

EFFECTS OF DEVIATION AND DELAYS OF FOREIGN AID DISBURSEMENTS: EVIDENCE FROM TANZANIA

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ABSTRACT

This study is the results of recognizing effects of deviation and delays of foreign aid disbursement in Local Government Authority (LGA's) and Non Governmental Organization (NGO's) in Tanzania. It was conducted in 2012 at Manyoni District of Singida region in Tanzania. The study adopted a cross sectional research design and stratified sampling techniques to collect data from a sample of 75 respondents by using questionnaires and interviews data collection techniques from Local Government Authorities and Non Governmental Organization. Data analysis were conducted and revealed that deviation of foreign aid disbursements leads to incomplete implementation of projects; Increase of poverty; Increases of mortality rate and unemployment. It is therefore suggested that, in order to reduce the problem of deviation and delays of foreign aid to Local Government Authorities and Non Governmental Organization there is a need for effectively utilization of internal resources such as financial resources, human resources and physical resources for a country to be free from aid dependency.

Key Words: Deviation, Delays, Foreign Aid, Aid, Disbursement

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INTRODUCTION

Worldwide, deviations and delays of aid disbursement is a problem. In Sub Saharan Africa aid disbursements deviated from aid commitments by 3.4 per cent of Gross Domestic Product (GDP) while in other regions deviations and delays of disbursements of the commitments range from 1.7 to 2.4 per cent of GDP during 1990 to 2005 (OECD, 2005).

Aid flows to Tanzania as one among the Sub Saharan Countries over the last 40 years have been highly uncertain. However, it is still one among the largest recipients of foreign aid. About 35 per cent of government spending depends on foreign aid (Fiscal Year, 2008/2009). For fiscal Year 2007/2008 total Overseas Development Assistance (ODA) provided by 40 Development Partners amounted to approximately USD 2 billion. This includes assistance in the form of grants, concessional loans and debt relief (Table 1).

With this fact, still deviations and delays of foreign aid disbursement is a problem. For instance in Manyoni District as one among the four Districts in Singida region in Tanzania, where many projects are taking place under the LGA and the NGOs for example TASAF, PADEP, SEDP, and LGDG still deviations and delays of foreign aid disbursements exist (LGA Report, 2009; ACT Report, 2009). As a result it impact performance of developmental projects, enforces adjustment of spending plans at short notice when promised aid is not provided or when additional aid is disbursed unpredictably which lead to inability to meet intended goals.

Table 1: Total Overseas Development Assistance by Aid Modality for Financial Year 2002/03-2007/08 (USD)

Type of Modality 2002/03	2003/04	2004/5	2005/06	2006/07	2007/08
General Budget Support (GBS)	279.04	458.61	393.01	501.28	698.83
Basket Funds	168.44	80.96	320.88	253.51	136.76
Project Funds	385.86	269.06	604.60	421.79	526.87
Total Disbursements	833.34	808.62	1,318.49	1,176.58	1,362.46

Source: Ministry of Finance, 2008.

Connected to this, at Itigi ward where there is TASAF project of market construction and dispensary construction project at Doroto village, delays of aid have been reported to take about

a year (District Report, 2009). Some delays have been reported at Kilimatinde projects under World Vision Dodoma on health, education and food security (World Vision Tanzania, 2008). All of these facts create a need for this study to examine effects of deviation and delays of foreign aid disbursement to Local Government Authority and Non Governmental Organization in Tanzania.

Literature Review

Definitions of Key Concepts

According to Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD), **foreign aid** is defined as financial flows, technical assistance, and commodities that are (i) designed to promote economic development and welfare as their main objective (ii) provided as either grants or subsidized loans (OECD, 2006).

The Statistical Reporting Directives (2000) issued by OECD and currently used by DAC states that a **Foreign aid commitment** is a firm written obligation by a government or official agency, backed by the appropriation or availability of the necessary funds, to provide resources of a specified amount under specified financial terms and conditions and for specified purposes for the benefit of a recipient country or a multilateral agency. **Disbursement** refers to the transfer of a tranche of a grant from the Financial Mechanisms to the Beneficiary State. **Disbursement Agent** refers to the financial institution appointed by the Financial Mechanism Office to act on its behalf for the purpose of effecting disbursements in accordance with the criteria stipulated in the Disbursement Instructions and the Disbursement Agent Agreement)

In this study Deviation is defined as a variation that deviates from the standard or norm “the deviation from the mean”, the difference between an observed value and the expected value of a variable or function, the error of a compass due to local magnetic disturbances, deviate behaviour, a turning aside (of your course or attention or concern). **Delay** refers to a cause to be slowed or delayed.

