African wheat growers" and that "following its decision to make these changes in the structure of wheat production, the Tanzanian government turned to Canada for assistance."43

40 Ibid:29,95.
41 Beamish et al, 1968: 84.
43 Freeman,1982:490-91.
statements made by Nyerere cited above would seem to support this interpretation. However, this is not in accordance with evidence in archived External Aid Office files. In July 1967, Tanzanian officials visited Ottawa to discuss possible Canadian assistance for a wheat project. They presented Canadian officials with a three-pronged development strategy by which they hoped to boost wheat production.44

Firstly, efforts would be made to increase small-holder production through the provision of extension services and subsidies on agricultural inputs. Secondly, the government hoped to encourage existing commercial tractor-using farmers to increase the output of their operations by expanding their acreage. Finally, the government proposed the establishment of large, mechanized, state-owned farms on a joint-ownership basis with overseas governments. It was envisioned that these farms would not be devoted exclusively to the production of wheat, but would also grow other cash crops in rotation, and raise sheep and other livestock. In the early stages of negotiations around possible Canadian assistance, the Tanzanian government suggested a fourth development strategy: that of recruiting Canadian farmers to settle in Tanzania and produce wheat for the local market in exchange for the right to repatriate their profits to Canada. This idea was dismissed early on as politically unpalatable to the Canadian government on the grounds that the settlers might later be evicted from their land as had occurred with immigrant farmers in Kenya. In July 1967 Tanzania officially requested Canadian assistance to develop wheat seed for Tanzanian conditions and in introducing mechanized practices “as a demonstrator to both smaller producers as well as large-scale producers.”45

5.5 WHY WHEAT

Maize is the staple food of the majority of the population in Tanzania. A plan to introduce large-scale production of a northern food crop in a tropical zone as a means to achieve food self-sufficiency seemed a curious one even to Canadian officials at the time. By way of an explanation, Canadian field staff reported that

45 Ibid.
President Nyerere had been so greatly impressed by Rene Dumont's book *False Start in Africa* that he had distributed copies of the book to all members of his cabinet and had invited Dumont to Tanzania to survey Tanzania's agricultural problems. Besides declaring with the confidence common to the early modernizers that it was possible to conquer underdevelopment in Africa in twenty years, Dumont recommended that Tanzania shift agricultural production from cash crops with an uncertain future like sisal, cotton and coffee to a greater emphasis on rice, cattle and wheat. Canadian officials surmized that this is where the Tanzanian government's interest in wheat arose. It was further suggested that the increased consumption of wheat and bread in Tanzania in the years immediately following independence and the government's desire to further increase production was due to the Africanization of the civil service with its attendant rise in the standard of living and changing tastes for some, and the necessity to provide food for a growing urban population.

5.6 WHY HANANG

In 1968, Canada sent a mission to Tanzania to examine the feasibility of establishing a large-scale mechanized wheat project there. The terms of reference for the mission were to assess the scientific possibility of producing wheat on a large scale in Tanzania, to assess existing economic infrastructure to support the project (i.e. available labour, storage facilities and housing, transportation), and to scout possible sites for the project. The team was also directed to "Outline any significant problems occurring to team arising from social customs, e.g. land tenure, tribal affiliations, etc." With respect to the technical feasibility of producing more wheat in Tanzania, the mission assessed three regions of the country which were believed to have the right conditions for wheat production. Of the originally proposed southern highlands area, and of the lands around Arusha and Kilimanjaro were wheat was already being produced, it reported that the amount of suitable land available for

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46 Dumont:23.
49 Beamish et al, October,1968.
expanded production was limited by steep elevations or insufficient rainfall in some areas, and by the fact that these areas were already densely populated and intensively cultivated. The report suggested that a substantial increase in wheat production would be possible on small-holder farms using hand and oxen cultivation, but that this would require the conversion of land currently growing other crops (some of higher economic value than wheat), improved farming techniques, and the development of an efficient marketing system.\footnote{Beamish et al: 41.}

Of the fertile Basotu area, the mission reported “great potential development is possible,”\footnote{National Archives of Canada file no. RG74 1980-81, vol.41, file no.11-13-28, part 1.} and this was the only site for which the consultants submitted a plan for development to CIDA. However, their enthusiasm for the proposed site was qualified. “Development of land for wheat in this area may be accomplished either by a series of large scale operations under central management, or a large number of individually operated farms with tractor power. Either form of development cannot be safely undertaken at this time with any assurance of continued productivity.”\footnote{Beamish et al: 31.}

Despite the experts’ enthusiasm for the potential of the East African highlands to produce vast quantities of wheat, they did foresee other problems with the proposed scheme, whether it be located in the south or north of the country. Their reservations related to the economic feasibility of the project. It was noted that in a comparison of the capital investment requirements in the form of machinery and buildings (land was considered to be a free good), the sum spent thus far in establishing the state farm at Basotu indicated that the cost per cultivated acre was fifty-two dollars, versus thirty dollars per acre on a similarly sized farm in Alberta.\footnote{Beamish et al: 95-96.} It was further noted that a British supported wheat project in Upifa in southern Tanzania had not proven cost effective, and that other agencies including the World Bank had produced negative feasibility studies concluding that attempting commercial wheat production in remote areas was impractical.\footnote{IBRD Report no. AF-58a, Vol. III, Annex A, Tanzanian Agriculture.}
The main problem foreseen was the lack of transportation and storage facilities as well as other support services, the absence of which would make the production of wheat very costly. The feasibility study noted the importance of an effective marketing system as an incentive to expand production to meet the goal of food self-sufficiency. "Without an adequate means of marketing, such a goal cannot be attained and efforts directed toward increased production would be ineffective, and in some cases, entirely wasted." With respect to transportation, the feasibility study stated that "Although it is physically possible to move wheat from many of the potential areas surveyed, the need for improved roads and better transport services is of prime importance." It concluded that "Inadequate transportation and marketing facilities present restrictions to ultimate cost reductions to levels which would be competitive on the world market."

It was suggested that the construction of the southern railway line and a highway from Dar es Salaam to Zambia might alleviate this problem somewhat in the south, but the proposed site at Basotu was far from the railhead at Arusha, and from a proposed rail extension to Singida, still two days journey to the coast.

Among its final recommendations, the project feasibility study team advised the government of Tanzania to "develop plans to increase wheat production on suitable land in areas now serviced by transportation and marketing facilities," plan to improve transportation services in producing areas, "reassess state farm developments for wheat production to make sure that they are not over-capitalized and that their function as demonstration centres for local wheat farm development is clearly defined," and to "encourage effective wheat production on small farms to supply the local demand and develop experience in those areas which may become commercial producers when necessary infrastructure is provided."

It is significant that while the feasibility study extolled the potential of the Basotu area to grow wheat, it warned of potential local resistance to the scheme.

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56 Beamish et al:82.
57 Ibid:91.
A large scale wheat development scheme in this area would, however, usurp range land presently being used for grazing and could cause overgrazing on the perimeter, as well as create a serious social problem. These consequences must be recognized by government authorities as some dissatisfaction has already been expressed by the local people, and attempts to impede development have been reported by the staff at the Basotu project. Some amicable understanding will have to be reached before an extensive farming development can be undertaken successfully. 60

As described in detail below, the issue of land tenure in Hanang later became a messy problem for CIDA. According to a CIDA official, and in accordance with the feasibility study, the decision to establish the farms in Hanang rather than in the southern highlands was based on the fact that the southern highlands were more heavily populated and placing the wheat scheme there would have been more disruptive to established agricultural production.61 Although files indicate that the official Tanzanian request was to fund a project in the southern highlands, Freeman reports that “According to a CIDA official, Nyerere was sufficiently keen on CIDA continuing and expanding its assistance to Tanzanian wheat production that he deferred to CIDA over its recommendation of suitable sites.”62

5.7 THE DECISION TO SUPPORT THE PROJECT: CANADIAN AID IN SUPPORT OF THE OBJECTIVES OF THE ARUSHA DECLARATION

At the time these negotiations were underway in 1967, Canada’s existing aid programme in Tanzania was quite modest. At Tanganyika’s independence in 1961, Canada’s foreign aid office was only in its second year of operation. In that year, Canada disbursed $27,000 is assistance to Tanzania to fund scholarships for Tanzanian secondary school teachers to study in Canada. Between 1961 and 1964, bilateral disbursements were relatively small, less than $500,000 in total, and consisted primarily of scholarships and the provision of Canadian teachers in Tanzania, a trend which continued up to the Arusha Declaration.63 In the mid-1960’s,

60 Beamish et al: 32.
61 Interview.
Canada also became involved in hydro-electric power development and an aerial survey project.

The Arusha Declaration coincided with the beginning of a decade of rapid expansion in the Canadian aid programme. Between 1965 and 1978, Canadian assistance to Tanzania increased steadily, as did aid from other sources. In the decade of the 1970’s, when the decision was taken to expand the TCWP, ODA to Tanzania increased fourteenfold. Tanzania became Canada’s top recipient of aid in Africa and it occupied a similar position in many other donor programmes. However, Canadian aid has never comprised more than seven per cent of Tanzania’s total aid receipts, reaching its apogee between 1986 and 1989. Further, it is interesting to note that even when it held the status as CIDA’s largest programme in Africa, Tanzania never received more than two per cent of Canada’s total ODA budget. This is a manifestation of the widespread dispersal of Canadian ODA in over a hundred and thirty recipient countries.

Young reports that in September 1969, CIDA hired a consultant to review its aid programme in Tanzania. Tanzania had embarked on a strategy of reducing the role of the private sector in its economy through the nationalization of commercial enterprises and the establishment of state-owned agencies to oversee every sector of the economy. However, the consultant’s report recommended that Canadian aid “should be supportive of private sector activities in Tanzania and Canadian business interests there.” It noted the objectives of the Arusha Declaration, but argued that Canadian resources relevant to agriculture in Tanzania were limited. It recommended that aid financing be concentrated on infrastructure projects like road-building, hydro-electric energy, and the railway. The consultant noted Tanzania’s historical ties to Europe and Canada’s poor record in establishing trade with Tanzania. He argued that tying project and procurement financing offered the opportunity to increase Canada’s exports despite the non-competitive prices of some of its manufactured goods. As outlined in Chapter Three, Canadian regulations on tying aid were quite stringent at

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64 Havenevik:123.
67 Ibid.
this time, and aid officials did not have much room to manouevre on this point in any case.

Contrary to the consultant’s advice, Canada agreed in 1969 to assist Tanzania in increasing domestic wheat production. A review of CIDA’s projects in Tanzania over the past forty years illustrates that the remainder of Canadian aid has been heavily concentrated on infrastructure development. All of CIDA’s major commitments in Tanzania were initiated in the late 1960’s and early 1970’s – support the Tanzania Railway Corporation, hydro-electric power transmission, water utilities, and mechanized wheat production. These projects continued to absorb the bulk of Canadian aid to Tanzania over the next three decades. Decisions taken to support these projects in the early years of the aid programme committed CIDA to a certain path in Tanzania, as it became apparent that they would take decades rather than months to come to fruition, if ever. This must be borne in mind when considering the subsequent actions of Canadian aid officials in Hanang.

5.8 WHY MECHANIZED PRODUCTION

From the vantage point of thirty years on, with the evidence of an underutilized labour force so painfully evident in Tanzania, the decision to pursue extremely capital intensive mechanized farming methods to increase food production seems counter-intuitive. Dumont had counselled assisting individual farmers to increase productivity by introducing incremental improvements to basic hoe cultivation, for example animal traction. “If the whole African countryside were mechanized at once, the government’s would be completely without the foreign exchange to equip factories. Yet factories, safe under their roofs, operate year round, while tractors, particularly in the tropics, can often work only a few weeks a year.”69 Nyerere’s own development philosophy espoused the use of appropriate technology. However, he differed with Dumont as to how agricultural production should be organized. During Dumont’s visit to Tanzania, Nyerere published Socialism and Rural Development outlining his opposition to private ownership of land and the
development of agricultural capitalism in Tanzania, and advocating instead collective farming in Ujamaa villages and state-owned farms, and the cooperative marketing of produce. In addition, there was at that time, a trend towards the mechanization of agriculture throughout East Africa, part of a ‘transformation approach’ then in favour among development planners.

Canadian officials, when presented with the Tanzanian government’s three pronged proposal for expanding wheat production, immediately favoured providing assistance to the establishment of large mechanized farming operations. According to archived documents, this position was based on the opinion of Canadian experts that to meet estimated increased demand for wheat in Tanzania, domestic production would have to double in the following three years. In addition, Canadian officials saw opportunities for exporting Tanzanian wheat to neighbouring countries and argued that large-scale mechanized farming of the type practiced in Western Canada was the only means to increase production and exploit available markets. There is no explicit statement in the archived documents that this approach was favoured because it offered the greatest commercial advantage to Canada. There is a passing reference to the existence of a Massey Ferguson assembly plant in Dar es Salaam which could possibly act as a source of farm machinery. The aid office’s rationale for supporting the project was laid out in an internal departmental memo. It noted that the project had the strong political support of the Government of Tanzania and was within Canadian competence to provide assistance. It also argued that “there could be a reasonably quick return on our investment” and that involvement would allow Canada to ‘pioneer’ a large project with a clear Canadian identity right from the start. It was also noted that “although possible approaches have been suggested, officials are receptive to our ideas of implementation.”

The evidence presented above that Tanzanian officials were engaged in negotiations with the Canadian government over a multi-faceted wheat production

70 Nyerere, 1968.
72 Beamish et al: 111.
strategy including providing support to private farmers at the same time that President Nyerere published an essay denouncing private ownership, gives credence to Von Freyhold’s and Freeman’s interpretation of where the balance of power lies in the Tanzanian state, i.e. in the hands of local economic elites and with international donors and business interests rather than the political leadership. Increasing support to private farmers was on the table as an option, but the Canadian government recommended a large-scale mechanized operation, and this approach was acceptable to the Tanzanian government’s socialist philosophy because it would be owned by the state. Further, as Freeman argued, and as has been outlined in detail in Chapter Three, it is also a fact that in the late 1960’s and into the 1970’s when the TCWP was established, Canadian aid was almost entirely tied to the provision of Canadian goods and services. Canada did not produce many oxen, donkeys, handplows or hoes, and it is highly unlikely that Canadian assistance would have been available for a project of this kind at this time.  

Canadian officials reported that despite the problems anticipated by the feasibility mission and previous studies, the Tanzanian government was intent on proceeding with its plan. “This is not to say that they were unaware of the economic problems involved. It’s just that economics is not the prime consideration at this stage.” The response of one Canadian aid official to the Tanzanian position betrays a hint of the paternalistic approach to assistance for which donors have long been criticized, unfortunately ironic in light of the consequences of Canadian assistance.

...other agencies have already produced many negative reports on the economic feasibility of developing these lands, but...the Tanzanians are determined to open them up, and hence don’t want to be told anymore why it can’t be done. They want to know how to go about it. Canada’s experience in wheat is respected. If we do not tell them how to do it, they will likely go ahead and develop the lands anyway, probably making many mistakes.”

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74 It is interesting to note that in the mid 1980’s, after Canada had loosen its tied aid restrictions somewhat, CIDA did fund an animal traction project in Tanzania, the Mbeya Oxenization Project, CIDA project no. 902/12434.


76 Ibid.
There was dissention among Canadian aid officials and expatriates working for the Tanzanian government on the question of whether Canada should go ahead and support an enterprise that seemed destined for failure. It is interesting to note that the key negotiator on the Tanzanian side was a Canadian expatriate, then serving as Assistant Permanent Secretary to the Minister of Agriculture, and later, in the 1970’s when the project was expanded, as Canadian High Commissioner to Tanzania. In a letter to the Canadian consultant who had headed the first feasibility mission, a Canadian scientist working at the Njoro Plant Breeding Station in Kenya (who had also been consulted on the project) declared of his compatriots who favoured supporting the Tanzanian project proposal:

If they are determined to plunge headlong into large scale projects almost certainly headed for disaster, then I think we should not provide direct help for such schemes [from the research station at Njoro]... We could only warn them against too rapid and unplanned expansion.77

In the end a cautious, tentative approach to the project prevailed, at least initially. In April 1969, CIDA HQ78 wrote to the Canadian High Commission in Dar es Salaam:

We do not wish to become directly involved in an operational wheat production scheme. We would not wish Canada to be blamed for any resulting failures, debacles or unsatisfactory yields which we feel could easily result from a hastily mounted wheat production program.79

The infamous Groundnut Scheme in Tanzania was evoked in support of a cautious and methodically planned approach to land development and crop production in new areas.80 A consultant hired by CIDA recommended that the Tanzanian government be warned against embarking on a wholesale rapid expansion of wheat production in the country on the grounds that all the major world producers of wheat were currently ‘bothered’ by wheat surpluses and therefore, due to the high costs of production in Tanzania, wheat produced for export might yield low or negative

77 Letter dated 25 March 1969, National Archives of Canada
78 The External Aid Office was reorganized and renamed the Canadian International Development Agency in 1969.
returns. A caution of a more self-interested nature was voiced by an External Aid Office official.

"Given the nature of the present international situation surrounding the sale of wheat as it affects Canada, we feel that this factor must be taken into account in the implementation of certain projects already operational and in the approval of certain future aspects."

On the basis of these considerations, Canada's initial aid project in the wheat sector was on a smaller scale than the Tanzanian government had originally sought. Phase I of the TCWP, which ran from 1970 to 1975 concentrated on research assistance on seed varieties and cultivation practices at Basotu in Hanang, as detailed in Section 5.1.

5.9 THE DECISION TO EXPAND THE TCWP IN 1976

As recorded in Figure 5.3, early production figures at Hanang were not encouraging. After an initial success in the first year of operation in 1967, yields were consistently well below average or expected rates over the next decade.

**Figure 5.3**

**WHEAT PRODUCTION AT THE HANANG WHEAT COMPLEX 1967 – 1998**

<table>
<thead>
<tr>
<th>crop year</th>
<th>seeded area (ha)</th>
<th>production (tonnes)</th>
<th>yield (tonnes/ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967-68</td>
<td>121</td>
<td>237</td>
<td>1.96</td>
</tr>
<tr>
<td>1968-69</td>
<td>2,226</td>
<td>289</td>
<td>0.13</td>
</tr>
<tr>
<td>1969-70</td>
<td>3,326</td>
<td>2,960</td>
<td>0.89</td>
</tr>
<tr>
<td>1970-71</td>
<td>3,035</td>
<td>1,821</td>
<td>0.61</td>
</tr>
<tr>
<td>1971-72</td>
<td>3,628</td>
<td>3,869</td>
<td>1.06</td>
</tr>
<tr>
<td>1972-73</td>
<td>2,717</td>
<td>1,255</td>
<td>0.46</td>
</tr>
<tr>
<td>1973-74</td>
<td>3,298</td>
<td>666</td>
<td>0.20</td>
</tr>
<tr>
<td>1974-75</td>
<td>810</td>
<td>408</td>
<td>0.50</td>
</tr>
<tr>
<td>1975-76</td>
<td>2,894</td>
<td>3,943</td>
<td>1.36</td>
</tr>
<tr>
<td>1976-77</td>
<td>6,529</td>
<td>9,391</td>
<td>1.43</td>
</tr>
</tbody>
</table>


Ibid
<table>
<thead>
<tr>
<th>Year</th>
<th>Yield</th>
<th>Wheat</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977-78</td>
<td>8,834</td>
<td>11,153</td>
<td>1.26</td>
</tr>
<tr>
<td>1978-79</td>
<td>9,522</td>
<td>18,663</td>
<td>1.96</td>
</tr>
<tr>
<td>1979-80</td>
<td>10,648</td>
<td>18,168</td>
<td>1.72</td>
</tr>
<tr>
<td>1980-81</td>
<td>16,400</td>
<td>25,256</td>
<td>1.54</td>
</tr>
<tr>
<td>1981-82</td>
<td>17,904</td>
<td>26,319</td>
<td>1.47</td>
</tr>
<tr>
<td>1982-83</td>
<td>21,502</td>
<td>22,577</td>
<td>1.05</td>
</tr>
<tr>
<td>1983-84</td>
<td>22,639</td>
<td>38,033</td>
<td>1.68</td>
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<tr>
<td>1984-85</td>
<td>24,276</td>
<td>46,852</td>
<td>1.93</td>
</tr>
<tr>
<td>1985-86</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>1986-87</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>1987-88</td>
<td>n/a</td>
<td>n/a</td>
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<td>1988-89</td>
<td>25,689</td>
<td>50,350</td>
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<td>25,890</td>
<td>44,530</td>
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<td>1992-93</td>
<td>26,090</td>
<td>33,395</td>
<td>1.28</td>
</tr>
<tr>
<td>1993-94</td>
<td>26,190</td>
<td>28,533</td>
<td>1.09</td>
</tr>
<tr>
<td>1994-95</td>
<td>26,390</td>
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<td>1996-97</td>
<td>26,390</td>
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<td>1.06</td>
</tr>
<tr>
<td>1997-98</td>
<td>21,721</td>
<td>11,411</td>
<td>0.53</td>
</tr>
</tbody>
</table>


At this point, the Tanzanian government considered abandoning the scheme, but the application of new cultivation techniques developed by scientists at the Canadian-funded Selian Agricultural Research Institute managed to improve farm yields to levels comparable to North America. As a result, it was decided to extend and expand the project.

The Tanzanian government had other reasons for continuing with the project. Since 1968, Tanzanian agricultural production had been in decline. In 1973/74, in the throes of a drought, Tanzania was forced to import the bulk of its foodstuffs, including seventy per cent of its maize requirements, and forty-eight per cent of its wheat, in contrast to no imports of wheat in the previous year. In the following year, it imported ninety per cent of its maize, and eighty per cent of its wheat. The droughts of 1973 and 1974 coincided with a fourfold increase in imported wheat.
In 1975, for the first time in its history, Tanzania received emergency grain aid shipments from Canada, among other sources.84

The fall in agricultural production in this period can in part be attributed to drought. In addition, oil shocks resulted in an eightfold increase in imported oil prices throughout the 1970’s,85 and the 1976 war with Uganda absorbed huge amounts of foreign exchange, and combined with falling world prices for Tanzanian exports, reduced the sum available to purchase fuel and spare parts for agricultural machinery. However, there is a general consensus among commentators that it was primarily the result of neglect of the agricultural sector coupled with misguided policy interventions on the part of the government, aided and abetted by donor agencies.86 Despite Nyerere’s adamant statements in the 1960’s that agriculture had to be the engine for development, figures provided by Boesen and Havnevik show that in the 1970’s, investment in agriculture was only around ten percent of government expenditure versus thirty-five to forty per cent allocated to the manufacturing sector.87 Despite this higher level of investment, the Basis Industrial Strategy introduced in 1974 failed to spark industrial development. This sector absorbed a lot of foreign exchange, but because it was based on import substitution, it did not bring much in. Meanwhile, the mass villagization of the rural population which accelerated after 1973, was causing major disruption in agricultural production. Declining food production was further exacerbated by the government’s unfavourable pricing policies for agricultural producers. Prices were well below open market. Peasants responded by retreating into subsistence agriculture.88 Faced with declining agricultural production and an uncooperative peasantry, high import prices for foodstuffs and rapidly depleting foreign exchange reserves, Tanzania was eager to find a way to rapidly increase food production. The expansion of the Hanang wheat farms offered an option to do so.

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83 Young:18.
84 Migot-Adholla:172.
85 Young:13. It should be noted that statistics on agricultural production do not fully capture subsistence production or crops traded in the informal economy, a growing practice in this period.
86 See Lofchie; Coulson; Migot-Adholla; Ndulu and Mwega; Bagachwa; Barkan et al; Boesen et al; Campbell and Stein; Havnevik; Sobhan; Raikes.
87 Havnevik:35-38; Boesen:66-67.
88 Hyden; Von Freyhold.
Canada had reasons of its own for supporting the extension and expansion of the wheat project. The volume of machinery, agricultural inputs and technical assistance required for a fivefold expansion of the wheat scheme would provide an outlet for aid dollars in a period of rapid growth in the Canadian aid programme. While Freeman has stressed the benefit to Canada in aiding an ailing Canadian farm machinery industry through this project,\(^9\) DFAIT files indicate that Canada expressed a willingness at this time to consider supporting other approaches to producing more wheat in Tanzania. In 1977 Canadian officials met with President Nyerere to discuss the project.

We noted that we did not wish to appear to be 'pushing' large-scale mechanized production (i.e. production as practiced in Canada) and were quite prepared to look at other alternatives should Tanzania identify these possibilities. The President noted that the peasants were not particularly oriented toward wheat-growing and that the NAFCO approach was preferred in Tanzania.\(^9\)

As noted in Section 5.1, CIDA commissioned a wheat sector analysis in 1977 to outline alternative strategies for increasing wheat production. The study did not outline any alternatives to continued support to mechanized production in Hanang, and CIDA did not investigate further. It appears that given the President's stated preferences, the lack of ready alternatives, and restrictions placed on the content of Canadian assistance by its rigid tied procurement policy, despite prior doubts as to the economic viability of the venture, Canada agreed to the Tanzanian request for continued assistance to and expansion of the established project in Hanang. As outlined in the summary of the project above, Phase II of the project provided $43.9 million for technical assistance, machinery and other inputs, in addition to the $9.3 million which had been disbursed through other projects following Phase I and before the implementation of Phase II in 1979 (listed in Appendix II).

As noted in Figure 5.3, crop yields at the Hanang wheat farms improved substantially in Phase II of the project. However, other problems soon became apparent at the farms as five new farms were established at Hanang, and an additional 50,000 acres were brought into production. These related primarily to the economic

\(^9\) Freeman, 1982.
viability of the farms, and an increasingly intense dispute over the land on which the farms were built.

5.10 THE ECONOMIC VIABILITY OF THE HANANG WHEAT FARMS

In 1985, a report by a CIDA analyst on Phases I and II of the TCWP confirmed the reservations of the initial project feasibility mission as to the commercial viability of the project. The 1985 report concluded that “although the farms show a favourable profit and loss result, they are not commercially viable, the major problem being their remote location and the ‘crushing cost’ of transporting the wheat from Hanang to Arusha.”91 In 1986, CIDA hired an independent consulting firm to conduct a cost/benefit analysis of project operations between 1968-85.92 In light of subsequent events, it is worth noting that one member of the research team was later a regional coordinator for the NGO CUSO in Canada. Again, the consultants concluded that when subjected to a strict financial analysis which assumed that cost-free access to foreign exchange, Canadian grants, spare parts and good weather was assured, the farms could be deemed to have been a profitable investment. However, without access to the foreign exchange necessary to buy the machinery and other inputs (purchased in Canada by CIDA procurement officers), and the fuel (purchased in Tanzania) required for mechanized cultivation, and without the subsidies provided to the farms in the form of grant aid from Canada, a guaranteed price and market from the NMC, and rebates on fuel and transportation costs from the Tanzanian government, the farms would operate at a loss. If all investments had been made on commercial terms, the farms would not have been economically viable.

Since the project’s inception, its major capital costs had been met by ODA grants from Canada. Since 1976, the farms had been fully reimbursed from the state-owned National Milling Corporation for transportation and gunny bag costs. The 1986 study concluded that based on calculations which assumed that half the costs of research and crop trials would be borne by the farms, and all of the infrastructure and

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91 From Termination Report CIDA Project No. 00805-10829.
administration expenses (including farm machinery, inputs and salaries, storage facilities, and on-site road and water works), the Investment Rate of Return (IRR) of the project would be 2.4 %, which was less that the 3% real discount rate. The Net Present Value (NPV) of the Hanang Farms would be (-)50 million Tsh, and the Benefit/Cost Ratio would be calculated at 0.99. If the costs of transporting Hanang wheat to Arusha were included, the IRR would be (-)25%, the farms would have an NPV of over (-)1.5 billion Tsh, and a benefit/cost ratio of 0.82.93

The consultants concluded that the costs of production were far too high for the venture to be commercially viable, with transportation (as anticipated by the feasibility study of 1968) the major problem. Getting the wheat to Arusha (which was still a day away from consumers in Dar es Salaam) accounted for close to fifty percent of the costs of production.94 The report noted that Tanzania could import Canadian wheat for less than it cost to grow its own. Further, they questioned the wisdom of trying to grow wheat for the Tanzanian market in the first place, suggesting that other food crops might offer more bang for the buck in nutritional terms. The report concluded that "From a technical standpoint the project and the aid have to [be] considered extremely successful. On the other hand, judged against economic criteria, the Project appeared to be very expensive for Tanzania in terms of resources used up and foregone economic opportunities."95

The report recommended that if Canadian assistance were to be extended for a third phase of the project, it should aim to phase out the production of wheat at Hanang and to investigate alternative crops and methods of cultivation. This recommendation was echoed in an evaluation of the research aspect of the project conducted in 1988.96 Interestingly, this report was prepared by a consultant who had been involved in the design of the original project in 1969. In 1988, he advised CIDA that if the project were to continue, the emphasis should be on the development of cultivation practices using animal traction and other intermediate technologies which were not so dependent on foreign exchange or on the availability of spare parts. He

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93 Prairie Horizons:70.
94 Prairie Horizons:60.
95 Ibid, pg viii.
96 Prairie Horizons:70.
also recommended that research on crop diversification be pursued. He was of the ‘emphatic opinion’ that there was an urgent need to change the focus of the project from large scale farming to the problems faced by small and medium sized farmers. He suggested the possibility of dividing the Hanang Wheat Complex into between seventy and seven hundred smaller farms to be operated under private ownership.97

In 1989, CIDA funded another study which compared the relative merits of large-scale mechanized wheat production in Hanang with small-holder production as practiced in Mbeya District in southern Tanzania.98 The study compared the two modes of production in terms of the costs of production; foreign exchange requirements; infrastructure requirements including transportation; yields; impact on employment; and on local and national income. Using a cost benefit analysis which took into consideration the subsidies with which the Hanang farms operated, the researcher found that

Results of the analysis show small-holder wheat production to be more financially and economically profitable in producing wheat for either the inland or coastal market compared to large-scale mechanized production based on 1987-88 conditions.99

Addressing the question of what was the most efficient source of wheat overall for both the coastal and inland markets, the researcher concluded:

While small-holder wheat production can serve either market at less real resource cost than imports, it makes more economic sense for Tanzania to import wheat directly for the coastal market rather than attempting to use large-scale mechanized technology for serving this market.100

The financial ailments of the Hanang farms were exacerbated by the government controlled pricing and marketing of wheat. Frank notes that in the 1980’s the price paid to wheat producers by the government (the only authorized buyer) was

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97 Ibid.
98 Frank, 1989.
99 Ibid.
100 Ibid.
more than three times lower the going rate on the open market. However, these were not the only problems confronting CIDA in Phase II of the project.

5.11 THE CONFLICT OVER LAND RIGHTS IN HANANG

The dispute over land rights in Hanang began in earnest with the fivefold expansion of the wheat farms in 1976. The root of the conflict was the acquisition of the land on which the wheat farms were built by NAFCO. Under Tanzanian law, all land is considered public although individuals and corporations can obtain rights of usage for periods up to ninety-nine years either by presidential approval or on the basis of 'customary use.' NAFCO applied for and received from the government permission to occupy an additional fifty thousand acres in Hanang. This land is extremely fertile and the area sparsely populated. However, the land is also a traditional grazing area for Barabaig cattle herders and the establishment of the farms upset their seasonal migration patterns and deprived them of access to grazing areas and water. The atmosphere in Hanang was tense in 1980's. There were incidents of rape, brutal beatings, confiscation of livestock found on farm land and the destruction of Barabaig property by NAFCO employees. Workers seeded the fields under armed escort. Local people planted maize in the tilled land, and the tractors came along behind planting wheat. With the assistance of the Canadian NGO CUSO and the legal aid services of the University of Dar es Salaam, in the mid-1980's the Barabaig brought land claims for four of the farms before the courts, arguing their customary right to the land. The first of these claims, for Mulbadow Farm, was initially decided in their favour in 1985, but later overturned by the Court of Appeal. According to CIDA files, following the Barabaig win in 1985, President Nyerere assured NAFCO that the farm would be returned to it. In 1999, some matters were still before the courts, but the 1993 Kisanga Commission chaired by the

101 Frank:28.
102 Lane, 1996. Total compensation paid to those occupants/users evicted from the land to make way for the farms in the mid '70's was $27,426 (among a population of 33,000 Barabaig). Source: CIDA File no. 902/11-835-63.
103 Kisanga Commission Report, 1993; Lane, 1996.
104 Interview with NAFCO official, June 1999.

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Chief Justice of the Court of Appeal had recommended that farm ownership be retained by NAFCO.

The violence on the farms created an ugly problem for CIDA. Despite the recommendation in the initial project feasibility report in 1968 to address the ramifications of existing land tenure before embarking on the project, Canadian aid officials failed to consider potential confrontation over this issue in Hanang. Twenty years later, they were wringing their hands over how to deal with the matter as reports of events on the farms reached the international press. CUSO launched a public information campaign in Canada and representatives of the Canadian and international media became frequent visitors to the farms. At first critical of the tied aid aspect of the project, they now focused on the human rights angle.

CIDA pursued the matter by pressuring the Tanzanian government to take action. In 1987 a CIDA representative met with the Tanzanian High Commissioner in Ottawa to discuss the matter. The High Commissioner expressed the view of the Government of Tanzania that the matter was "a Canadian problem" and that the "Barabaig issue was being promoted in part by outsiders."The government finally agreed to set up a Commission to review charges of human rights abuses on the farms in 1993. In the mean time, CIDA attempted to counter charges that the wheat farms had had a detrimental impact on local residents by channeling Canada Fund aid to the District to build classrooms, dispensaries, water wells and other small community oriented projects. It also began in 1989 to plan for a larger community development project in Hanang, discussed in the next chapter.

5.12 THE KISANGA COMMISSION

Under Canadian pressure, in December 1992, the Tanzanian government established the Commission on Violations of Human Rights in the NAFCO Wheat Farms, Hanang District under the chairmanship of Justice Robert Kisanga of the Tanzanian Court of Appeal. The commission delivered its final report in February

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1993 (just days before Canadian aid to the wheat farms was finally terminated). Its findings are discussed here as they relate to events which occurred on the wheat farms during the expansion of the project in the late 1970's and early '80's, and both prior to and following the extension of Canadian aid to the project into a third phase in 1987.

The Kisanga Commission was mandated to investigate charges of human rights abuses perpetrated by NAFCO farm employees against local residents, primarily Barabaig pastoralists. It heard testimony from individual residents of Hanang as well as from NAFCO management in Hanang and Dar es Salaam, local government officials in Arusha and Hanang, CUSO cooperants posted in the area, human rights organizations, CIDA officials, and from an Australian anthropologist/activist working in the area. The basis of the Barabaig grievance against NAFCO as laid before the Commission was that the wheat farms had been established on their land without their consent or participation, and as a result, they had lost their grazing areas and access to water, and their sacred sites had been defiled. NAFCO had then illegally expanded its government approved acreage of 70,000 acres to 100,000 acres with large tracts cultivated as private shambas by NAFCO employees. A Barabaig land claim against NAFCO was before the courts at the time of the Kisanga inquiry, with legal aid funded by CUSO. Residents also claimed that the wheat farms had caused the pollution of local water sources by the aerial spraying of chemicals, and that farm cultivation techniques had caused serious soil erosion. In addition, the Commission reviewed numerous charges of rape and brutal beatings, the destruction of homes, forced removal, impounded cattle, and denied access to water. It was also alleged that the Barabaig had been subject to 'unjustifiable or repressive charges and sentences' for committing relatively minor crimes, for example, picking up the remains of wheat left in the fields after the harvest. There were many instances of trespass and theft of wheat which had resulted in stiff sentences.\footnote{For example, five women had been jailed for a mandatory five years each on the charge of theft over 5000 TZ shillings from a public corporation (approximately $10) in accordance with the Minimum Sentence Act of 1972. The women were subsequently released under Presidential Amnesty in 1993.}

\footnote{Hon. Mr. Justice Kisanga, 15 February, 1993.}
NAFCO admitted that some Bung'eda (sacred sites) had accidentally been destroyed and that several employees had set up personal shambas on NAFCO farm land without authorization. However, the position taken by NAFCO farm management was that most of the allegations made were fabrications. It claimed that the impounding of cattle found on farm land and imposition of fines for trespassing had ceased in 1985. The parastatal officials stated that they had followed legal procedures in acquiring the land on which the farms were built, and that the problem in their view was that the District administration had not made arrangements to resettle the Barabaig. For its part, the District Council admitted that some people had not been compensated for the loss of their land, but argued that this was because they were not around when the valuation was done.

The Commission determined that of the ninety-nine cases of alleged human rights abuse brought before it, forty-five involved actions taken by NAFCO employees against local residents. Reviewing these, the Commission concluded there was “no evidence of any repressive charges brought by NAFCO employees against any Barabaig.”\textsuperscript{109} In its view, there had been offences of trespass and theft committed, and the sentences imposed by the courts had been in accordance with Tanzanian law. However, the Commission did find instances in which residents had been subject to double prosecution – fined both by NAFCO farm management and again by the District court. The Commission concluded that the horrific accounts of rape, assault and destruction of property by NAFCO employees were true in most cases. It also determined that some NAFCO employees were involved in private large scale farming on state land, and that the Barabaig were being denied fair access to water sources. The Commission stated that these illegal acts had been committed by several individuals employed by NAFCO, and were not in accordance with either Government of Tanzania or NAFCO policy. The Commission took pains to make clear its position that “Despite the many criticisms levelled against NAFCO farm employees, NAFCO farms have brought advantages to the nation and the inhabitants of the areas around those farms.”\textsuperscript{110} The Commission made a long list of recommendations to the government to resolve the conflict in Hanang and address

\textsuperscript{109} Ibid.
\textsuperscript{110} Kisanga, 1993:44.
local grievances. As a result of the Commission’s findings, several NAFCO employees were transferred out of Hanang, as was the District Security officer.

5.13 THE DECISION TO EXTEND THE PROJECT INTO PHASE III:

Although it was not until 1993 that these issues were given a public airing, CIDA officials were not unaware of local grievances against NAFCO, allegations of corruption made against farm management, and the sometimes violent confrontations between NAFCO employees and local residents. Given the considerable problems the wheat project was experiencing throughout the 1970’s and ‘80’s, and the expressed opinion of several experts that the farms were operating at a financial loss and would never be self-sustaining, the decision made by CIDA in 1987 to invest an additional $27 million in the project and to extend its involvement into a third phase does not appear to make sense. In searching for an explanation for this course of action, it is useful to consider the wheat project in the broader context of Canada’s other aid commitments in the country, and the growing economic crisis in Tanzania in this period.

All of the consultants’ reports cited above identified a shortage of foreign exchange to buy spare parts as a major constraint on the success of the project. This problem had become apparent to CIDA officials in the late 1970’s and was in fact a difficulty CIDA was encountering with several of its projects in Tanzania and elsewhere at the time. Since the initiation of the aid programme, Canadian aid has been concentrated in capital-intensive infrastructure development (power transmission, water plants, rail as well as mechanized agriculture) of which the supply of Canadian manufactured equipment and technical expertise comprised the bulk, Canadian aid being heavily tied. As Tanzania’s financial crisis became acute in the late 1970’s, much of the Canadian equipment supplied to Tanzania through the aid programme was rapidly becoming inoperative. This was seen by Canadian officials as doubly bad. Not only was production falling and the economic situation worsening, but idle, broken down machinery and failing projects were seen to reflect

poorly on Canada's commercial reputation and aid programme performance.\textsuperscript{112} By the early 1980's CIDA officials had developed a certain appreciation of the shortcomings of the highly tied, capital-intensive project focus of the Tanzanian programme. There was a recognition that much of the relatively high tech equipment "appeared to have been inappropriately chosen in the initial transfers...The lesson here is the need for the provision, under aid projects, of simpler and more 'appropriate' technologies."\textsuperscript{113} However, it was also felt that "Past tied aid projects conferred a moral commitment to provide after sales service."\textsuperscript{114} Canadian aid officials faced a dilemma.

Pragmatically, it was accepted that development aid represents a long-term commitment. If five years was inadequate for absorption of much donor supplied capital infrastructure and equipment, Canada could either commit itself for an unknown period of gradual learning and absorption, helping to salvage past aid projects...or it could write off years of effort and millions of dollars of investment as a sunk cost, and use the resources for a new direction. Rightly or wrongly, Canada chose to stand by its past projects.\textsuperscript{115}

This choice sheds some light on the otherwise baffling decision by CIDA to extend the project into a third phase in 1987. In 1980, CIDA opened a $13.1 million line of credit for spare parts for six parastatal enterprises in Tanzania which had received Canadian aid in the past, of which the Hanang Wheat Complex was one. Thus, by the time the various evaluations of the Wheat Project were made in the mid to late 1980's concluding that the project was not an effective use of aid funds and recommending that CIDA shift its assistance elsewhere, the decision as to the direction the aid programme in Tanzania should take had already been made. An attempt was made to incorporate some of the consultants' recommendations into the programme, as evidenced by a rural development project initiated in Mbeya in the mid 1980's, and research into crop diversification which formed part of Phase III of the Wheat Project approved in 1989. However, at the wheat farms, a huge Canadian

\textsuperscript{112} CIDA Project Termination Report, Tanzania-Spare Parts Line of Credit, CIDA Project no. 902/10825. See also CIDA Project Termination Report no. 902/00127, the Siha Semi-automatic Bakery in Dar es Salaam (1970-1978); c.f. Coulson, 1980; Young, 1983.