Type of Foreign Aid

According to Clemens, et al., (2004) separated foreign aid into three categories: (i) emergency and humanitarian aid (likely to be negatively associated with growth, since aids tends to increase sharply at the same time growth falls following an economic shock); (ii) aid that might only affect growth after a long period of time, if at all, and so the relationship may be difficult to detect (such as aid for health, education, the environment, and to support democracy); and (iii) aid that is directly aimed at affecting growth (building roads, ports, and electricity generators, or supporting agriculture).

Importance of Foreign Aid

Foreign aid represents an important source of finance in most countries in sub-Saharan Africa (SSA), where it supplements low savings, narrow export earnings and thin tax bases (AERC, 2003). Traditionally, foreign aid has played significant role of augmenting domestic savings to meet the necessary domestic investments in an economy needed to accelerate economic growth. According to Gillis et al., (2007), foreign aid promotes development through project aid, and it also provides development through technical assistance. Foreign aid can promote development through conditionality, which is an attempt by aid donors to use their assistance as a lever to influence policy in recipient countries and lastly foreign aid can promote development through educational scholarships. Multi-donor budget support is an increasingly important modality for aid delivery, particularly in Africa. Many governments are highly dependent on budget support, as it comprises up to 30 per cent of central governments' budgets (Martin, 2005). Foreign aid has continued to play an important role in developing countries, especially Sub-Sahara Africa; it is interesting to note that after half a century of channeling resources to the Third World, little development has taken place (Lancaster, 1999).

The Effects of Deviation and Delays of Foreign Aid Disbursements

According to Walliser (2008) contended that countries cannot make full use of aid when it is unpredictable. A frequently voiced concern of countries that receive development aid is that assistance flows are not predictable which resulted to lower public investment to respective country. Enhancing aid predictability has therefore been a key objective of the international agenda enshrined in the 2005 Paris Declaration on Aid Effectiveness (HDR, 2005). Assuming

foreign aid inflows are not sterilized, a fairly intuitive first cut at the costs associated with aid shortfalls would result to higher government borrowing costs and crowding out of other domestic borrowing. For instance in Tanzania from 1994 to 1995 there were sudden shortfalls of aid commitments which caused Tanzanian government plan to find alternative source of fund to balance its budget. The government decided to borrow extensively from the bank of Tanzania so that it would create an increase in government bonds (HDR, 2005).

Data and Methodology

This study was conducted at Manyoni district in Singida region focusing on effects of Deviation and Delays in Foreign Aid disbursement to local government Authority and Non Governmental Organization of Tanzania. A cross sectional research design was used as it allows the collection of data on different actors (Kothari, 1990) such as the supervisors of the projects and other workers including District Executive Director; Extension Workers, Community Development Officers; Officials of health department; Ward Executive Officer; Village Executive Officer; Head of Schools; Accountants; District Treasurer and Managers.

Both primary and secondary data were collected by using a stratified sampling method from a total of 75 respondents by using questionnaires and interview to obtain different opinions and reactions towards strategies to deal with deviation and delays of foreign aid disbursements. These methods give interviewee an opportunity to provide more information and get some clarification from the interviewer on issues about deviation and delays of foreign aid disbursement. Documentary review were also conducted by reviewing financial policy, performance reports, books and policy documents related to foreign aid flow.

The collected raw data from the field were processed and analyzed through SPSS programme. Descriptive statistics was mainly used to describe the problem under the study. A cross tabulation was used to simplify the understanding of the effects of deviations and delays of foreign aid disbursements between LGAs and NGOs.

Results and Discussion

Respondents Characteristics

Results on respondents' characteristics indicate majority of respondents (92.1%) have more than secondary education (Table 2). This signify that most of people in the study area have the ability to analyze different issues and come up with appropriate solutions as they have access to information.

Table 2: Respondent Level of Education

Level of Education	Percentages
Primary school	8
Secondary school	7
Certificate holder	11
Diploma holder	40
Other professionals	34

Source: Field Research Survey, 2012.

On working experiences, result shows 34.7% of the respondents had experiences of less than five years while 10.7% of the respondents had working experience of 20 years and above (Table 3). This imply that some of interviewed respondents have working experiences to share with others on existing delay and deviation of aid disbursement in Local Government Authority and Non Governmental Organization.

Table 3: Working Experience of Respondents

Working Experience	Frequency	Percent
< 5 Years	19	10.3
6-10 Years	26	34.7
11-15 Years	13	17.3
16-20 Years	9	12.0
> 20 Years	8	10.7
Total	75	100.0

Source: Field Research Survey, 2012.

With respect to the effects of Delays and Deviations, most of respondents (61.6%) from Local Government Authority reported that recipient government is affected with much deviations and

delays of foreign aid through poor implementation of the projects and implementation cost increases due to the rise in the cost of operations. However few respondents (38.4%) from NGO reported the same (Table 4). These imply that effects of aid delays and deviation differ from one institution to another in respective area.

Table 4: Victim of Delay and Deviation in Foreign aid Disbursement

Victims of Delay and Deviation of foreign aid disbursement	Response as per Organization		Total (%)
	LGAs (%)	NGOs (%)	
Donor	2 (100.0)	0 (0.0)	2 (100.0)
Recipient	45 (61.6)	28 (38.4)	73 (100.0)
Total	47 (62.7)	28(37.3)	75(100.0)

Source: Field Research Survey, 2012.

The findings (Table 5) indicates 66.7 % of the respondents replied that existence of delays and deviation of funds flow in organizations leads to failure of project implementation for example health services, road constructions and education projects. This situation negatively affected the community by increasing the level of poverty.

Table 5: The Way Community is affected by Delays and Deviations in Foreign Aid Disbursement.

Impact of delays and deviations of foreign aid disbursements	Frequency	Percent
Failure to complete the project	50	66.7
Operation cost increase	7	9.3
Loose of locality to community	2	2.7
Increase of poverty level	11	14.7
Misreport of the project attempted	3	4.0
Reduction of some projects	2	2.7
Total	75	100.0

Source: Field Research Survey, 2012.

Connected with effects of aid delays, 38.7 % of respondents replied that delays of foreign aid disbursement caused the increase of poverty level, deaths of women and children and unimplemented projects for example, classrooms construction in Rondoni Manyoni under Kilimatinde Area Development Programme (ADP) planned to be done 2008 -2009 but till 2012 was not completed and they expected to complete the project using the 2013 budget. This situation affected the project supervisory and became discouraged to continue with work. While 20% of the respondents said that the occurrence of delay of foreign aid disbursement causes implementation of projects to be of low standard and 1.3% suggested that such situation caused the organization lose credibility of the community (Table 6).

Table 6: The Effects of Delays in Foreign Aid Supply

The Effects of foreign Aid due to Delay	Frequency	Percent
Community does not benefit	11	14.7
Incomplete projects	29	38.7
Increase of poverty, deaths, and unemployment	9	12.0
Breach of contract	2	2.7
Organization loose of credibility	1	1.3
Less quality of project	15	20.0
Lack of sustainability of project	2	2.7
Misuse of available funds	2	2.7
Increase of implementations time	4	5.3
Total	75	100.0

Source: Field Research Survey, 2012.

Conclusions

This paper aimed at examining the effects of Deviations and delays of foreign aid disbursement in Tanzania. Data were collected through interviewer administered questionnaire and analyzed by Social Package for Social Science version 16. From analyzed data, deviations and delays of foreign aid disbursement affected both Local Government Authority and Non-Government Organizations as it leads to incomplete projects implementation; Operation cost increases; Increase of poverty Level; Rise of mortality rate of women and children; Lose of organization credibility from community and increase of unemployment rate.

Based on this study, it is recommended that further studies should focus on;

- (i) Why donor country cutback the pledged funds to developing countries;
- (ii) Strategies to be used in monitoring flow of aid for developmental project in developing countries.
- (iii) What should be done for developing countries to be free from aid dependency

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