\textsuperscript{113} Ibid.

\textsuperscript{114} Ibid.

\textsuperscript{115} Ibid.
investment had yet to be brought to fruition, and over the next several years, CIDA pumped millions more into the project. The decision made in 1968 to pursue large-scale mechanization to increase wheat production set in motion a chain of events which, short of walking away from the project, CIDA found difficult to redirect. Echoing those which preceded it, the final CIDA funded evaluation of the project in 1992 concluded that the farms were not generating sufficient profit even to replace worn out machinery. This posed a major problem for the future of the farms as two thirds of the major equipment was ten or more years old, and less than half of it was then in good condition. Respectable crop yields were recorded up to 1991/92, but the project’s other problems continued unabated. Canadian assistance to the Hanang Wheat farms came to an abrupt end with the cancellation of all Canadian bilateral aid to Tanzania in 1993, as discussed in Chapter Four.

5.14 THE LONG TERM IMPACT OF THE WHEAT PROJECT

The official CIDA position on the wheat project is that it was a success. At the time of Canadian withdrawal in 1993, the Hanang farms were producing fifty to sixty percent of Tanzania's annual wheat requirements. As a result, Tanzania had become one of the few countries in Africa which do not regularly rely on food aid. In 1993, CIDA estimated that this boost in domestic production had saved Tanzania about $140 million in import costs over twenty years. It was claimed that subtracting the approximately $87 million Canadian investment in the project from this amount still results in a positive net return.

CIDA has also argued that the Hanang Wheat Complex has further benefited government coffers by paying corporate taxes, $4 million in 1992, for example. According to a CIDA official speaking in 1993, "The farms represent one of the few parastatals that are not a drain on but a contribution to the Government of Tanzania's budget." It has also been noted that one hundred and twenty-one Tanzanians have

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117 CIDA document containing these figures notes that they are expressed in nominal terms, and that in current dollars, the figure would be much higher. Fax from Dar post to CIDA HQ, 14 April 1993, CIDA file no. H902/18705-01, vol.1.
118 Ibid.
received training in wheat farming, and that an agricultural research facility has been established in northern Tanzania.

CIDA has also argued that contrary to popular press opinion, the farms have benefited the inhabitants of the District of Hanang. The farms currently provide employment for approximately four hundred people, though at the time this research was conducted, many of them had not been paid for some months. When it ran electrical power lines out to the Wheat Complex in the early years, the Canadian government paid for the electrification of several villages en route and of the nearest hospital, which is located thirty-five kilometres northwest in Mbulu District. The wheat project also incorporated the improvement of roads to the farms, and the establishment of a reliable water supply for the farms and nearby residents. Schools and dispensaries were established on the farms and are open to local residents. In addition, the Wheat Farms are required to pay an annual cess to the District Council of two shillings per kilo of wheat sold. This money is meant to support community development activities. CIDA’s Annual Review of 1980-81 referred to the Wheat Project as “CIDA’s most spectacular project in Commonwealth Africa” and stated “On a plateau in Tanzania, where the weather is remarkably like that of a Saskatchewan summer, Tanzanians thank God – and Canadians.”

There have been many voices to the contrary, however, among local residents, academics, and the international media. As reviewed above, several studies of the project conducted by independent consultants have concluded that while the project has been very successful in adapting wheat varieties to Tanzanian conditions and in improving crop yields, the Hanang farms have never been economically viable and have not proved the most effective way to supply the domestic market.

The calculated savings on wheat imports cited above does not include the sum of Tanzanian investment. It also assumes that the same quantity of wheat would have been imported at official exchange rates, rather than some more economical foodstuff; and that the shortfall could not have been met by domestically produced maize, for

119 Ibid.
120 Interview.
example. Bearing in mind the findings of the several evaluations cited above, this assessment does not consider the considerable opportunity costs attached to the project, and the likelihood that the $87,088,270 CIDA has invested in the TCWP could have been invested in a more economically productive enterprise.

The project has also been severely criticized for not taking due consideration of the socio-economic impact of the farms on the residents of Hanang, or their impact on the natural environment. A spokesperson for a local community group interviewed by the Canadian press at the time the project was cancelled in 1993 cited evidence of the social upheaval caused by the project and declared “All these will be permanent reminiscence of CIDA involvement in wheat growing on the Barabaig plains, just like the memory of the USA atom bombing in Hiroshima.” The project has proven a chronic source of embarrassment for CIDA, and a CIDA official interviewed at the same time stated “With hindsight, if I had had that decision to make back in 1972, I would not have touched it with a ten foot pole.” Despite CIDA’s official insistence that the TCWP was a success, there is at least an unofficial recognition that this was not the case.

Seven years after the termination of Canadian assistance to the Hanang Wheat Project, it is possible to draw some conclusions as to the sagacity of CIDA’s decision to stay the course rather than cut their losses and try a new approach in 1968, 1976 or 1987, and of the long term impact of Canada’s investment in Tanzania’s agricultural sector through the wheat farms. Annual production and sales figures at the farms have fluctuated over the years, but have fallen off sharply since 1993, the year Canadian involvement came to an end, as can be seen in Figure 5.3. In 1999, the farms were in dire straits, with yields at their lowest since the experimental stage of the project. Large tracts of the farms have lain fallow for two to three years and Barabaig herders graze their cattle quite freely where once they would have been arrested or attacked for doing so. Without Canadian aid money and suffering from managerial problems, the farms are cash poor; some of the seven farms are currently unable to pay their workers or to buy the necessary inputs to seed and harvest all of

122 Quoted in Walsh, 1993.
their fields. Farm management attributes this situation to a combination of factors. Drought and the climatic upheaval caused by el nino have had a devastating impact on agriculture throughout Tanzania in recent years, accounting at least in part for the drop in production. Farm officials also suggested that the burden of maintaining Canadian supplied equipment has proven too much. It is claimed that the farms are overstocked with machinery bought from Canada under the aid project. Farm capital is locked up in this equipment whether or not it is used and there is a steady depreciation of farm assets. Financing and obtaining spares from Canada is a chronic problem, more acute since the withdrawal of Canadian funding and technical assistance.124

Selling Hanang wheat has also proved problematic. For years, Canada pressured the government of Tanzania to remove the restrictions on the sale of wheat requiring all producers to sell only to the National Milling Corporation and at a set price which did not accurately reflect supply, demand or the costs of production. In 1990, Tanzania lifted this restriction and trade in wheat was liberalized. However, the result for the Hanang Wheat Farms was not what had been hoped for and the sale of Hanang wheat has fallen off in the new free market environment where cheaper imports undercut Hanang prices.125 In 1994 it was reported that imported wheat from France and Belgium was selling in Tanzania at $120 US a tonne as compared with $215 US a tonne for Hanang wheat.126 Sales figures are not openly available, but CIDA reported that in 1990 the Hanang farms harvested 38,263 tonnes of wheat of which it sold 17,000 tonnes. A similar situation prevailed in 1996.127 A 1992 organizational audit concluded once again that the complex “is not currently economically viable” and recommended that the farms be consolidated and sold.128 In 1996 Tanzania’s Parastatal Reform Commission added the Hanang wheat farms to its list of public corporations to be privatized and the farms were put up for sale. As of

123 Quoted in Dave Todd, April 13, 1993.
124 An example given by Hanang Wheat Complex official was the fact that two of the seven farms were stocked with eight Versatile tractors each. The other five had three tractors each and find this adequate to do required work.
125 Sales figures not available. Statements based on interview with NAFCO official.
127 CIDA Project Termination Report 902/11835 – Tanzania-Canada Wheat Project Phase III; interviews.
128 CIDA Project Termination Report 902/11835 – Tanzania-Canada Wheat Project Phase III.
1999, a buyer had yet to be found. Staff morale in this environment of uncertainty is low.

5.15 CONCLUSIONS

The primary accomplishment of the Tanzania-Canada wheat project has been the successful adaptation of wheat varieties for production in a tropical climate. However, with respect to the long-term benefit of this work to Tanzania, the TCWP was worse than a waste of money. It is true that the Hanang Wheat Complex has made a positive contribution to the Tanzanian economy by supplying large quantities of food over the past thirty years. However, all of the evaluations cited above concluded that this production was highly subsidized, and that the country’s food requirements could have been met more cheaply by other means. The location of the scheme in Hanang disrupted an established pastoralist economy, causing social upheaval and land degradation; costs not offset by the meager economic returns of the project. Indeed, both the land and the aid money could have been used more productively for other purposes. It must be concluded that the farms have proved a bad investment of Canadian and Tanzanian resources and one which has not fared well since the withdrawal of CIDA funding. Looking across acres of fallow fields in 1999, it is difficult to see much evidence of the $87 million CIDA invested there. Unfortunately, the most lasting legacy of the TCWP seems to be the conflict it created between residents and the government of Tanzania over the land itself. It is this conflict which prompted CIDA to fund another project in Hanang in the late 1990’s, this time a community development project targeting local residents. This project is the subject of the next chapter.

The failure of the TCWP is not a great revelation. Africa is littered with grand modernization projects which met the same fate. What is of particular interest here is what this case reveals about the way aid policy is made and the aid agency’s capacity to learn from experience. The most significant finding is that Canadian aid officials were able to disregard expert opinions as to the unfeasibility of the project, both before it was implemented, and after several negative evaluations made in the 1980’s. Again, this points to a weakness in the oversight mechanisms governing the aid
programme. Canadian political and economic interests abroad were permitted to over-ride expert advice and direct evidence of policy failure. It seems clear that the decision to fund the project in the first instance was made for political reasons: to promote good will between Canada and Tanzania, and to establish a Canadian presence in Africa.

As set out in Chapter One, it is also frequently contended that Canadian aid and foreign aid in general is used primarily by donor countries to advance their own commercial interests abroad. The evidence presented in this thesis thus far (on policy decisions re: untying aid, the decentralization of aid administration, and the 1993 aid budget cuts) largely supports this view. Certain aspects of the critique of the wheat project from this perspective appear to be overdrawn. For example, Freeman’s claim that the aid programme has served as a ‘vehicle for capital accumulation’ in Canada. The statistics presented in Chapter Three show that in financial terms, the benefit of tied aid to the Canadian economy has in fact been almost imperceptible. However, we have shown that those who do benefit from aid contracts do appear to have a disproportionate voice in determining aid policy and do enjoy preferential access to decision-makers.

The history of the TCWP and the HPDF as outlined below demonstrate that both were conceived within limits set by Canada’s economic and political interests. These parameters are set at a more preliminary stage in the aid process, in the policy-making and programming stages. There is no evidence in the archived project files and related memoranda that the wheat project was a deliberate attempt to promote Canadian commercial interests in Tanzania. In fact, there is evidence that CIDA specifically did not want to be seen to be advocating mechanized agriculture in Tanzania and at least expressed a willingness to consider other modes of assistance. That aid officials failed to investigate alternative development strategies (as CIDA itself had suggested was advisable prior to the implementation of Phase II of the project) is evidence of a flawed planning process rather than a explicit attempt to use the project to sell farm equipment. The design of the project is more readily interpreted as an example of the unreflective nature of early modernization attempts. Even if Canadian aid had been untied, it is unlikely that Canadian planners in 1968
would have recommended the development of small-holder production of wheat or other grains because that was not the Canadian method of food production.

The project may not have been designed specifically to unload Canadian made tractors. But, as previous chapters have demonstrated, the pressure to use the aid programme to advance Canadian commercial interests abroad has been applied very heavily and effectively in the policy-making phase. Canada’s stringent tied aid policy and the early emphasis on modernization and infrastructure projects in the Canadian aid programme both shaped the original design of the TCWP, and constrained future options open to aid officials once problems became apparent. Thus is the scope for achieving developmental objectives through aid often circumscribed even before a project begins.

In the early ’80’s, there was a recognition at CIDA that the direct transfer of expensive machinery requiring skilled maintenance and imported spare parts was inappropriate for Tanzanian conditions. CIDA faced a choice: to write off the millions of dollars which had been invested in the TCWP, the Tanzania Railway Corporation, and other infrastructure projects, or to try and salvage these projects. In the case of the TCWP, the evidence was so overwhelming that the project was costing more than it was producing and could never be self-sustaining that the decision to continue funding it appears to have been ill-advised at the least. In trying to explain CIDA’s decision to fund the project, its original design, the decision to expand the project in 1976, and to invest millions more in the scheme after its failure became apparent, one is left with a combination of a display of the willful, logic-defying optimism which characterized many early development efforts; Freeman’s argument that supporting the project served Canada’s interests abroad – if not its commercial interests, then its political ambitions; and the rigidity and path dependence inherent in the aid programme which limited the scope for a new approach in Hanang.

Recognition must also be given to the role of local constraints encountered in the implementation phase and the failure of Canadian planners to recognize them as such in undermining the success of the wheat project. For example, even if ox ploughs had been used rather than combine harvesters, the lack of an adequate
transportation and marketing system would have posed a major challenge wherever the scheme was located. The implementation and operation of the wheat project were also significantly affected by factors beyond CIDA’s control. As described above, several NAFCO employees were proved to be using farm assets for personal gain and abusing their authority in other ways. The local District Council appears to have been unwilling or unable to resolve the conflict between NAFCO and local residents. NAFCO farm management also shared the bureaucratic inefficiencies common to other parastatal companies in Tanzania.

This situation raises the issue of donor versus recipient responsibility for the management and outcome of an aid-assisted project. Although Canadian research had indicated that the wheat farms were not a sound financial investment, CIDA had funded them anyway in response to the Tanzanian request. In the 1980’s, CIDA was loathe to become involved in the resolution of the crisis on the wheat farms. The question in this case and in other cases where aid projects go wrong is whether the donor had a responsibility to take a proactive position in resolving the conflict, or if to become involved in such a political matter so would be an infringement of Tanzanian sovereignty. The Canadian response to the problems created by the TCWP is the subject of the next chapter.
CHAPTER SIX

The Hanang Participatory Development Fund 1989 - 2001

"I'm afraid we are being sucked into a whirlpool of NORRIP proportions, something we cannot afford and do not want... We are not doing an integrated rural development project. Our intention was to have a small project fund carefully directed to a few projects – water holes, cattle dips, schools, clinics. We want the local population to contribute, to feel ownership. We are not going to be responsible for the development of Hanang District or for preparing a plan for its development."

-- CIDA official, internal memo, 14 June 1996

This chapter examines the planning and implementation phases of the Hanang Participatory Development Fund, the project CIDA initiated to address the negative impact of its wheat project on the local residents of Hanang. It examines several key decisions taken by Canadian aid officials in the course of planning the HPDF: the identification of project objectives and the target group; CIDA’s handling of the land use issue which had been exacerbated by the wheat project; the identification of a Canadian executing agent to implement the project, and of a Tanzanian counterpart organization; and the establishment of an administrative structure for the project. These are all aspects of project design which did not give project planners much pause in the development of the TCWP in 1969. That the HPDF was ten years in the planning before its first disbursements were made is a testament to the complexity of this process the second time around.

In a discussion of the determinants of donor policy and the causes of aid failure, this case raises several issues. Part I of this thesis examined the constraints on the effectiveness of development assistance imposed during the policy-making process. This chapter provides an illustration of a whole new range of constraints encountered in the project implementation phase: local power struggles, the administrative capacity of the recipient government, and the administrative practices of the aid agency, as well as the economic and political interests of the donor government. With respect to international trends in aid practice, and the current
emphasis on ‘participatory development,’ this case highlights the difficulties of implementing this approach – both in terms of securing local commitment to the project, and of the costs attached to this type of assistance versus its benefits for poor people.

6.1 THE ORIGINS OF THE HANANG PARTICIPATORY DEVELOPMENT FUND

It seems clear from the material contained in CIDA files that the agency’s motive in funding the HPDF was purely political in the first instance and that its primary objective at the outset was to quell public criticism in Canada of CIDA’s involvement in the Hanang Wheat Project. At the time it was originally conceived, the project did not fit neatly into CIDA’s established programming priorities. CIDA’s project portfolio was composed of assistance to structural adjustment efforts in the form of balance of payments support, and major commitments to infrastructure development, namely the railway and hydro-electricity. CIDA had little experience with rural community development projects, and that which it had was not particularly encouraging. As outlined in Chapter Four, even before the big aid budget cuts of 1993, there were indications that CIDA was seeking to consolidate its commitments in Tanzania rather than expanding into new areas of intervention. There were also discussions around perhaps reducing the volume of aid as a whole because of perceived limitations in Tanzania’s ability to absorb the volume of aid it was then receiving. CIDA was also at that time trying to extricate itself from its heavy involvement in the Hanang wheat farms, aiming to phase out technical assistance to the farms by 1992. Nevertheless, the intense public criticism prompted CIDA to investigate the possibility of funding a community development project in Hanang, beginning around 1988-89. An internal brief prepared for the minister on the subject in 1991 stated that the HPDF originated “partially in the response to a

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1 CIDA internal memo HQ to post Dar, 14 June 1996, CIDA file no. H902/18705-01 Hanang Participatory Development-General, vol.8. NORRIP refers to an ill-fated integrated rural development project.
2 In particular, CIDA’s rural integrated development project in Tabora, an experience shared by many donors who attempted this type of programming when it was in vogue in the 1970’s and ‘80’s. Also, a mid-1980’s effort at rural development assistance in the Kimani Irrigation Project in Mbeya District, Tanzania failed for a variety of reasons (CIDA project no. 902/12436). It should be noted that CIDA’s other rural development project in Mbeya at the same time, to introduce oxen to local agricultural practice, enjoyed a reasonable degree of success (CIDA project no. 902/12434).
backlash from some segments of the Canadian public,” and that despite the success of the project in improving wheat yields, “the project has not had a major impact, nor made a major contribution to the overall welfare of the District of Hanang.”³

Further evidence that the project was initiated in response to political pressure, in this case to act in accordance with international norms with respect to human rights, is found in a CIDA memo concerning the Kisanga Commission Report on human rights abuses at the NAFCO farms in Hanang in 1993.

There are important policy implications for CIDA that go beyond the TCWP. Canada has taken the lead internationally in advocating respect for human rights through its development assistance programme. It is necessary for CIDA to maintain and be perceived to maintain, coherence between its policy and programming.⁴

In March 1994, the Post conveyed to CIDA HQ the Canadian High Commissioner’s wish that the project be speedily approved “given that this programme is of a highly politically sensitive nature and that it has a high profile amongst a number of Canadian interest groups.”⁵ A further indication of the seriousness with which CIDA officials viewed the influence of the media is found in the fact that its response to questions about the farms from a reporter in 1994 went through nine drafts and was vetted by several officials at different levels.⁶ Concern for public opinion in Canada remained a constant consideration for project planners throughout the project development phase and added a sense of urgency to its implementation.

Despite this sensitivity to domestic public opinion, it seems equally clear that once CIDA made the decision to fund a community development project in Hanang and allocated funds for it – i.e. once the political and economic parameters of CIDA’s commitment there had been established – the question for staff charged with the

planning and implementation of the project became how to maximize its developmental impact. While the debate within CIDA over the required level of Canadian involvement as determined by its political interests versus its responsibility to engage itself deeply enough to ensure the success of the project continued throughout the planning stage, development objectives were at least on the agenda at this point. Further, as the documentation reviewed below makes plain, although extremely sensitive to external criticism, far from shying away from the mess the TCWP had created, under the glare of international scrutiny CIDA stayed to face the music in Hanang.

It was with urging from CIDA that the Tanzanian government set up the Kisanga Commission, and CIDA paid for the printing and distribution of its report. The aid agency then undertook to fund the implementation of some of its recommendations and invested considerable time and effort in public consultations in planning the project in Hanang. On one occasion, the Canadian government found itself arguing on behalf of a Canadian film crew who wanted to travel to Hanang to do a probably critical piece on the wheat farms and had been refused visas by the Tanzanian government. However, as the events described below illustrate, there was a limit to the degree of responsibility CIDA and Canada was willing to accept in setting things right in Hanang.

6.2 THE IDENTIFICATION OF PROJECT OBJECTIVES

Funds for a community development project in Hanang were approved in 1989, four years before Canadian support to the wheat project ended. CIDA hired a consulting firm to conduct a feasibility study. However, the project it proposed was deemed too expensive and non-participatory, and CIDA commissioned a second feasibility study from three other researchers, one of whom had grown up in the area. They spent three months in Hanang conducting consultations with local residents to identify local priorities and possible solutions and to recommend appropriate activities for funding. The consultants proposed an integrated rural development project which

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6 CIDA File no. H902/18705-63, Vol. 2 Hanang Participatory Development: Briefing Memoranda 286
would fund activities in several sectors. The mapping of village boundaries and preparation of land use plans was identified as the top priority for immediate assistance “as a basis for all development work in the District.” How CIDA handled the issue of mapping and land use planning is discussed in a separate section below. The consultants also identified a preventative health care programme, improvement of the rural water supply, provision of dams, veterinary centres, cattle dips and extension services for livestock owners; the introduction of dairy farming, an afforestation project and the introduction of energy efficient wood stoves. Noting that agriculture was the main occupation of the majority of the population in Hanang, the report cited the lack of markets for crops, a lack of storage and transportation facilities, a shortage of basic farming inputs, limited technical knowledge, soil erosion and degradation as impediments to increasing income from farm work. It recommended assistance to help farmers diversify their crops, and a combination of extension services and training in soil conservation and agroforestry, as well as improvements to the road network in the district. It also recommended funding the construction of classrooms and provision of bicycles for teachers as a means to address the high level of illiteracy in the district, as well as entrepreneurial training and a credit scheme to increase the income of residents.

The project was conceived of as a small projects fund which would involve the beneficiaries in all stages of their projects – identification, planning, implementation, and management. Significantly, the consultants recommended a minimum commitment of fifteen years on the part of CIDA to bring the project to fruition, stating “We do not find a short term commitment of 4-5 years to be feasible if the primary objective of community based sustainable development is to be achieved.” The project was to be administered through two channels: the District Council, and a ‘Hanang Development Trust Fund.’ The Trust Fund, to be established under the auspices of the project, would be composed of local representatives and would allocate funds in those sectors not within the jurisdiction of the District Council. A programme office with a staff of four expatriate sectoral experts and an administrator was to provide a ‘facilitation’ role. The allocation of funds and the

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8 Ibid, pg 21.
implementation of projects was to be done by the District Council and the Trust Fund. This 1991 proposal became CIDA’s working document as it planned its community development project in Hanang.

The government of Tanzania made its official request for assistance to fund a community development project in Hanang in November 1990. CIDA contracted Canadian Lutheran World Relief (CLWR) as the CEA for the project in 1992. This decision was made on the basis of the longstanding involvement of a family of Norwegian Lutheran missionaries in the area going back forty years and the positive rapport they had developed with residents. It was hoped that this would be extended to the Canadian Lutherans as well.10 The project, with a budget of $4.6 million dollars was to be comprised of two components: $400,000 for mapping and land use planning to be conducted by MLHUD in consultation with residents, and a $1.2 small projects fund. The remainder of the budget would have been absorbed by staff salaries, housing and administrative costs.

Before a memorandum of understanding on the aid agreement was signed by Canada and Tanzania, the project was cancelled along with most of CIDA’s other commitments in East Africa in February 1993 (as discussed in Chapter Five). The termination report for the stillborn project cited the ‘problems encountered’ as ‘none,’ and stated that the agreement had been one of the many casualties of the large budget cuts made to Canada’s aid programme in December 1992. However, according to a CIDA official, the project was cancelled because it was deemed “too political” to pursue at the time.11 The atmosphere at the farms was tense with fresh reports of the harassment of herders by NAFCO employees. There had also been ‘irregularities’ in the process of awarding the contract to build the project houses and office, and it was determined that an alternative to the District Council had to be found as an executing agency for the construction work.12

9 Ibid, pg.19.
10 Interview with CIDA official, October 26, 1999.
11 Interview with CIDA official, Hull, January 1999.
12 Bilateral End of Project Report, CIDA project no. 902/17171- Hanang Community Development.
As outlined in Chapter Four, CIDA’s decision to cancel its programme in East Africa roused a brief but intense barrage of criticism against the agency from Canadian NGOs and the Canadian media. Once again the Hanang Wheat Farms were the focus of negative press attention. CIDA was accused of contributing to the destruction of the Barabaig way of life and then abandoning the community to the problems its project had created. The new federal minister responsible for aid decided that budget cuts aside, the community development project for Hanang District had to be reactivated to quiet the small but vocal international development lobby in Canada. Further, the feeling within CIDA was that having pushed the Government of Tanzania to establish the Kisanga Commission to come up with a solution to the social unrest at the wheat farms, Canada had a responsibility to give financial support to implement at least some of its recommendations. So in late 1993, just months after it was cancelled, the Hanang Community Development Project was reactivated, this time focused on the implementation of the recommendations of the Kisanga Commission.

Several of these recommendations related to improving the economic situation of the Barabaig in Hanang and ensuring that they had equitable access to basic services such as water, education and medical care. The Commission had concluded that it was not in the national interest to return the wheat farm land to the Barabaig, but that certain steps should be taken to resolve the dispute over land use in Hanang. These included the mapping and marking of boundaries and the preparation of a land use plan for the district. Of the Commission’s recommendations, Canada agreed to support a community development project and mapping and land use planning.

Early on, it was decided that CIDA’s ‘Kisanga project’ would be split into two separate components: One to complete the mapping and village boundary demarcation, and a second community development project. The community development project was perceived by CIDA planners as a much more complex endeavour, and the next three years were spent trying to get it off the ground: defining project objectives, identifying a Canadian executing agency and a Tanzanian counterpart, and establishing an administrative structure for the project.

13 Press reports listed in bibliography.
6.3 ATTEMPTS TO IDENTIFY AN EXECUTING AGENT

Initially, CIDA had hoped to contract the consultant who had drafted the 1991 project proposal to implement the community development project. Because he was not an Canadian, and thus would not qualify as a Canadian Executing Agent or cooperant under CIDA regulations, CIDA staff investigated the possibility of contracting the Canadian NGO WUSC (World University Service of Canada) to act as CEA. WUSC would, in turn, subcontract management of the project to the consultant. This arrangement proved impractical, and as discussed in greater detail below, the activities of another Canadian NGO in Hanang, CUSO, caused further delays the implementation of the CIDA project and as the years passed, the consultant eventually became unavailable. A reminder of the sense of urgency CIDA officials felt to get the project operating is found in a January 1994 reply from the field post to the news from HQ that another mission to Hanang was planned so that new project staff could assess the situation in light of recent negative reports in the Canadian press.

In a way, CIDA’s credibility is at issue; we have had countless trips to Hanang over the last two years to discuss what our intentions are...and every time we come, it is with the message that the implementation of the project is immanent. Yet, months pass. While we fully understand the need for familiarization – given the arrival of new personnel – our welcome is wearing thin in Hanang.14

In July 1995, CLWR was once again chosen as CEA for CIDA’s community development project in Hanang. In January 1996, a representative from CLWR visited Hanang on a fact-finding mission. On the basis of this visit, CLWR recommended a fundamental restructuring of the project.15 In the first instance, CLWR criticized CIDA’s partnership with the Ministry of Lands, Housing and Urban Development (MLHUD) and local government officials to conduct the mapping and village demarcation phase of the project on the grounds that it did not sufficiently

involve residents in the process. In addition, CLWR objected to the fact that the mapping, demarcation and land use planning was to be completed prior to CLWR’s involvement. The NGO argued that its ability to fulfill the objectives of the community development project would be compromised if it were excluded from laying what it saw to be the foundation on which development work in the district would be built. Most significantly, CLWR argued that CIDA needed to make the resolution of the land use issue the top priority of its new project, suggesting that the planned community development project would only be successful in involving residents

...if it builds on concrete, positive experience with the issue that has hitherto undermined trust and cooperation: land tenure. Without some sense that their current land-holdings are secure, Barabaig leadership will likely boycott gatherings designed to promote joint and inclusive decision-making in the district.\(^\text{16}\)

CLWR noted that “government sponsored demarcation work in Hanang has been poorly received, criticized not only by those affected, but by experts from the World Bank.”\(^\text{17}\) It further recommended that the project should target the Barabaig and the protection of the Barabaig way of life rather than identifying the entire population of the district as the target group and/or promoting alternatives to cattle herding.\(^\text{18}\)

CLWR proposed a participatory review of the issues in Hanang and of the proposed project design during a six month inception phase in the field. It also recommended a more in depth investigation into the local political and socio-economic situation.

CIDA HQ and the Post were not pleased with CLWR’s report and its recommendations. They saw it as a clear indication that CIDA and CLWR had two different conceptions of the project. Whereas CIDA envisioned a modest small projects fund for schools, health services and income generation projects, CLWR felt

\(^{17}\) Ibid.
\(^{18}\) Walsh,1996:11.
the project needed to tackle the issue of land tenure head on and adopt an advocacy role on behalf of pastoralists in Hanang. CIDA was very uncomfortable with what it perceived to be CLWR’s antagonistic stance toward the government of Tanzania and felt it might compromise both the success of the project and CIDA’s relations with the government.

We do not want to pick up the pieces after some hot shot land rights activist with little or no experience or appreciation of the African context...We are concerned that there has been little empirical analysis/research as to what exists in the region yet a great many opinions prevail...It is the post’s view that handing this project over to an NGO with a separate agenda when we ourselves have limited knowledge of the realities are [sic] is a dangerous approach.19

This marked the end of CLWR’s involvement in the project.

6.4 A REEVALUATION OF PROJECT OBJECTIVES

In March 1996 CIDA representatives again visited Hanang to assess the situation and came away recommending that the whole project be put on hold for the time being. The field report which contained this recommendation and CIDA HQ’s response to it reflect the tension which existed within CIDA with respect to striking a balance between action and analysis and in determining the appropriate level of Canadian involvement in Hanang. The field officer reported:

I went to Hanang with the hope of moving forward on the HCDP in a positive way, and to find out if [CLWR’s] assessment of the situation was accurate. Frankly, my findings have surprised me and I have had to revise my views on the implementation of the HCDP.20

The CIDA representative reported that in his discussions with residents, local government officials, and community group representatives, all expressed the wish for CIDA to postpone the start of its project until certain fundamental issues had been addressed. The CIDA mission confirmed CLWR’s report that the local community

20 e-mail CIDA Dar to CIDA HQ 7 April 1996, CIDA file no. H902/18705-01 Hanang Participatory Development-General, vol.7.
was divided and anxious about the impact a sudden influx of aid money might have on the area. The CIDA official was told "Your money will make it easier for the agriculturalists to take over our pastureland and our water points for their own use and chase us away."\(^{21}\) The official reported receiving conflicting messages from self-identified representatives of the Barabaig community and members of the general public. "The Barabaig groups we talked to mentioned their needs to be chiefly water, health and education, seldom mentioning the land issue. However, the BULGALDA leadership stated emphatically that they knew what their people needed, and that was resolving the land issue."\(^{22}\)

The post reported growing animosity toward the Barabaig among other disadvantaged groups in the District due to the attention the Barabaig had received in international circles. The other seventy percent of the population wanted its concerns considered and its share of the aid money that which was expected to flow into the area. There was conflict within the Barabaig community itself over the issue of who was the legitimate voice of the Barabaig. The Minister of Agriculture had also expressed concern that an influx of money might attract an unsustainable level of migration into the district and that care must be taken to prevent this.\(^{23}\) The post referred to a "morass of shifting power networks" encompassing local interest groups, the Barabaig and other residents, the District Council and the national government. "Add the un-dispassionate watchers from the side-lines – the academics and press, plus the advocacy NGOs and human rights lawyers – and it results in an environment where the perceived success of this project will be evaluated and analyzed from far and wide."\(^{24}\)

CIDA had, up to this point, attempted to minimize its involvement in the demarcation and land use planning exercise it was funding, not eager to become embroiled into local politics. However, at this juncture there seemed to be a recognition that this hands off approach was not tenable. The post noted that it was common knowledge that CIDA was funding the photomapping and village  

\(^{21}\) Ibid  
\(^{22}\) Ibid  
demarcation work. Given the sensitive nature of this work and its importance for subsequent community development work, CIDA had a responsibility to monitor it. Furthermore, the post recommended that the community development project be delayed until the demarcation and land use planning exercise had been completed as the only way to quell suspicion and anxiety within the community. It recommended holding further intensive consultations with local stakeholders to ascertain their wishes and concerns. It also suggested that the complex nature of the situation required more intensive research – a socio-economic study of Hanang, an institutional capacity analysis of the local government and community groups, a review of the literature on pastoralism and community development projects, a district-wide needs assessment to guide the placement of social services, and an analysis of interethnic relations in the area. This would, it was believed, better inform the implementation of the project.25

Initial responses to this idea from HQ were lukewarm to cold. A former field officer now back in Ottawa was skeptical that the CIDA mission had obtained an accurate reading of the views of the majority of residents, suggesting that some major figures on the local scene had much to gain from the continuation of the status quo in Hanang.26 She noted the consistent message coming from villagers over the course of the previous seven years was that they wanted water, health, and education facilities, and she urged CIDA to act without further delay.

God forbid, we have been inactive long enough to lose all credibility...I disagree strongly that more intensive research is required; action is.27

The view from higher up in the chain of command was that things were getting out of hand and that undertaking such extensive studies would create expectations beyond CIDA’s capacity, inclination, and $4.5 million dollar budget to fulfill. The field office was instructed to deliver an ultimatum to local stakeholders:

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24 Ibid
27 Ibid.
either agree on what you want, or there would be no CIDA funded project in Hanang. This message was delivered on an August 1996 CIDA mission to Hanang. As of that month, the project was placed on hold pending a reassessment of the situation to be conducted “slowly, carefully, and informally.” In the meantime, CIDA proceeded with a scaled-down research project, commissioning a socio-economic analysis and an institutional capacity analysis of the District, and hiring consultants to monitor and evaluate the village demarcation and land-use planning work.

With $4.5 million dollars on the table along with CIDA’s ultimatum, the fractious and politically charged atmosphere which CLWR and CIDA had encountered in Hanang in the early part of 1996 had cooled considerably by the autumn. Public sentiment was tending toward exasperation with the machinations of its community leaders. A CIDA field officer reported a meeting with the District Executive Director and local leaders to resolve their differences with regards to the project. The DED had been a district planning officer in Hanang until 1991 and had helped facilitate the 1991 project feasibility study. He had then been transferred to another district, and had recently returned to Hanang, expecting to find the project up and running. During the meeting in August 1996, as a member of the District Council and a representative of Bulgalda became involved in an argument over who should administer the project, he dramatically threw the 1991 feasibility study on the table and, according to the CIDA officer, “communicated his dismay that the project was still mired in the same old destructive talk; to counter Bulgalda’s suspicion of the District controlling the project he pointed out that there was simply a need for coordination of development activities.”

While the matter of how the project was to be administered was not resolved at this point, in October 1996 CIDA received a letter from the Arusha Regional Commissioner reporting that a meeting of all stakeholders had agreed that the HPDF should start immediately, the only voice of dissent coming from an ousted leader of Bulgalda. This consensus was reiterated in an open community forum organized by


295
CIDA to discuss the project in December 1996, the culmination of two weeks of intensive negotiations in the District. The gathering included CIDA officers, leaders of local community groups, village elders, members of the Hanang District Council, and members of the general public. Participants made it clear that they were keen to have the project begin and that the small group of dissenters, a faction of the publicly discredited Bulgalda did not represent them. They agreed that if another letter of protest was sent to CIDA from this group, it was to be ignored, as it subsequently was. A representative of a woman’s group rebuked the mostly male leadership who had been involved in the power struggle over the past several years which had delayed the project. She declared that it was the women and children who were suffering the most from the delay. They were the ones who got up at three a.m. to collect water and returned home at three p.m.; and who died giving birth because there was no hospital. She said “if men were to do only half of what women were doing, they would have accepted the project long ago.”

On the basis of these consultations, the project was approved by CIDA in February 1997, and a Memorandum of Understanding for the project was signed between Canada and Tanzania in August 1997. However, it was fully two years until the first disbursements were made. In between and unresolved lay the matters of finding a Canadian executing agency to replace CLWR, identifying an appropriate Tanzanian counterpart agency out of the “morass of shifting power networks” in Hanang, establishing an administrative structure for the fund, identifying projects to support, and significantly, the matter of village demarcation and land use planning which lay at the root of the Barabaig conflict with NAFCO, the disastrous history of Canada’s involvement in the wheat farms and the origins of the HPDF.

6.5 CIDA’S HANDLING OF THE LAND USE ISSUE

It has been argued by academic researchers and other long time observers of the crisis over land use in Hanang that the conflict between the local Barabaig population and the CIDA funded wheat farms is part of a much larger and longer-

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standing conflict between nomadic pastoralists and sedentary farmers all over the world. Human history is characterized by continuous waves of migration and settlement. The Barabaig are themselves relative new-comers to Hanang, migrating to the area two hundred years ago, displacing the original population by violent means.\textsuperscript{32} It is probable that even if the Hanang Wheat Complex had not been established with Canadian assistance, confrontation between the Barabaig population and the growing number of small holding farmers in the area was inevitable, and that the result would have been the same: the alienation of the traditional grazing lands of the pastoralists. Based on past Government of Tanzania policy on land use, it is unlikely that this trend would have been mitigated by government legislation.\textsuperscript{33}

Despite this evidence that the Barabaig way of life was under threat quite apart from CIDA’s involvement in the TCWP, the establishment of the NAFCO wheat farm in 1969 and its fivefold expansion to encompass 100,000 acres in 1976 enflamed the ever present tension between pastoralists and farmers and brought them into direct and violent confrontation in Hanang in the 1980s. It is not possible within the confines of this chapter to deal adequately with the pastoralist/agriculturalist conflict which lay at the root of CIDA’s woes in Hanang. What is of interest here is how CIDA responded to the crisis its project had induced in Hanang. An examination of CIDA’s actions with respect to the land use issue which lay at the crux of the crisis is instructive on several points. It also highlights a number of key issues in the donor-recipient relationship more generally.

In the first instance, CIDA’s assessment of the importance of resolving the land issue is revealing of the extent to which it had internalized the criticisms raised by residents and outsiders. As outlined above and below, CIDA’s reactions to the CLWR report and CUSO’s activities were dismissive, rejecting their insistence that land tenure be the focus of a CIDA funded community development project in Hanang. This rejection was based on three beliefs: Firstly, that the NGOs were pushing their own agendas and that this position was not necessarily representative of

\textsuperscript{32} Lane, 1996.
\textsuperscript{33} For example, the Villagization Act of 1972; Land Bill 22 of 1992 which extinguished customary title to land; and the government’s handling of the Shivji Land Commission Report.
the true priorities of residents in the area. Secondly, that the resolution of the land issue was the responsibility of the Tanzanian government and not of CIDA or Canada. Finally, the situation was politically extremely risky for the Canadian government, and they wanted to stay as far away from it as possible.

In the course of planning the HPDF, however, CIDA officials came to believe that the success of the project depended on calming pastoralist anxiety over insecure access to grazing land. The project feasibility study of 1991 had concluded that pastoralists would be reluctant to invest their resources in local development projects without legal title to the land. CIDA urged the government of Tanzania to take the initiative on this matter and in 1993 provided funds to the MLHUD for mapping, the resolution of boundary disputes and registration of village titles, and for the preparation of land use plans. Canadian officials also became convinced that this process had to be a consultative process involving the Barabaig and their neighbours. In July 1994, a CIDA official observed:

Intellectually the Barabaig recognize the threat to their livelihood posed by the flood of small-holder farmers into Hanang District, but emotionally NAFCO will always be their principal target...What I have consistently underestimated is the perception among the Barabaig that District officials are in collusion with NAFCO managers and employees to profit personally by seizing plots of land to put into crop production. Given the productivity of the land in Hanang District, access to land means access to wealth.

The CIDA field officer concluded that the residents of Hanang, and particularly the Barabaig must be part of all aspects of the mapping and demarcation exercise.

There is no way that CIDA will gain the trust of the Barabaig for future development initiatives in Hanang unless Bulgalda is an integral part of the land mapping process from day one...I also think that the decision to include Bulgalda in the process may be the smarter [sic] money ever spent by CIDA on the Tanzania Programme. If CIDA decides to proceed without intensive consultations with the Barabaig,

34 Evjen:10-12.
we may as well forget any future development activities in Hanang, and CIDA can expect a highly critical media campaign from a network of Canadian and international NGOs.\[^{37}\]

For reasons outlined below, Bulgalda eventually ceased to be a viable partner in CIDA’s eyes, but officials remained convinced that local participation was critical to the success of the project.

For a combination of reasons – a shortage of human and material resources, other pressing priorities, as well as a lack of political will, the Tanzanian government proceeded very slowly with the mapping, demarcation and land use planning work. As the project entered the seventh year in the planning stage, the pressure for CIDA to act became acute. It was suggested that CIDA needed to take a more proactive role in the process.\[^{38}\] The field office emphasized the dangers associated with CIDA’s hands-off approach to the land use issue in Hanang, particularly in light of the District Council’s new policy of zero-grazing and the limitation of herds to five cows per family.

CIDA could easily be seen as supporting this policy of sendentarizing the Barabaig. I, for one, am not keen on drafting purple docket responses to queries from MPs in Ottawa on this one.\[^{39}\]

However, CIDA HQ expressed a desire to minimize direct Canadian involvement in this process.

We do not want to take the lead and we are not in a hurry. We are not responsible [sic] for the land ownership and land use issue and land disputes. We want to follow the lead of the government (low-key central or district/local) and Tanzanians. We do not want to assume, once again, the responsibility for the initiative. As you say…’Let people know that we are waiting for them.’ The fact that we follow the initiative of the government or the local population and do not move

\[^{37}\] Ibid
\[^{39}\] E-mail Dar to CIDA HQ 7 April 1996, CIDA File no. H902/18705-01, Hanang Participatory Development-General, Vol. 7.
too quickly for the absorptive capacity of Tanzania reflects exactly one of the recommendations of the Helleiner Report.\textsuperscript{40}

There was disagreement among CIDA officials on the proposal to make the commencement of the community development project conditional on the Tanzanian government's completion of mapping and land use planning in Hanang.

At Post, we wonder whether this represents a major policy shift for the entire development assistance programme in Tanzania: before any project-related funds are disbursed, regardless of the sector of activity, must the GOT or parastatal demonstrate its commitment by financing a portion of the activities? Who decides what amount is appropriate?\textsuperscript{41}

This officer argued that the sensitive nature of the Hanang project should lead CIDA to be all the more eager to begin it. She noted that land use planning was one of the recommendations of the Kisanga Commission and asked if CIDA did not have a responsibility to assist it. It was noted that the government of Tanzania's resources were already thinly spread and argued that putting the project on hold until the MLHUD completed land use plans would penalize the Barabaig population for a decision taken by the central government. It was ultimately determined that CIDA's responsibility extended as far as monitoring the use of Canadian funds and to making the implementation of the community development project conditional on the completion of mapping, marking and land use planning by the government of Tanzania. This position was communicated to the Tanzanian government in June 1996.\textsuperscript{42}

A CIDA monitoring mission to Hanang three months later reported that none of these conditions had yet been fulfilled. The mapping and village demarcation component of the project work had been contracted to a Kenyan firm as the MLHUD estimated that if it took on the work itself, with its limited resources it would take five years to complete and require the provision of new equipment and training for its

\textsuperscript{40} Internal memo 23 July 1996, CIDA File no. H902/18705-01, Vol.9, Hanang Participatory Development-General.
\textsuperscript{41} CIDA internal memo Dar to HQ 9 May 1994, CIDA File no.H902/18705-01 Hanang Participatory Development-General, Vol. 2.
\textsuperscript{42} Letter from Verona Edelstein, High Commissioner of Canada to Tanzania to Mr. Justice Robert Kisanga, 7 June 1996, CIDA File no. H902/18705-01 Hanang Participatory Development-General, vol.8.
staff. The aerial photography was completed without major complications, but a number of problems arose in the course of surveying and the demarcation of boundaries between villages in the district. Despite an understanding between CIDA, MLHUD and the contractor that mapping and demarcation was to be done in concert with residents, the monitoring mission reported that it was not complete in all fifty-three villages in Hanang. Furthermore, in all but two of the villages, local participation in the identification of boundaries had consisted of discussions with one or two village council leaders. Numerous disputes between villages remained unresolved. Most of the funds CIDA had transferred to the Regional government to support the dispute settlement process had been spent on a vehicle, ostensibly to transport government officials to villages to negotiate resolutions, but in reality kept in Arusha much of the time. Further, boundary markers and beacons had not been fixed for a lack of materials, sufficient funds for their purchase not forthcoming from the MLHUD. The preparation of land use planning had not begun at all.

Three years later, when CIDA made its first disbursements under the Hanang Participatory Development Fund (HPDF), boundary disputes were still before the courts, but in the process of being resolved. The preparation of district land use plans, on the other hand, once viewed as the cornerstone in the foundation of CIDA’s community development work in Hanang, had still not been done. Their prior completion, adamantly pressed by CIDA at one stage in the planning of the project, was abandoned without further discussion. The matter had been sidelined by changes in the local political climate and perhaps a loss of interest in the matter among the Canadian public, as well as the unequivocal message coming from residents that their priorities were access to water, health services and education.

This turn of events offers an example of the constant tension under which development planners work. On one hand, it is necessary and desirable for the recipient government to take the lead in aid assisted projects, for the donor agency to do adequate preliminary research, conduct extensive consultations and have the participation of the supposed beneficiaries. On the other hand, aid officials are

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43 Sosovele and Kauzeni, December 1996.
conscious of the pressure to act quickly to address the pressing and obvious needs of poor people without delay, in the interests of political expediency (i.e. to quell domestic criticism), or to disburse funds before the budget lapses and allocated funds are returned to central account.

CIDA’s decision to proceed with the implementation of the HPDF while the land issue remained unresolved is revealing of the priority it attached to each of these factors. CIDA’s action in this regard could be interpreted as a demonstration of the agency’s flexibility and adaptability as CIDA’s planned course of action was overtaken by events in Hanang. This raises an issue particular to this case: as outlined above, the volatile political atmosphere that had prevailed in Hanang since the mid-1980’s had cooled somewhat by late 1996. A consensus existed within the community that the project should proceed despite outstanding land use issues. Meantime, CIDA’s involvement in mapping and boundary dispute resolution had come to an end with the disbursal of all allocated funds. However, the unresolved matter of land tenure remains a potentially explosive problem which could undermine the success of community development efforts in Hanang in the future: when the impact of el nino on the wheat farms subsides, if the farms are transferred to private owners and replanted and the Barabaig are once again excluded from the land, or if there is an influx of settlers, perhaps drawn by the water points, schools and health services which the HPDF has been set up to provide.

This case also raises again the question of the responsibility donors have for the projects they assist. CIDA as a large aid agency with substantial resources had access to information which led it to conclude that resolution of the land use issue was critical to the success of development efforts in Hanang; information not available to the general public, for example, evidence of steady immigration into the district from neighbouring areas revealed through the photomapping work in 1996. The existence of a land use document in and of itself is unlikely to solve any problem where there is a lack of political will to implement it. However, this issue highlights the troublesome ambiguity of the line which separates responsible administration of aid funds from a an infringement on the sovereignty of the recipient country and the right of its citizens to chose the way their communities are ‘developed.’
6.6 THE IDENTIFICATION OF A COUNTERPART AGENCY

Official development assistance is structured such that each bilateral project is
designed to be implemented by a Canadian executing agency chosen through public
tender or solicited as uniquely qualified to administer a project. The CEA can be an
NGO, a commercial contractor, or an individual cooperant hired by CIDA. After
failed negotiations with CLWR, WUSC and CUSO, CIDA finally decided to hire a
Canadian anthropologist with extensive experience in East Africa as the facilitator for
the project. All bilateral project are subject to an agreement between the Government
of Canada and the Government of Tanzania, with each side expected to put up a
portion of the resources necessary for the project. This necessitated the identification
of a Tanzanian counterpart agency to coordinate Tanzania’s involvement in the
project, provide the required personnel to implement the project, and to act as a
conduit for aid funds. In some cases, the central government Treasury receives aid
funds and then disburses them to the appropriate line ministries to fund designated
projects. However as outlined in the Introduction, less than thirty percent of the aid
flow to Tanzania is handled in this way. In some cases, aid funds allocated for
community development projects are transferred directly to District Councils, which
are responsible for the delivery of most social services. Sometimes a Tanzanian NGO
is the designated recipient of bilateral aid.

One of the tasks facing CIDA project officers as they planned the Hanang
Participatory Development Fund was to identify an appropriate Tanzanian counterpart
agency and establish an administrative structure for the project. How this matter was
resolved is significant for several reasons. The question of which Tanzanian
institutions should serve as counterpart agencies to donor agencies and through what
channels aid funds should flow into Tanzania is a contentious issue between the
Tanzanian government and its donors, and is a matter on which there exists a
significant difference of opinion among donors. This relates to the manner in which
aid funds are transferred to Tanzania and the various administrative structures donors
have established for their projects. This issue has been complicated by the recent
government decision to decentralize the administration of social services to the
regional and district level and donor assessments of the capacity of local governments
to administer aid effectively. The 1995 Helleiner Report described the strained relationship between the Tanzanian government and its official donors at that time. It noted the perception among donors that the central government had lost its momentum and direction, had abdicated the leadership role in major public programmes, and “is unable to exercise fiscal control because of declining administrative capacity and corruption.”45 The Warioba Commission Report of 1996 confirmed the existence of widespread corruption in government agencies, both petty and grand in nature.46 There is also a belief among donors that the Tanzanian government has been lax in collecting tax revenues from domestic sources and has relied excessively on aid money instead.

Although these views are widely held among donors, the various bilateral agencies have responded in different ways to evidence of the limited capacity of the Tanzanian government to administer aid efficiently. In part as a result of considerable pressure from donors, Tanzania is in the process of transformation to a liberal democratic political system. Some donors, Sweden and Norway for example, have taken the position that the best way to support the Tanzanian government in its efforts at government reform and improving local administrative capacity is to channel their aid funds through existing government structures; through the Treasury, the line ministries and down to the local governments. Any losses of efficiency and the efficacy of aid resources incurred as aid funds make their way through the bureaucracy is, from this perspective, the price donors must be willing to pay to build Tanzanian administrative capacity. The majority response, however, has been to circumvent the central government altogether, as can be seen it the figure of seventy per cent of ODA flows entering Tanzania outside of the official budgetary process. Some of this money is channelled through the line ministries, and some through local governments. The rest is administered by donors either through NGOs, or directly through the establishment of autonomous administrative structures for their projects staffed by expatriates or locally contracted personnel, creating what the Helleiner Report referred to as ‘project islands’ operating in parallel to existing government structures. Aid funds are transferred directly to projects through special accounts set

46 URT, 1996.

304
up by donors. Implicit in this decision on the part of donors is the judgement that the
efficient provision of public services and the accountable use of their tax payers'
money takes priority over improving government capacity. In between these two
extremes lie hybrid administrative structures which seek to balance the effective use
of aid funds with the building of local capacity to promote economic development.
The Helleiner Report of 1995 expressed concern at the proliferation of entry points
for bilateral donor involvement in Tanzanian affairs. It cautioned that "the
strengthening of these channels may be at the expense of adherence to overall
investment priorities or policy guidelines."47

The recent decision by the Government of Tanzania to commence the
decentralization of a number of government functions and decision-making
authorities to the local governments has created an additional dilemma in the eyes of
some donors. It is widely acknowledged within government and aid agency circles
that across the country the District administrations are, in the words of the Helleiner
Report, 'barely functioning.' With decentralization, a greater burden for administering
social services like health, education, water and sanitation is falling to District
Councils, institutions with generally weak administrative capacity and limited
technical and material resources. The government has begun a programme which will
see the transfer of block-funding to the Regional governments (thirty-five in 1999)
which will then transfer funds to each District in their region to pay for public
services. Aid donors have expressed concern about the rapidity with which
decentralization is to be implemented and about the District Councils' capacity to
administer the aid funds which are allocated to programmes under their jurisdiction
like education, health and rural economic development initiatives. One government
official acknowledged the problem of accountability stating that the government is
currently able to trace funds to the district level, but beyond that, their administration
is opaque, a situation which creates an opening for inefficiency and corruption.48 This
is not a hypothetical problem. The history of Canadian involvement in Hanang

48 Interview.
District reveals several instances of the misappropriation and inefficient allocation of aid funds administered by the District Council.49

The central government is in the process of establishing a new computerized financial management system to improve accountability and planning through to the district level (PLATINUM). However, in a district like Hanang, where the District Council office operates with one telephone line, typewriters and carbon paper, no computers or internet connection, where staff would need considerable additional training to use this type of equipment and administrative practices, and where the elected council representatives have been subordinated to the appointed civil servants, there are considerable barriers yet to be overcome. Some donors are not willing to swallow the losses of resources which would occur in the course of local government growing pains, and at the March 1998 Development Cooperation Forum between Tanzania and its official donors, the aid agencies “informed the government that the pace towards mainstreaming [channeling aid funds through the Treasury] was dependent upon government capacity and readiness.” At the same meeting, the Director of the National Planning Commission acknowledged that “effective donor coordination at the district level will largely depend on the completion of the local government reform process.”50 The negative perception among aid donors of Tanzanian government administrative capacity stands as a major obstacle to be overcome in the establishment of Sector-Wide Investment Programmes. These SWAPs would require the conversion of aid flows from individual project agreements to block grants to fund programmes coordinated and administered by the government, a responsibility donors are as yet hesitant to relinquish completely.

From the perspective of the Tanzanian government, the donor practice of bypassing the central budgetary process and establishing parallel administrative structures for aid projects creates its own problems for improving aid coordination. Extrabudgetary aid flows undermine the predictability of available resources and the utility of the national budget as a tool for managing and planning government development efforts. It also implicitly questions the integrity of the budgetary process.

49 These instances were revealed in a review of CIDA Canada Fund project files and memoranda and in interviews conducted in Hanang.
and the Tanzanian parliamentary system. The 1998 Public Expenditure Review condemned the practice, stating that it "undermines attempts to hold managers accountable for sector outputs, since the failure to provide resources in accordance with budgetary allocations necessarily breaches an understanding on achievements to be expected on the basis of budget provisions." The Review described the impact of extrabudgetary aid agreements on the government’s ability to plan for the future:

As several sector programmes are pursued with competing demands on central government resources, overall budget strategy becomes a residual exercise in minimizing the extent of default against irreconcilable commitments, driven more by donor reaction to shortfalls in counterpart funding commitments than by any long term view.

The establishment of administrative procedures for the HPDF project therefore raised the issue of ownership and control over development. Determining the mode of administration for CIDA’s assistance to community development in Hanang was also a decision as to the objectives of the project: fostering democratic development and good governance through the government structure; developing the capacity of ‘civil society’ groups by seeking a counterpart agency in the non-governmental sector; or making the efficient provision of social services the priority – building schools, wells, et cetera, and manage the project directly. CIDA eventually chose a hybrid administrative structure, as outlined below.

The feasibility study of 1991 served as the working document for project planners until the project was cancelled in 1993 and again when it was resurrected in 1994. It recommended that Canadian assistance to Hanang be delivered through two channels: the District Council and a Hanang Development Trust Fund, an NGO to be established to administer projects falling outside the purview of the District Council. The feasibility consultants argued that:

Because the program is based in the Hanang District and the overall approach emphasizes people participating in the implementation of

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50 URT, Development Cooperation Forum, 27 November 1998.
51 Interview.
development projects, it follows that the major executive policy
decisions of the Program should rest with the people of Hanang
through their elected representatives in the District Council and Village
Councils. The program should avoid being an independent unit
outside the influence of the District Council. This implies that a close
integration between the program and the District Council is necessary.
The program should seek to strengthen the council’s capacity in
planning and implementation of development projects for the people.54

The 1991 proposal envisioned that a program office would be established with
four expatriate staff to facilitate the project and offer technical assistance. It was not
to be responsible for the allocation of funds or the implementation of projects, which
would be the role of the District Council and the Trust Fund committee. The
proposed employment of four expatriate field staff for the first five years of the
project at a cost of $2.44 million out of a total project budget of $4.46 million meant
that approximately $2 million would be available for community development
projects.55 Before any decisions were taken at CIDA with respect to the
administrative structure of the project or the identity of the Tanzanian counterpart
agency, the project was cancelled in early 1993. When it was resurrected following
the release of the Kisanga Commission in mid 1993, it was decided that only one
expatriate project coordinator would be hired. Further, CIDA officials expressed
reluctance to channel funds through the District Council or to rely on it to implement
the project. This was on the grounds that there was little transparency in its
accounting procedures, that it was notoriously slow in acting, and because there was
no guarantee that it would adequately represent the interests of the Barabaig.56

CIDA officials believed there was a lack of trust between the local population
and the District Council and that this would hamper project activities. Since 1989,
CIDA had funded twenty-five Canada Fund projects in Hanang in addition to a small
number of projects financed by the Tanzanian administered counterpart fund.57 These
included the construction of classrooms and dispensaries, the provision of maize

55 Ibid.
56 CIDA internal memo Dar post to HQ, 9 February 1994, CIDA file no. H902/18705-63 Hanang
Participatory Development – Briefing Memoranda, vol. 1.
57 As a condition attached to Canada’s balance of payments support to Tanzania in the 1980’s, the
Government of Tanzania was required to deposit twenty percent of the proceeds of the sale of Canadian
grinding mills to a number of women's groups and entrepreneurial training courses. Though records are not complete, and not all of these projects were visited in the course of research for this paper, a review of Canada Fund project files indicates that District Council was not always able to account for the use of funds provided by Canada, and that a number of projects under its administration were incompletely or ineffectively implemented. On the basis of its past experience in Hanang, the field office expressed its objection to channeling funds through the District Council in strenuous terms. It claimed legitimacy for this position in the findings of the Kisanga Commission, which recommended the development of non-governmental organizations in Hanang as an antidote to local power imbalances. But this posed another problem for CIDA: finding an alternative. A CIDA officer stated: "The problem in a nutshell is this: there are no viable NGOs in Hanang District who have the capacity to implement a large project."

The most obvious choice to serve as the administrative conduit for the HPDF appeared early on, at least, to be the local organization which had been established to advocate for the Barabaig in their fight against NAFCO. In the late 1970's, a traditional council of Barabaig elders was convened to address the problem posed by the expansion of the wheat project, known as makchameda NAFCO. In 1991, this group was constituted as a local chapter of Korongoro Integrated People Oriented Conservation (KIPOC), an NGO originally established to protect the interests of the Masaai. KIPOC was active in pursuing the Barabaig land claims in the Tanzanian courts, but was subsequently banned by the central government. In 1994, a second organization called Bulgalda was established to represent the interests of the Barabaig and was comprised of many of the same individuals. In early 1996, a split occurred within Bulgalda over the leadership of the organization, and KIPOC was reestablished. However, these organizations appear to have lost the confidence of

donated commodities into a Counterpart Fund which was to be spent on mutually agreed upon projects. In Hanang, for example, it funded construction of a stretch of road.

58 Review of Canada Fund project files, Dar es Salaam, May 1999; CIDA project files, Hull.
many of the people they claimed to represent and remain mired in organizational problems.

6.7 CUSO's ROLE IN SHAPING EVENTS IN HANANG

The history of Bulgalda/KIPOC in Hanang is inextricably linked to the activities of the Canadian NGO CUSO there. CUSO, originally the Canadian University Service Overseas, is an organization started in the 1960's to send Canadian volunteer teachers overseas. Its mission has changed somewhat over the years, and in the 1980's in Tanzania, its Canadian cooperants and locally engaged programme director were involved primarily in community development and advocacy work on behalf of the Barabaig. CUSO has been a persistent thorn in CIDA's side in Tanzania. The intense public criticism CUSO's media campaign against the wheat project engendered in Canada ultimately moved CIDA to take steps to redress the problems its project had contributed to creating, a fact made clear by the repeated references to the media, CUSO, and public opinion found in CIDA files. In this way, CUSO has had a fundamental influence on Canadian aid policy in Hanang. The NGO has continued to act as an advocate for Tanzanian pastoralist rights lobbying the Canadian government, funding legal aid for Barabaig land claims against NAFCO, placing cooperants in the area to promote community development activities and providing funding and technical assistance to Bulgalda/KIPOC. However, CUSO's later activities in Hanang, particularly its involvement with Bulgalda in the early to mid-1990s, had a disruptive and destabilizing effect on the local community. In attempting to implement its community development project in Hanang, CIDA was forced to confront a conflagration of suspicion and hostility fuelled by CUSO actions.

It is apparent from a review of both CUSO and CIDA files related to Tanzania that throughout the 1980s and 1990s, the CUSO-CIDA relationship in Tanzania was one characterized by mutual suspicion and frequent conflict. At one level, this tension can be attributed to the strain inherent in the relationship between the Canadian government and Canadian international development NGOs as a whole. Canadian NGOs are often critical of the official development assistance programme while at the same time dependent on CIDA to provide most of the funds with which
the majority of them finance their activities. In addition, as a group, Canadian NGOs engaged in international development work play an informal role in monitoring Canadian ODA and CIDA’s activities. Within Tanzania, CIDA and CUSO crossed swords over Canadian policy and engaged in turf wars on several occasions over the years. However, it appears that the poor relationship between the two organizations in Tanzania was exacerbated by personality conflicts between CUSO and CIDA field staff in the late 1980s – early 1990s. The CUSO Programme Director appointed in 1990 in particular seemed to relish intrigue and confrontation.

Both CUSO and CIDA had plans to implement a community development project in Hanang in response to the Kisanga Commission’s recommendations. In fact, in 1991, CIDA had approached CUSO about the possibility of acting as the Canadian Executing Agency for the then planned CIDA project in Hanang. According to CUSO files, CUSO had refused the invitation because it did not feel that CIDA had sufficiently involved the Barabaig in the design of the project. CUSO Tanzania’s Programme Director repeated this criticism of the CIDA project before the Canadian Parliamentary Subcommittee on Financial Institutions in Ottawa in June 1992. CIDA then contracted CLWR as the project executing agency. In January 1994, CUSO sent two consultants to Hanang to identify possibilities for its own project. The proposal they produced outlined continued support to human rights advocacy in Hanang, with the economic development component very similar in its particulars to that proposed by the CIDA commissioned study of 1991. In the same period (January 1994), CUSO’s Tanzania office launched a fund-raising appeal in Canada, distributing a letter detailing the atrocities which had occurred on the wheat farms and outlining CUSO’s plans for its community development project in Hanang. This was initially a cause of consternation at CIDA, prompting a number of meetings between CIDA and CUSO representatives in Ottawa and Tanzania.

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61 See Brodhead, 1988; Smillie, 1995; Smillie, 1985.
63 CUSO files, Ottawa office.
64 CIDA Bilateral End of Project Report 902/17171 – Hanang Community Development
66 CIDA File no. H902/18705-63, Vol.1 Hanang Participatory Development: Briefing Memoranda 311
CUSO saw its role in Hanang as that of a catalyst to mobilize residents to improve access to water, education, and health services. It planned to support land use planning and to continue to fund legal aid for the Barabaig land claimants. It envisioned fielding six to seven cooperants in the district. Two cooperants had been in place in Hanang since 1991, and had facilitated the construction of a school, the provision of maize mills in several communities and entrepreneurial training for women. The majority of funds for these projects had come from CIDA’s Canada Fund. CUSO officials indicated that they intended to seek funding from CIDA to implement their larger community development project in Hanang as well. It wanted to establish a consortium of international NGOs to provide the balance of financing required. Nevertheless, relations between CIDA field staff and the CUSO programme director in Tanzania remained acrimonious.

In April 1994, CIDA received a letter from KIPOC accusing the aid agency of trying to shut KIPOC out of development work in Hanang, and of trying to force its ‘unilaterally’ planned project on the community. In July 1994, CUSO held one of a series of workshops in northern Tanzania devoted to discussing the situation of the Barabaig in Hanang. The draft project proposal was discussed, but the primary topic of discussion was land security, with a day devoted to public testimonials of abuse suffered at the hands of NAFCO employees. The CIDA representative (who attended with observer status) reported to HQ that she became a “lightening rod for the litany of suffering and harassment experienced over the years. I was also perceived as principal saviour and benefactor.”

The potentially overlapping activities of the Canadian government and a Canadian NGO in Hanang raised the concern of the Tanzanian Minister of Agriculture who was the MP for the area (and later Prime Minister). He held discussions with CIDA and summoned the CUSO representative to express his concern and desire that the agencies work out their problem and get a project on the ground. In the end, CIDA decided to proceed with its project as planned, reasoning...
that CUSO did not have the financial resources to provide the ‘big ticket items’ like schools, water projects and hospitals that both project proposals had highlighted as priorities. CIDA officers also believed that CUSO’s emphasis on advocacy and providing assistance in the form of volunteers would sufficiently differentiate its activities from those of CIDA in Hanang so as to avoid major overlap. A CIDA officer opined:

I think that CIDA is presented here with a golden opportunity to demonstrate some leadership with regards to this project; to be proactive, rather than reactive; to stop being afraid of how CUSO will portray CIDA’s involvement in Hanang in the media...the Barabaig should [be] thought of as the target group with reference to project design, not CUSO.\textsuperscript{70}

CUSO’s community development project in Hanang ultimately failed to materialize. There were allegations of financial impropriety against CUSO’s programme director from CUSO cooperants in the field. The Tanzanian government also let be known its displeasure that a Canadian NGO in Tanzania was being represented by a Kenyan with an adversarial political agenda. Charles Lane, the academic who championed Barabaig rights and was highly critical of the CIDA funded wheat project, stated to CIDA representatives his concern over the CUSO programme director’s influence on Bulgalda.\textsuperscript{71} Two CUSO cooperants finishing their posting in Hanang in 1993 in their final report to CUSO HQ stated their concern with the “potentially disruptive interventions of CUSO and KIPOC in Hanang.”\textsuperscript{72}

One of the major disruptions we have observed has been CUSOTanzania’s reliance on representatives of the Barabaig community without determining if they are accountable to the real leadership.\textsuperscript{73}

The CUSO cooperants suggested that the KIPOC leadership in Hanang was perceived by the population at large as educated elites whose authority to speak for the Barabaig was not sanctioned by the traditional councils of elders. They also

\textsuperscript{70} Fax Dar post to CIDA HQ, 9 February 1994, CIDA file no. H902/18705-63 – Briefing Memoranda, vol.1.
\textsuperscript{71} e-mail CIDA post Dar to CIDA HQ 16 September 1996, CIDA file no. 902/ [81] \textsuperscript{81}
\textsuperscript{72} Breault and Fraser, 1993.
\textsuperscript{73} Ibid
noted KIPOC's origins as an organization formed to advocate for the Maasai and suggested that KIPOC had developed an adversarial approach to its dealings with the Tanzanian Government that was not consistent with Barabaig political culture, which favoured consensus building.

In 1996 CUSO fired its programme director in Tanzania and froze its funding to Bulgalda until the truly representative leadership of the Barabaig could be identified; as did NOVIB, the Dutch NGO which had funded Bulgalda through CUSO. However, the upheaval CUSO's activities had wrought in Bulgalda/KIPOC had created divisions within the Barabaig community, and exacerbated tensions between the Barabaig, other local ethnic groups, and the District Council. In August 1996 CIDA received a second letter from Bulgalda stating its approval that the proposed CIDA project had been put on hold. It said:

Today that money is not wanted by the Barabaig unless their land is demarcated participatorily and left to them...We may think that the Canadians are now coming up with their money for the final slaughtering of the Barabaig community after torturing us with their help to the farming interests (NAFCO) in the past.74

It was reported by a former member of Bulgalda that when he refused to sign this letter which had also severely criticized CLWR, the job he was supposed to take up in the NGO was taken away from him. He suggested that the CUSO programme director wanted to discredit CLWR so that CIDA would contract CUSO to implement its project.75 However, the programme director's actions had scuttled not only any possibility of CUSO implementing a community development programme in Hanang, but had delayed CIDA's project as well. After his departure, CIDA embarked on a series of extensive consultations in the community to reach the consensus necessary for the project to go ahead. This culminated in December 1996 which, as described above, resulted in the project getting the approval of both the community and of CIDA HQ to commence. However, a central dilemma concerning the implementation of the HPDF remained unresolved; i.e. the identification of a Tanzanian counterpart

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agency through which the project would be administered. If not Bulgalda, if not District Council, then whom?

6.8 THE ESTABLISHMENT OF AN ADMINISTRATIVE STRUCTURE FOR THE PROJECT

Based on its assessment of the divisions within the community in Hanang, CIDA returned to an idea proposed in the 1991 feasibility study; that of having applications for funds assessed by a project committee made up of representatives from different segments of the community. However, whereas the initial proposal had suggested that this committee would deal only with the residual areas which fell outside of the jurisdiction of the District Council, in 1996 CIDA determined that this body would handle all allocations of project funds. In addition, to calm local tensions, it was felt that it would have to be and be seen to be completely independent and not to favour any local faction above another. Part of this meant identifying the target group of the project not as the Barabaig, as earlier incarnations of the proposed project had done, but as the entire population of Hanang. Accordingly, CIDA officials devised a unique administrative structure composed of two voluntary bodies: a national Board of Trustees (with representation from the central government, the Office of the Chief Justice, the Canadian government and the private sector), and a locally selected Project Development Group (PDG) composed of a representative cross-section of local leadership.

This two tier management structure was adopted with the objective of “ensuring that development activities in the district strike a balance between locally felt needs and the national policies of the elected government.” The PDG meets quarterly to assess applications for project funding from local residents and community groups. The sectors eligible for funding are water, health, education and micro-enterprise, priorities identified through public consultations in Hanang. The recommendations of the PDG are then reviewed by the Board of Trustees on whose approval funds are released. In this administrative arrangement, the Canadian facilitator has no vote on the allocation of funds. His job, in concert with the Tanzanian village liaison officer, is to assist the operations of the Project
Development Group and to offer support to local groups in preparing their project proposals for submission to the committee. Much of the first two years the project was in operation were taken up with recruiting representatives for both the Board of Governors and the Project Development Group, conducting intensive training workshops for PDG members and community leaders, and a schedule of village outreach visits to familiarize the residents of Hanang with the existence of the Fund and their options to access it. Project funds do not flow through the central treasury or the District Council, but from a special account established by CIDA; a practice which is, as noted above, controversial among donors.

Another matter of controversy which continued to affect the project in 1999 was the position allocated to the District Council in the administrative structure of the HPDF. On the Project Development Group, the District Council has been allocated four seats, which does not give it majority control. This remained a contentious issue in 1999 with District Council resistance to a reduction in its authority. This resistance is manifest in a number of ways which serve to undermine the project. For example, one village council representative in an area where women walk six hours a day to fetch water reported requesting assistance from the District Council in making a technical assessment of the options to improve water sources so that the village could make an application to the HPDF for funding for a water project. He was informed that no assistance would be given in support of an application to the HPDF, and if the village wanted a new well, it should apply to the District Council; a step which had on two occasions in the past met with no success. District Council representatives argue that the administration of the HPDF outside of District Council control undermines the Council’s legitimate authority and its ability to manage and direct the provision of public services and economic development projects in the District. The presence of District officials on the HPDF Project Development Group is not regarded as sufficient. Although the District Council is permitted to submit applications for funding to the HPDF, it did not do so for the first round of proposal assessments in 1999.

6.9 CONCLUSIONS

At the time of writing, the HPDF has been active for three years, having made its first disbursements for locally identified projects in 1999. It is not possible at this point to make any kind of knowledgeable assessment of the success of the HPDF in meeting its objectives. However, the amount of time and energy CIDA has invested in designing the project and its unique and controversial administrative structure will make this a very interesting case to watch over the next few years. The history of the project thus far raises a number of issues which merit future attention.

This discussion of the lengthy and complicated gestation of the HPDF provides a powerful demonstration of the fact that the aid policy making process does not end with the articulation of policy objectives. The form Canadian aid takes and its outcomes are significantly determined by obstacles encountered in the process of implementation. These constraints arise both within the aid agency and in the recipient country.

It seems quite clear from the evidence presented above that CIDA was motivated to do something about the problems created by its wheat project in Hanang as a result of public criticism, and that the HPDF was born primarily as an exercise in political damage control. With respect to the explanations of bureaucratic failure outlined in Chapter One, the history of the TCWP and the HPDF seems to provide a potent example of the manner in which oversight mechanisms for the aid programme function in the Canadian political system. It was a vigilant and vocal NGO lobby and critical press coverage which succeeded in moving CIDA to address the aftermath of the wheat project in Hanang. As the debates among CIDA officials recounted above suggest, CIDA management was anxious to limit the agency's involvement in Hanang to what was necessary to quell public criticism. In determining the most appropriate course of action, the divergence of opinion among aid officials – most often between the field office and agency headquarters – is illustrative of the different pressures to which each was subjected. The field office's interpretation of the situation in Hanang was shaped by its close proximity to events there and its interactions with the various local interest groups. Programme staff at headquarters where major management
decisions were made, were operating within the Ottawa political context, where
domestic political and economic considerations were comparatively more important.

Rather than setting up a large scale rural development project, CIDA chose to
establish a small projects fund in Hanang. The political and economic parameters
established for Canadian involvement in the project pose two questions. Firstly, can a
project which is political in origin meet subsequently determined developmental
objectives? Secondly, given the poor record of Canada Fund projects in Tanzania,
can a similar small projects fund in Hanang be expected to meet with better success?
Many of the small projects funded through the Canada Fund have not proven
sustainable, and in Hanang itself there are rusting, unused maize mills and half­
finished classrooms which demonstrate this. It is important to note that the design of
the HPDF was not only a response to domestic political pressures in Canada, or
expressed local needs in Hanang. It is also part of an international trend in aid
practice which emphasizes participatory development, donor support to district­
focused integrated rural development projects, and the establishment of small projects
funds. Existing research on Social Funds of this type has questioned their
effectiveness. Will the capacity building aspect and monitoring component of the
HPDF serve to offset the weaknesses apparent in the Canada Fund model?

Faced with a community in caught up in a turmoil which its wheat project had
contributed to creating, CIDA has invested considerable time and resources in
consulting with the local population in defining the objectives of the HPDF and in
obtaining broad public participation in and support for the project. No doubt it would
have been severely criticized had it not done so. However, this approach is an
extremely slow, expensive, and labour intensive method of disbursing aid funds. The
planning phase involved the commissioning of two project feasibility studies; at least
four planning missions to Hanang from Canada, with attendant costs for airfare and
accommodation; several other visits from the field office and meetings between
Canadian and Tanzanian officials in Ottawa and Tanzania; the hiring of consultants to
produce four reports on different aspects of the situation in Hanang; and the
organization of public meetings and workshops. After seven years in development

77 See for example Tendler, 2000.
and three years in operation, the HPDF made its first disbursements in June 1999 for sixteen projects amounting to around $10,000 in total. It is obvious that the Canadian aid programme as it is currently structured could not support many projects like the HPDF and hope to disburse even a fraction of its aid budget each year. On the other hand, one of the most adamant lessons of the history of aid is that merely throwing huge sums of money at a problem does not work, as the TCWP itself demonstrated. After forty years of ODA, it seems clear that aid must take a new form to be useful. For this reason, the HPDF will be an instructive case to watch unfold.

Although the HPDF began operations with broad public support in Hanang, there are a number of unresolved issues which loom as potential problems in the future. The most serious of these is the unresolved dispute over land use in the area. The records discussed above indicate that CIDA officials were convinced early on that resolution of the land use issue was central to the success of future economic development efforts in the District. However, this concern was subsequently set aside. As the HPDF continues to allocate funds without a District Land Use plan or District Development Plan to guide it in the distribution of resources throughout the District, the land use issue has the potential to flare up again in the future. In broader terms, this issue and this case in general is illustrative of the unresolved delineation of responsibility for and control over the aid process between donors and recipients. It also shows the way in which local political conflicts and institutional weaknesses disrupt and undermine even the best intentioned donor programmes. The lines between the responsible administration of aid funds, an irresponsible abdication of authority, and an infringement of local sovereignty is unclear.

As noted above, there are problems associated with the donor practice of circumventing the government bureaucracy and setting up parallel administrative structures for their projects. Critics argue that it undermines the parliamentary system and the budgetary process, and perpetuates the weaknesses of local government institutions rather than addressing them. It is also argued that this practice creates unsustainable management structures dependent on donor involvement to function. The counter to this argument is that poor, hungry, sick people cannot wait for huge and often corrupted government bureaucracies to evolve into efficient public service
delivery mechanisms. In trying to implement its rural development project in Hanang, CIDA faced a suspicious and divided community, one where local conflict had escalated to the level of physical violence. In these circumstances, CIDA decided that the local District Council did not have the credibility to act as a conduit for aid funds. Residents had expressed their distrust of District officials and their belief that they were colluding with NAFCO employees to turf them off their land and siphon profits from the wheat scheme. The District Council’s record of managing Canada Fund projects in the past was poor. Bulgalda/KIPOC had its own internal weaknesses and did not appear to enjoy broad public support. Yet somehow, all of these parties had to be brought together if economic development efforts are to have any chance of succeeding in the District. CIDA elected to establish an independent board to administer project funds. The continued resistance of the District Council to this arrangement threatens to undermine the success of the project. Other donors in other areas have adopted different approaches. A comparison of these various approaches would be a useful exercise to ascertain best practice.

CIDA’s protracted negotiations with the NGOs CLWR, WUSC and CUSO over the implementation of the HPDF raises the issue of who should be implementing agents for aid projects. The literature and documentation reviewed in previous chapters suggests that commercial contractors are motivated primarily by profit potential in their pursuit and execution of aid contracts, and that this often conflicts with poverty reduction objectives. However, this case demonstrates that NGOs do not necessarily offer the magic solution to this problem of perverse incentives. CUSOTanzania’s actions in Hanang revealed its own political agenda and its susceptibility to the power and financial perks offered by the control of aid funds.

CIDA’s initial dismissal of CLWR’s reading of the situation in Hanang, an interpretation which later proved to be more or less accurate, illustrates the degree to which the aid agency is dependent on its executing agents to provide the field knowledge to guide project management decisions. Several aid officials commented that in their view, the success or failure of an aid project frequently boils down to finding the right person or people to implement it.

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78 See Edwards and Hume.
A final matter of concern is the fact that the first solicitation of project proposals in Hanang did not yield any projects targeted at the Barabaig community, CIDA's primary objective in initiating the project. Project administrators face the challenge of promoting the participation of the Barabaig population if they are not to be disadvantaged in the project selection process.
CONCLUSIONS

Foreign aid was conceived of as a temporary measure. Early development theorists like Rostow imagined that it was possible for non-industrialized societies to achieve the conditions necessary for economic take-off in thirty to forty years. In 1966, economist Rene Dumont boldly proclaimed that underdevelopment in Africa could be overcome in twenty years. After forty years of international development assistance, the majority of people in Tanzania and in most of Africa and the rest of the southern hemisphere are still living out their lives in terrible poverty and hardship. The range of possible explanations for the persistence of poverty in these places extends far beyond aid policy; and ODA, no matter how well-intentioned or efficiently applied, can not by itself end poverty. Yet, even when assessed against the more limited objectives of individual aid projects and policies, the record of aid in Africa and elsewhere is poor. Project failure is the rule rather than the exception.

This study was conducted to improve our understanding of why aid so often fails, and why, despite a general awareness of the flaws in the Canadian aid programme, it has proven so resistant to substantial alteration. This understanding is a prerequisite to determining how the time, energy, and resources currently allocated to ODA might be used more effectively for poverty reduction. Four specific research questions were addressed. This research began with the assumption that understanding aid failure involves, in the first instance, a clarification of the objectives of aid, and secondly, of the forces which determine these objectives. The aim was then to assess the impact of these forces on the outcome of aid policies and projects. Finally, it was hoped that examining the decision-making processes within the Canadian aid programme in specific instances would yield some insights into CIDA’s capacity to apply the lessons of experience to improve aid practice. These questions have been approached through a detailed examination of the aid policy-making and implementation process, focussed on a series of examples drawn from the history of Canadian ODA in Tanzania.
Each of the cases reviewed here provides a demonstration of the multiplicity of forces exerting an influence on the course of events at each juncture in the decision-making process. Each also illustrates how attempts to improve aid practice have been frustrated by these intervening forces, even where expert advice and the lessons of forty years of development assistance efforts have indicated a particular course of action as the best option to improve the effectiveness of ODA.

The evidence presented here strongly suggests that despite its official objectives, finding and implementing the most effective means to assist economic development and poverty reduction in aid recipient countries has not been the primary objective pursued through the Canadian aid programme. However, it is hoped that this study makes it equally clear that most Canadian aid officials charged with administering Canada's aid programme are committed to maximizing the 'development' potential of aid resources. The problem, as Hyden and Mukandala observed with respect to the American aid programme, is that "Altruism inhabits whatever cracks and crevices of the policy structure are not covered by realist concerns."¹

In the cases examined here, there is little evidence that altruism or 'humane internationalism' as it is outlined in Chapter One is the guiding principle for Canadian aid policy. More often, the impact of a particular policy decision on the supposed beneficiaries of ODA is relegated to a secondary or tertiary consideration behind other 'realist concerns.' These are primarily the interests of the Canadian commercial sector, Canadian foreign policy objectives and domestic politics. Also significant determinants of aid policy are bureaucratic politics, and in some cases, the actions of the media and public interest groups. Thus, in accordance with several of the papers cited in Chapter One, this study concludes that Canadian aid has been pressed into the service of mixed and often conflicting objectives the pursuit of which has reduced its effectiveness as a tool for economic development in recipient countries.

This study also addressed the question of the extent to which Canadian aid policy can be explained in terms of its participation in an international aid system, and

¹ Hyden and Mukandala: 6
the constraints inherent in the bureaucratic structure of the aid programme in Canada. International discussions and agreements forged in bodies like the World Bank and the DAC appear to have a weak but discernible and increasing influence on Canadian aid policy, particularly in placing issues on the international policy agenda.

The cases presented here also suggest that the Canadian aid programme suffers from some of the weaknesses common to bureaucratic institutions in general as well as some which stem from CIDA’s unique mandate as an aid agency, and that these affect Canada’s ability to deliver useful aid. In particular, it is argued that the administrative structure of the aid programme makes it very vulnerable to invasion by the political and economic interests outlined above, which run contrary to the interests of the intended beneficiaries of Canadian ODA. The cases presented here demonstrate that the scope for policy innovation is further constrained by common ailments of bureaucratic institutions like path dependence, an inappropriate incentive system, and weak oversight.

As the history of Canadian involvement in Hanang District, Tanzania presented in Part II illustrates, obstacles encountered in the project implementation process also pose significant constraints on the effective use of aid resources. The policies and actions of the recipient government; its capacity to administer aid effectively; local politics; and the existence of necessary supporting infrastructure for the aid project all had an effect on its outcome. The remainder of this chapter will assess the various factors which have shaped Canadian aid policy and their impact on policy outcomes as evidenced in the cases presented in the body of this thesis.

7.1 INTERNATIONAL INFLUENCES ON CANADIAN AID POLICY

Chapter One highlighted external influences as a relatively unexplored avenue of investigation in the debates surrounding the determinants of Canadian aid policy. It introduced the concept of an aid regime as put forward by Wood, Lumsdaine and others to explain the establishment of the international aid system and the relative uniformity of the response of western industrialized countries to poverty in the South. While Lumsdaine argues that the institutions of development assistance were
established to foster economic development in the South and end global poverty, Wood argues that the primary purpose of aid is to maintain stability in a global economic system which favours the interests of the industrialized countries of the West. This section addresses the question of the utility of this concept in explaining Canadian policy decisions in the specific cases examined here.

Demonstrating that an international aid regime exerts an influence on Canadian aid policy requires addressing four questions. Firstly, it is necessary to identify the principles and norms of the aid regime. Secondly, to determine the process by which these norms are transmitted throughout the regime and into the Canadian policy-making process. Thirdly, the formal and informal means by which these norms are enforced must be demonstrated. Finally, an assessment of the countervailing forces challenging regime norms must be made in order to determine the strength of the disciplinary power of an international aid regime on Canada and the relative strength of competing forces. For the claim that an international aid regime exists and that it influences Canadian aid policy to be accepted, there must be evidence that Canadian actions are not just based on a straightforward calculation of Canada's own political and economic interests. In concrete terms, one might look for evidence of influence exerted by two prominent players in the foreign aid system: the World Bank and the Development Assistance Committee of the OECD, as has been done here. The World Bank is the largest and most powerful aid agency in the world controlling vast resources. The DAC, composed of the western aid donors, through its working groups and annual high level meetings plays a lead role in the negotiation and codification of internationally agreed principles governing aid practice.

The idea of a self-regulating international aid regime has appeal when seeking to explain why the response of western countries to poverty in the south has been so similar in form and content. At the most general level, structural adjustment, conditionality, decentralization, modernization through large scale mechanized farming projects like the TCWP, and the initiation of small projects funds with an emphasis on public participation like the HPDF, were all in accordance with broad trends in development assistance among western aid donors at the time each was initiated. However, in seeking to understand why Canadian ODA has taken the form it
has in Tanzania, the explanatory power of the concept of an aid regime is limited, as the cases reviewed in this paper suggest. As it is hoped has been made clear in the preceding discussion, there were important factors particular to each case which shaped Canadian actions and which can not be described as emanating from any external source or as the result of pressure exerted through the international aid system.

Analyzing the Canadian aid programme as part of the international aid system does yield some insights into the aid process, however. It is without doubt that international donors can exert heavy pressure on aid recipient countries, bolstered by the power to withdraw aid. In contrast, the ability of organizations like the World Bank and the DAC to discipline donor behaviour is limited by a lack of formal, binding mechanisms to ensure compliance, and as yet imperfect channels of communication and cooperation. The World Bank exercises a degree of authority in determining aid doctrine by dint of its omnipresence and a research capacity few bilateral donors can match. But the discussion of balance of payments support in Chapter Three has demonstrated that there are limits to its authority, and it has no means to compel dissenters to conform. Although generally in support of the IMF structural adjustment programme in Tanzania, bilateral donors have, on several occasions, voiced opposition to the perceived overzealous actions of the Fund and the Bank. Likewise, the failure of the most recent round of negotiations around untying aid and the various means donors have employed to circumvent the principles of effective ODA as they have been agreed in the DAC and described in Chapter Three illustrates the weak disciplinary power of this institution.

This being said, it is argued that the adoption of structural adjustment as a development priority moved the level of aid intervention from the level of individual, discrete aid projects to the level of macro-economic policy. This necessitated increased international coordination and the delegation of leadership to the World Bank, patterns of decision-making which have become institutionalized in the aid system and opened CIDA to greater external influence. The influence of international policy norms on Canadian policy is not due simply to subordination to the dictats of the World Bank or the DAC, but arises from the consensus which emerged among
donors as to the nature of the problem and the solution. It is more accurate in these cases to say Canadian policy is a confirmation of World Bank and DAC positions rather than in compliance with them. The most important implication of the advent of structural adjustment and policy conditionality, in the context of this discussion, is that it represents a relinquishment of a certain degree of autonomy in policy-making to the international financial institutions.

Some divergence between the policies of multilateral and bilateral aid agencies can be attributed to the different position each occupies in the international system. The World Bank is the world's largest aid donor, but it is also charged with imposing stability on the international economic system. Bilateral donors are subject to a domestic constituency of taxpayers and are responsible for balancing aid with other government responsibilities. Domestic factors also contribute to the diversity which exists among bilateral donors. For example, during the 1980s and early 1990s all donor programmes in Tanzania contained a substantial component of Balance of Payments support. The remainder of Nordic aid was targeted at the social sector while Canadian aid concentrated on industrial infrastructure. Canadian programme documents from the 1970's and early '80's refer to a conscious policy decision not to engage in basic human needs programming rationalizing that the Nordics were already covering this ground and Canadian expertise lay elsewhere. This may be interpreted as a division of labour among donors rather than an abrogation of international norms. Diversity in the strategies employed by bilateral donors does not challenge the fundamental underlying principles of the international aid system.

Evidence of the weak disciplinary authority of the DAC does not completely discredit the concept of an aid regime, but it does suggest that its norms are not necessarily those codified in international agreements, but are more informal in nature. For example, since the 1960's there has been a formal commitment among donors to allocate 0.7% of their GDP to ODA. Few donors have met this target without repercussions. This suggests that the internationally acceptable threshold much lower. With respect to tied aid, donor behaviour in the DAC as outlined in Chapter Three implies a general consensus that it is legitimate to pursue domestic interests through aid programmes. These examples suggest that while Lumsdaine's
conception of an international aid regime guided by altruism maybe illusory, Wood’s idea that aid has been employed chiefly as a means to support the global economic system as it currently exists may be closer the mark.

Nevertheless, in examining decentralization, the design and implementation of aid projects, and even to an extent, the decision to cancel aid to Tanzania, it is difficult to discern pressure exerted through Canada’s connections with international organizations. In each of these cases, domestic interests were of primary importance.

7.2 THE PURSUIT OF ECONOMIC ADVANTAGE THROUGH THE AID PROGRAMME

As reviewed in Chapter One, several observers of Canadian aid have argued that its primary purpose is to advance Canadian economic interests abroad. They have pointed to the heavily tied nature of Canadian ODA; the emphasis in the programme on large infrastructure and mechanization projects requiring masses of Canadian-made equipment and technical assistance; the disproportionate amount of food aid offered to recipient countries; and the fact that the bulk of aid is directed at middle-income countries rather than the poorest countries where it is most needed as evidence that this is so. Some scholars have also suggested that the aid programme has been directed to the benefit of the Canadian commercial sector because this segment of the population enjoys an access to and influence upon Canadian policy-makers that the general public and certainly the supposed beneficiaries of aid do not have. The evidence in support of this view of Canadian ODA is convincing. Certainly, the Canadian aid programme has all of the characteristics described above. However, the line between cause and effect is unclear in the literature. The research presented here has attempted to assess the evidence that commercial interests influenced policy-makers in specific instances. The conclusion drawn from this research is that they have done so.

Pratt’s argument that commercial interests enjoy preferential access to decision-makers proved difficult to assess as much of this activity is shielded from public scrutiny. However, such information as is available in the public domain
reveals that representatives from Canadian manufacturing concerns, professional associations, and other firms seeking aid contracts are frequent callers on senior officials within CIDA and the Department of Foreign Affairs and International Trade. This is an opportunity which is not generally extended to a member of the public with a view to express concerning the aid programme. More significant than personal access to decision-makers, the events described here confirm that, as Freeman has argued, the interests of the Canadian business community are actively protected and advanced as a duty by the most powerful elements of the Canadian political system— the Ministries of Finance; Foreign Affairs and International Trade; Industry; and at various times Fisheries, Labour, and Agriculture. The responsibility of these agencies to protect the interests of the constituencies they serve overrides CIDA’s stated mandate to help poor people in other countries.

The most explicit evidence that Canadian economic interests shape aid policy is found in memoranda contained in government files. They record, for example, that the decision to decentralize aid administration in 1989 was made in an effort to improve the effective use of aid resources, but that this step was actively opposed by Canadian manufacturers and contractors who feared they would lose business to companies in aid recipient countries. Canadian officials considered this opposition to have been a significant contributing factor in the government’s decision to recentralize the administration of aid barely a year and a half later. Likewise, when Canadian bilateral ODA to Tanzania and the rest of East Africa was terminated in 1993, government ministers and officials openly admitted that East Africa had been singled out to bear the brunt of the recent budget cuts because it was a region with limited economic potential. They stated publicly that Canada preferred to maintain its involvement in North, West, and Southern Africa where the potential benefits for Canadian exporters and investors were better. The removal of aid from East Africa coincided with an increase in aid to the emerging markets of Eastern Europe and China. As Chapter Four has argued, the cancellation of aid to Tanzania was part of collective response on the part of several donors to that country’s failure to make adequate progress with its policy reforms. However, it also coincided with an attempt originating within the Department of Foreign Affairs and International Trade in the

2 Pratt; Freeman.
early 1990’s to reassert its authority over the aid programme and to reorient it towards more explicitly commercial objectives. The Conservative government’s Prosperity Initiative, the privatization of aid delivery, and the Development Assistance Policy Update discussed in Chapters Two and Four were all part of this.

Canadian manufacturers and commercial contractors have long been open and vocal in their opposition to the further untying of Canadian aid for procurement outside Canada, even where this could be demonstrated to be more beneficial to the intended recipients of Canadian aid. CIDA and DFAIT actively solicit the views of representatives from the commercial sector on the aid programme and new policy initiatives, as they do other parties identified as ‘stakeholders’ in the aid programme, namely development NGO’s and academics. The most recent round of negotiations in the DAC on an agreement to further untie bilateral aid as discussed in Chapter Three revealed a significant and disturbing characteristic of the commercial sector lobby in Canada. The big manufacturers were apparently not particularly concerned about the proposed agreement, which was, in fact, very limited in scope. Much more vocal in their opposition were the small to medium size consulting firms who these days implement the bulk of Canadian bilateral projects. That these companies, which as a group are charged with fulfilling the objectives of projects ostensibly designed to improve the quality of life in aid recipient countries, would oppose any measure which would increase economic opportunities in these countries seems to indicate a clear conflict of interest. Their tacit acquiescence to Canadian support for the proposed agreement at the DAC in 1999 says more about the limited scope of the agreement than it does the virtues of commercial contractors as implementing agents for aid projects.

Where concrete evidence of the influence of Canadian economic interests on aid is less clear cut is at the design and implementation stage of individual aid projects. The series of commodity grants to Tanzania reviewed above indicate that there were occasions on which Tanzania was urged to take certain goods (particularly aluminium) instead of others for which they had expressed a need, sometimes at above world market prices. The awarding of the tenders by the Canadian government to producers very far from Tanzania created numerous logistical problems. However,
as CIDA officials argue, these commodities were offered as outright grants and therefore represented additional resources to the Tanzanian economy which might not otherwise have been available. It is not possible on the basis of the research conducted to make an accurate assessment of the impact of Canadian commodity agreements on the Tanzanian economy or to judge if the balance of payments support they were meant to provide would have been more beneficial if it had been given in the form of foreign exchange rather than tied to the provision of Canadian commodities, though there are indications in the files that Canadian officials believed this to have been the case.

Freeman has argued that the Tanzania Canada Wheat Project discussed in Chapter Five was designed as a large-scale mechanized production scheme because it served the dominant political interests in both Canada and Tanzania. She claims that it was supported by Canadian officials as a means to sell a large quantity of Canadian manufactured machinery. However, a review of all archived documentation and memoranda related to the design and implementation of the project reveals no explicit reference to this as the rationale for Canadian funding for the project. In fact, during the planning stage of Phase II of the project, which expanded the scheme fivefold, Canadian aid officials expressed the view that they did not want to be seen to be pushing large-scale mechanization. Nevertheless, against the advice of several evaluations of the project, they did fund the expansion, with disastrous results. But it appears to have been a political investment rather than an economic one, designed to promote goodwill between Canada and Tanzania, with a clear-eyed understanding at the outset that it was not economically sustainable. Likewise, Canadian support for the Hanang Participatory Development Fund was first and foremost an exercise in political damage control for CIDA. After deciding it needed to implement a community development project in Hanang, and delineating the financial limits of its responsibility to the residents of Hanang, Canadian aid officials concentrated on how to make the project work. Maximizing Canadian economic interests did not enter into it. With the exception of the commodity agreements cited above, there is no explicit reference in any of over the project files reviewed for this study that promoting Canadian exports was a determining factor in project design.
In support of Freeman’s argument, it must be acknowledged that Canada’s tied aid policy imposed limits on the type of project CIDA can fund. However, the influence of Canadian economic interests is exerted at the level of policy-making, as described above. The impact of this influence is, on the other hand, apparent in project outcomes. The mechanized wheat project was wholly inappropriate for northern Tanzania. The heavy emphasis in the Canadian aid programme in Tanzania on infrastructure projects has left a long list of Canadian made equipment that the Tanzanian government cannot afford to maintain.

7.3 THE AID PROGRAMME AS A BUREAUCRATIC INSTITUTION

Each of the explanations offered above cites particular political or economic interests as causal factors in the determination of Canadian aid policy. It is argued that the institutionalized modes of assistance and processes of policy-making and administration have also constrained the policy options open to aid officials, adding to the other pressures cited above which divert aid policy from its developmental objectives. More importantly, it is argued that certain aspects of the administrative structure for the aid programme actively facilitate the pursuit of these competing objectives through Canadian ODA.

7.3.1 The relative autonomy of CIDA

Brett, in speaking of bureaucratic institutions in general; and Hyden and Mukandala with respect to aid agencies in particular; have identified the degree of autonomy exercised by a bureaucratic agency as a determining factor in its ability to fulfil its responsibilities effectively.3 Elgstrom argues that autonomy is a necessary precondition for ‘responsiveness’, or an agency’s ability to adapt and innovate. “Dependency reduces or eliminates the prospect for responsiveness.”4 The Canadian aid programme is extremely vulnerable to politicking and the advancement of Canadian economic interests abroad. This is largely the product of an institutionalized conflict of interest between competing government responsibilities.

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4 Elgstrom, 1999:150.
CIDA is officially charged with applying aid resources to help reduce poverty in recipient countries. The Department of Foreign Affairs and International Trade, which has jurisdiction over CIDA, is responsible for protecting and maximizing Canadian interests abroad. To the extent it does not do so in any particular case, it could be said to be negligent in its duties.

As the discussions of decentralization, tied aid, and the aid budget cuts of 1993 presented above illustrate, DFAIT's overriding authority for all aspects of foreign policy including aid policy has historically meant that its position has prevailed, though it has sometimes been tempered by general public opinion which favours using aid only as an instrument for poverty reduction. CIDA lacks a legislated mandate legally binding the government to place the interests of the supposed beneficiaries of aid above all others in making decisions with respect to the aid programme. The research presented here suggests that the ambiguity which exists as to the objectives of Canadian aid has not served the agency well, and that attempts to introduce innovations designed to improve the effectiveness of ODA have been repeatedly foiled. Likewise, the lack of clearly defined guidelines for entering into aid agreements has enabled CIDA to fund projects like the TCWP which did not pass scrutiny as an economically viable and sustainable investment. Following Hyden and Mukandala's argument that an agency's relative autonomy depends on its control of financial resources, information and political support for its mission, CIDA's centralized administrative structure and the wholesale privatization of aid delivery has reduced its control over development knowledge, and thus further eroded its autonomy.

7.3.2 The principal/agent problem

This ambiguity as to the objectives of the aid programme is also apparent when one attempts to identify the "principal" to whom aid officials are accountable in making their decisions, and the "agent" who must bear responsibility for the implementation of aid projects and for their outcomes. As an aid agency, CIDA is unique among government services in that its intended beneficiaries live in far away countries, do not vote, or pay taxes in Canada. The interests of these people are
represented by proxy in Canada, informally by a small but vocal international
development lobby, and within the government by CIDA. However, the government
documents reviewed above reveal a considerable level of confusion within
government as to the true ‘principal’ to whom aid officials must be accountable. At
various times the media, Parliament, Canadian tax payers, and those organizations --
both non-profit and commercial -- which might wish to bid for aid contracts, are
identified as the parties whose interests must be considered in defining and
implementing aid policy. This is a problem in so far as their interests do coincide
with those of the supposed beneficiaries of Canadian aid, as was the case in each of
the policy decisions outlined above. For example, if Canadian taxpayers are
identified as the constituency to whom aid officials are primarily accountable, the
decision to cut government expenditure by cancelling the decentralization of aid
administration was justified. If, however, people living in poverty in aid recipient
countries are identified as the principals the aid programme is designed to serve, the
acknowledged evidence from thirty years of ODA that the aid programme wasn’t
achieving it objectives coupled with indications from the field that decentralization
was improving aid delivery should have indicated that the policy should have been
retained, with some modifications. A similar calculation could be made for each of
the cases outlined above.

In response to public criticism of its actions such as occurred following the
1993 termination of aid to East Africa, CIDA and DFAIT have made a concerted
effort to improve and increase consultation with various parties identified as
'stakeholders' in the aid programme. In the case of Tanzania, this is evident in the
extensive local consultations which preceded the implementation of the HPDF, and in
the preparation of the most recent bilateral programme framework document. In
Canada, at the level of policy formulation, the government has institutionalized
consultations with representatives from the NGO community, universities, and the
private commercial sector. While the effort to open the aid programme to wider
public debate is laudable, attempting to define policy by constructing a consensus
among these three interest groups is not necessarily in the best interests of the
supposed beneficiaries of Canadian ODA. NGOs and academics may serve as
advocates for these interests within the Canadian political system; a role the business
community would probably not claim. However, organizations and individuals from all three sectors also serve at various times as paid agents charged with the implementation of the aid programme. Thus they are both agents and beneficiaries of aid. Further, the evidence of forty years of disappointing efforts demonstrates that formulating effective strategies to foster economic growth and at the same time safeguard the welfare of the vulnerable members of society is a complex endeavour requiring expert knowledge in a wide variety of fields; knowledge unavailable in its entirety to the Canadian taxpayer, the president of an engineering consulting firm, or a nomadic herdsman in Tanzania. Therefore, policy cannot be merely a compromise or consensus of their disparate views and interests.

Taking the design and implementation of aid projects out of the hands of a large bureaucracy and giving it to contracted experts has the potential to improve the constructive use of aid, depending on the agent chosen. However, the multiplicity of agents involved in the administration of the aid programme as a consequence of privatization has muddied the lines of responsibility and accountability. The theoretical literature on how bureaucracies work examined in Chapter One has pointed to a range of motivations which guide the actions of public officials and/or private employees in fulfilling their duties. When looking at the institutionalized processes of aid, it must be recognized that the motives of a salaried public official will differ significantly from those of a private contractor looking for repeat business or an NGO with its own particular agenda. A review of a cross-section of projects of CIDA projects in Tanzania reveals that most projects are contracted to commercial engineering or manufacturing firms with no specific commitment to promote international development and often no previous experience working in a developing country. This has led to serious problems in Canadian projects in several instances, an issue which requires further examination.

7.3.3 Oversight mechanisms: monitoring and incentives

This brings the discussion to a consideration of what the cases presented here have to say about the functioning of oversight mechanisms installed in the Canadian political system as a means of making sure that CIDA and its appointed agents do
fulfil their obligations to administer ODA in the most effective manner possible. The Minister for International Cooperation and the Minister for Foreign Affairs and International Trade are accountable to Parliament for the activities of CIDA and the aid programme. As noted above, the Standing Committee on Foreign Affairs and International Trade has the responsibility to monitor aid policy, and reviews the annual budget estimates. The Auditor-General has authority to review any aspect of the aid programme and make recommendations, and publish his/her findings, and has done so regularly since the 1970's. In addition, several Parliamentary task forces and special joint committees which have been struck over the years to review the aid programme and have served as useful fora for experts and other members of the public to express their views. Within CIDA, it has become standard practice to hire a consultant to monitor and evaluate aid projects. Outside of the government, a vigilant press, scholarly research, and a well organized lobby of international development NGOs have played a major role in monitoring the activities of CIDA and aid policy and bringing issues into public debate, as the cases outlined above testify. These various mechanisms appear to have functioned well in monitoring the aid programme, identifying problems and contentious policy issues.

Nevertheless, there are some serious limitations to this system, as the cases reviewed here also illustrate. There was wide public and Parliamentary opposition to the cancellation of aid to East Africa, but it happened anyway. This policy change was included in the annual federal budget estimates which are subject to review in Committee before being approved by Parliament. The Parliamentary Committee has no authority to increase a budget allocation. Further, the aid budget is not accepted or rejected by Committee or by Parliament on an item by item basis, but in two votes: one for CIDA's operating expenses and the other for the who grant programme. The aid programme is not of sufficient public importance to delay the approval of the entire national budget.

As another example of the limitations of aid policy oversight mechanisms, the decision to decentralize aid administration was made in accordance with the recommendations of a special Parliamentary Committee struck to conduct a thorough review of the aid programme such as is not possible in the annual review of the
budget estimates. A number of its other recommendations, including a legislated mandate for CIDA and the commitment to provide 0.7% of GNP as ODA, were not accepted by the government. The commitment to decentralize was subsequently reversed.

This research has revealed further examples of the freedom of policy makers to disregard the advice and evidence of policy failure turned up by governmental and more informal mechanisms of policy oversight. The DAC Principles of Effective ODA condemn the practice of tying balance of payments support and establishing jointly administered counterpart funds, but Canada has continued this practice. Numerous independent evaluations of the TCWP concluded that it was not a viable project, and the residents of Hanang voiced their opposition to it, but CIDA continued to fund it. The Canadian government is not obliged to abide by the recommendations of parliamentary committees, the DAC, the Auditor-General, or independent evaluations of aid projects. There may be vocal moral outrage expressed when it fails to do so, but there is no legal sanction. In certain instances, during the outbreaks of violence on the Hanang wheat farms or in the aftermath of the 1993 budget cuts, for example, the NGO lobby and sympathetic elements of the media managed to keep up the pressure on CIDA and the government long enough to embarrass it into action, but this a rather hit or miss method of monitoring the operation of the aid programme, as the silent death of decentralization attests.

The cases presented here also bring into question the assumption on the part of CIDA and Foreign Affairs that the private commercial sector has a legitimate claim to be a ‘stakeholder’ in the aid programme. The rationale for considering private sector interests in the formulation of aid policy is fourfold. Official documents emphasize the mutual benefits of aid programme to recipients and to Canadian businesses, and senior decision-makers argue that demonstrating these advantages is necessary to maintaining public support for ODA. However, the benefits to the Canadian economy are in fact minimal, and public opinion does not support the use of aid funds for this purpose. With some logic, it is assumed that as agents contracted to implement aid projects commercial firms should be consulted as to how aid might be used more effectively. In addition, it is supposed that economic development efforts
might be improved on the advice of successful entrepreneurs. However, these claims are not justified by the evidence presented above. The response of consulting firms and other representatives of the business community to efforts to untie aid over the years and to decentralization has been purely self-interested in nature, and took no account whatsoever of whether or not these were more effective methods of delivering aid. In opposing decentralization and the loosening of procurement regulations on the grounds that these policies would reduce their access to aid contracts, representatives of the Canadian commercial sector assumed the role of the 'principal' rather than the 'agent' in the aid relationship.

The most recent report of the Auditor-General in October 2000 highlighted the weaknesses of CIDA's incentive structure for its executing agencies. "Due to the nature of most development projects, as well as the complex logistics of getting Canadian staff on the ground, CIDA usually must pay contractors for the inputs they provide rather than for the outputs they achieve."\(^5\)

Therefore, executing agents have no formal incentive to implement useful and effective projects. This is reinforced by the lack of ex-post evaluations of Canadian funded projects which would assess a project's long-term benefit. Where a solidaristic or purposive organization might be sufficiently motivated to seek this kind of success, a commercial contractor is unlikely to be motivated to do so. In fact, it would be irrational behaviour, in a market-driven context, to do more that the contract required when they are not evaluated in terms of the results they achieve.

One of the most serious weaknesses of aid management in Canada is that although helping to improve the quality of life of people in aid recipient countries is the official objective of ODA, the success of Canadian aid in meeting this objective is not even measured. Any scrutiny of Canadian assisted projects ends with the final disbursement of funding, meaning that the long-term impact of these projects is not assessed in any kind of systematic way. Current measurements of aid success are the volume of money moved, adherence to correct procedure in tendering and awarding of contracts, and the provision of inputs. In response to criticisms from the Auditor-

\(^5\) Auditor-General of Canada, October 2000, Section 14.81.
General over the past few years, CIDA had adopted a Results Based Management approach, though the impact of this policy is not yet clear, and it still does not make provisions for assessments of sustainability after Canadian funding has come to an end.

Even in cases where the agents contracted to implement aid projects are not providing the agreed inputs, CIDA has not fired them. As the commodity grants to Tanzania described above illustrated, CIDA has in the past rehired suppliers who had failed to live up to the conditions of previous contracts because of a lack of alternative Canadian sources. The Auditor-General found that out of thirty three projects reviewed for the 2000 report, “15 had a significant portion of deliverables that were not being met as planned.”6 CIDA cancelled two of these agreements, but did not cancel the other thirteen. These decisions the Auditor-General attributed to a project planning and implementation cycle which is difficult to stop once it has been set in motion, a problem encountered by aid officials with respect to the TCWP in the 1980’s.

To get a large project planned and approved, tendered, contracted and operationally planned can take anywhere from one to four or five years. It involves considerable expense and effort on the part of both CIDA and the host country partner. Given this large investment in resources and the short-term costs associated with cancellation, it is difficult for CIDA to decide to cancel the agreement when results are not forthcoming. CIDA does not build into its management of project agreements any formal requirement or mechanism for “off ramps” (decisions to proceed or withdraw).7

This type of path dependence is evident in the history of the Tanzania-Canada Wheat Project. Chapters Five and Six presented a detailed account of how the Canadian government responded to evidence of project failure at the wheat scheme. The most puzzling aspect of the TCWP was the Canadian government’s decision to fund this project and to continue funding it despite repeated negative assessments of its economic viability. Like the issues of tied aid; the re-centralization of aid management; and the cancellation of aid to one of the poorest countries in the world,

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7 Ibid, Section 14.82.
it is only when these decisions are weighed against Canada’s political and economic interests do these actions become intelligible.

However, the history of the TCWP suggests that there is something else at work, and that Canadian policy cannot be explained as a straightforward calculation of national interests. The decision to fund the TCWP appears to have been political one. The decision to continue to fund it long after its failure had become apparent was made in accordance with CIDA’s choice in the mid-1980’s, to continue to try bring its substantial investments in Tanzania to fruition rather than to cut its losses there. The heavily tied, capital-intensive, modernization projects begun in the 1960’s, which continued to make up the bulk of Canadian involvement in Tanzania in the 1990’s, committed CIDA to a course of action from which it later found it difficult to extricate itself.

The Hanang Participatory Development Fund was also political in origin, and it illustrates the galvanizing force of public opinion in prompting CIDA and the Canadian government to respond to evidence of policy failure. While this thesis has focused on constraints on the effective use of aid resources arising from donor policy and administrative practices, the early history of the HPDF illustrates the numerous obstacles encountered in the aid recipient country which must be overcome, and the huge range of decisions which must be made in the process of designing an implementing an aid project. That these tasks took ten years to complete in the case of the HPDF is an indication of their complexity and of the constraints inherent in the bureaucratic structure of the aid process.

This report has drawn conclusions very critical of the role of Canadian commercial interests in the aid programme. It must be noted, however, that the projects described in detail in this paper – the TCWP, the HPDF, and the series of commodity grants – were all executed by Canadian government employees: the wheat project was designed and implemented by the Department of Agriculture, a cooperant was hired directly by CIDA to implement the HPDF, and most of the commodity grants to Tanzania were brokered by aid officials. The fact that they were implemented by salaried public servants did not spare them their share of problems.
Nevertheless, the actions of the commercial sector lobby with respect to the issues of tied aid and decentralization brings into question their commitment to the official objectives of the aid programme. The actions of CUSO as recounted in Chapter Six suggests that using NGOs as implementing agents is not the automatic solution. The respective merits of various types of implementing agents requires further study.

Finally, it is necessary to address the question of the Canadian aid programme’s capacity to incorporate the lessons of experience into aid practice. Hyden and Mukandala have argued that an aid agency’s autonomy to act is a necessary prerequisite of ‘responsiveness,’ and that this autonomy is in turn determined by the agency’s control of three types of resources: economic, political authority, and information. CIDA’s control of all three of these resources is limited. It is dependent on the Treasury for its budget. Its political authority is limited by its subjugation to DFAIT. The cases examined here suggest that CIDA’s capacity to respond effectively to policy failure and to improve aid practice is constrained by the pursuit of other interests through the aid programme.

With the current focus on macro-economic policy interventions, CIDA is largely dependent on the international financial institutions for information. Centralized aid administration and the privatization of aid delivery means that much of CIDA’s field knowledge comes second hand; i.e. from CEA’s with vested interests, who have the power to withhold information or to present an interpretation which is to their own advantage. The lack of ex-post evaluations of projects limits the opportunity to learn from experience.

However, even without this type of evaluation, there is a wealth of information and experiential knowledge in CIDA project files that would be extremely useful to efforts to improve aid practice. In its practice of compiling Project Termination Reports which record the history of a project, its objectives and outcome, and any problems encountered along the way, in some detail, CIDA compares favourably with some other aid agencies in terms of maintaining an institutional memory. However, to be useful, this information must be readily accessible to policy makers, aid programmers and project planners, and to the public.
Finally, we might recall Nossal’s question:

Does a large bureaucratic structure exist because a succession of cabinets — for other reasons — decided to pursue a project-oriented, tied aid strategy of development widely disbursed over the globe, or are alternatives to the present package of development assistance avoided because they would threaten the existence of the bureaucracy.\(^8\)

It is argued that the evidence presented here supports the first interpretation. A recurrent motif in the cases examined here has been the frustration of efforts to innovate and improve aid practice. This study has yielded a long list of constraints on the effective use of ODA encountered at every stage of the aid process from policy formulation through implementation, many of which can be characterized as weaknesses in the bureaucratic process. However, their persistence may be more readily ascribed to bureaucratic inertia rather than to any more active form of resistance. Without being malevolent in intent, and in fact, despite a genuine desire on the part of aid officials to use aid to reduce poverty, these flaws in the institutionalized processes of aid are sufficient to immobilize efforts to improve aid practice.

\(^8\) Nossal: 53.
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APPENDIX I

LIST OF INTERVIEWS CONDUCTED IN COURSE OF RESEARCH


17. Lotte, Jacob. (June 24, 1999). Hanang District Community Development Officer, Katesh, Tanzania.

18. Lyimo, Peniel. (July 21, 1999). Deputy Permanent Secretary, Ministry of Finance, United Republic of Tanzania.


21. Mapungo, Joyce. (July 14, 1999). Assistant Commissioner, External Finance Department, Multilateral Section, Ministry of Finance, United Republic of Tanzania.


23. Marquardt, Richard. (December 21, 1999). Former CUSO East Africa Regional Programme Director, Ottawa.

24. Marsden-Dole, Patricia. (December 20, 1999). Director General International Markets Bureau, Department of Agriculture and Agri-Food Canada, and formerly Canadian High Commissioner to Tanzania.


26. Mbena, Mr. (July 21, 1999). Commissioner, External Finance Department, Ministry of Finance, United Republic of Tanzania.


30. Mrango, Mr. (July 15, 1999). Director of the External Section, Planning Commission, United Republic of Tanzania.


33. Mwasha, R.P. (July 20, 1999). External Section, Ministry of Finance, United
Republic of Tanzania.


44. Temu, Dr. (July 12, 1999). Sector Development Programme, Ministry of Education, United Republic of Tanzania.

45. Temu, Canute. (June 1999). Liaison Officer, Hanang Participatory Development Fund, Tanzania.


47. Voigt, Evelyn. (October 13, 1999). Programme Manager, East Africa and the Horn, Africa Middle East Branch, CIDA, Hull.


APPENDIX II

SUMMARY OF CANADIAN ASSISTANCE TO HANANG WHEAT PROJECT
1968 - 1993

PHASE I (1968 – 1977) ($6.7 million)
Research Project no. 902/00076
Canadian Executing Agent: Canadian Department of Agriculture.
Tanzanian counterpart: NAFCO
Experimental research to develop appropriate seed varieties and cultivation
techniques in Tanzania. Included the provision of two Canadian scientists, training
for Tanzanian staff, and the technical assistance, machinery and chemicals necessary
for pilot project at Basotu. Very low yields recorded until adjustment to cultivation
methods boosted production to North American levels in 1976.

Study of produce storage facilities (1970) Project no. 902/00125 ($610,000)

Large-Scale Wheat Production (1976-81) Project no. 902/10847-902/00602
($2,132,2000).
Technical assistance for training in machinery maintenance and farm management,
plus related equipment and supplies.

Adaptive Wheat Research and Production (1976-79) Project no. 902/00511
($2,382,000).
Technical assistance to research component of project, training for Tanzanian
technicians and researchers. Was to include the construction of a research station at
Lyamungu, but this was not done as the site proved unsuitable.

Soils survey to identify areas for project expansion (1976) Project no. 902/00603
($2.4 million) Initially intended to survey the whole country, but due to costs and
time involved, ultimately limited to Hanang.

Basotu Farm Equipment (1977-80) Project no. 902/00609 ($1.5 million) –
provision of spare parts and machinery maintenance tools.

Wheat Sector Study (1977) Project no. 902/10850 ($230,000).
In light of Tanzanian decision to further expand production at Hanang, CIDA hired a
consultant to assess the wheat sector “to identify and evaluate alternative strategies
and time frames for achieving national self-sufficiency in wheat production.” The
report made recommendations for technical improvements at Hanang, but did not
outline alternative strategies for boosting wheat production nation-wide as specified in
the terms of reference.

TCWP PHASE II (1979-1987) $43.9 million
Included: Infrastructure Support, Project no. 902/10828 ($25,318,458.37)
and
Research and Production component, Project no. 902/10829 ($18,948,446.07)

373
Technical and capital assistance for the establishment of five new wheat farms at Hanang, including training for Tanzanians in Canada, a staff of 16 Canadian technical advisors in Tanzania, and required farm machinery and agricultural inputs.

By the end of Phase II, CIDA reported that research had provided successfully adapted wheat varieties and yields had stabilized at North American levels. The Arusha Research Institute and the Hanang Wheat Complex were both under Tanzanian management. A Central Maintenance and Service Centre serving all seven farms in the scheme was fully operational. The wheat farms were employing approximately 1700 people. CIDA felt that Tanzanian management capacity was improving, and that it was realistic to look at phasing out Canadian technical assistance by 1991.

However, significant problems were encountered during Phase II of the project: Local opposition to NAFCO's confiscation of land which traditionally belonged to the Barabaig nomadic cattle herders intensified. There was a shortage of spare parts necessary to run farm equipment, and weaknesses in farm management systems. Further, a series of project evaluations conducted in 1980's - '92 were unanimous in their conclusions that the project was not economically viable and would collapse without Canadian aid.

1980 – **Spare Parts Technical Assistance Project no. 902/10824 ($117,000)**
To assist Tanzania in identifying spare parts requirements to maintain Canadian equipment supplied through the aid programme.

1982 – **Opening of Line of Credit for Spare Parts Project no. 902/10825 ($13.1 million in total)**
To finance procurement of spares from Canadian suppliers for five Canadian assisted parastatals including the Hanang Wheat Complex.

Contrary to the recommendations of several project evaluations as cited in Chapter Five and listed below that the wheat project was not economically viable, CIDA agreed to extend the project into a third phase. In Phase III, no expansion of production was planned. The objectives were: to provide funds for the purchase of replacement equipment and spare parts, technical assistance to strengthen NAFCO management and research capacity (51 p/y – 17 full-time Canadian staff in Hanang, and 65 p/y of training for Tanzanian staff), and a socio-economic study to serve as the basis for long-term planning in the wheat sector. CIDA planned to withdraw Canadian technical assistance in 1991. In fact, Canadian technical advisors remained on the project until funding was cut in June 1993 when all CIDA bilateral aid to Tanzania was terminated.

**Selian Agricultural Research Institute (1991-93) Project no. 902/16422/16759-01 ($9 million approved, $2,367,150.77 disbursed)**
This project was intended to establish an agricultural research facility near Arusha to provide technical assistance to the Hanang Wheat Complex and other agriculture projects. The envisioned Canadian technical assistance was cancelled as a result of Canadian ODA budget cutbacks in Tanzania, as was the provision of scientific
research equipment. Completed: Housing for seventy researchers and the Institute buildings.

ANCILLARY PROJECTS

*Basotu Water System (1976) Project no. 902/00606 ($25,000)*
Study on alternative water sources for domestic use on Basotu farm.

*Basotu/Setchet Roads (1977) Project no. 902/00719 ($15,000)*
Feasibility study for building of road between two farms, construction funded out of counterpart funds raised through the sale of Canadian food aid.

*Basotu/Setchet Water Drilling (1979-80) Project no. 902/10834 ($145,000)*
Test drilling, failed to find a long-term water source.

*Hanang Power Line Extension (1988) Project no. 902/15448 ($3.1 million approved, 2,993,296 disbursed).*
An 800 km extension to the national electricity grid. Electrification of the wheat farms, Haidom hospital, Katesh, and eight villages in Hanang. 25% of funds untied to purchase British materials.

Construction of primary schools and medical dispensaries on seven wheat farms, funded out of Canada Fund and counterpart funds.

PROJECT EVALUATIONS

The results of these evaluations are discussed in the body of the text. All concluded that the TCWP was not economically viable, with transportation costs the major problem.

1977 – Manitoba Pool Elevators, Project no. 902/10850 ($230,000)

1980 – Project no. 902/00805


1986 – Corporate Study, Project no. 902/13687 ($23,000)

1987 – Evaluation of Research component of the TCWP, Project no. 902/14966 ($30,000)

1988-89 – Comparative Analysis of large-scale mechanized wheat production versus small-holder production in Tanzania. Project no. 902/14988 ($20,000) Conducted by Dean Frank of University of Manitoba.
July 1989 – Agriteam Study

1992 – Organization and Management Study of Hanang Wheat Complex by Deloitte and Touche, Project no. 902/18705-64