

# Causes Of Deviation And Delays In Foreign Aid Disbursement: Evidence From Tanzania.

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**ABSTRACT:** This study focus on assessing causes of deviation and delays of foreign aid disbursement 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 analysed and revealed that deviation of foreign aid is a problem in both organizations such as causes of deviations of funds includes occurrence of emergency issues, unlawful personnel, and lack of commitment, failure to meet donor conditions, political influence, and existence of poor project implementation. While causes of delays of foreign aid includes existence of bureaucracy, corruption, stringent conditions, lack of commitment, Lack of accountability, and poor communication, unsatisfactory proposal, poor coordination and poor report Preparation. It is suggested that, in order to reduce the problem of deviation of foreign aid in most of Local Government Authorities and Non government Organizations there is a need to improve the techniques of preparing proposal, increase the level of independent and level of community participation.

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

## 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, it 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
<b>General Budget Support (GBS)</b>	279.04	458.61	393.01	501.28	<b>698.83</b>
<b>Basket Funds</b>	168.44	80.96	320.88	253.51	<b>136.76</b>
<b>Project Funds</b>	385.86	269.06	604.60	421.79	<b>526.87</b>
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 determine strategies to be used in dealing with 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).

### **Reasons for Delays and Deviation of Aid Disbursements**

The delays have nothing to do with recipient failure to fulfill their part of the bargain. International Financial Institution Advisory Committee (IFIAC, 2000) recommended the use of an independent third party in verifying compliance with their recommended institutional reform loan conditionality to be granted by multilateral development banks. Conditionality requirements of multilateral agencies cause delayed disbursements of aid funds. Funds help economic concerns and relevant agency's budgetary and technical capacity. This has sometimes caused failure to meet implementation targets and results in incurred interest charges (HDR, 2005). International Monetary Fund's (IMF) supported programmes report (2007) provides that foreign aid disbursements deviated from projections by about 1 per cent of GDP. For example, Sierra Leone, received 6 per cent of GDP in budget aid while 50 per cent of this aid flowed unexpectedly. In Ghana less than 25 per cent of budget aid was unpredicted. Instability in export pay is generally believed to be unfavorable to macroeconomic performance (Dawe, 1996 and Alexander and Hansen, 1998). This recognition has driven several studies to identify the causes of export instability (Charette 1985 and Love 1985). Fosu (2001) provided that, it is the instability of totality of foreign receipts. Instability of foreign aid receipts, adversely affect economic growth (Lensink and Morrissey, 2000). The unpredictability of the aid cause the countries to fail to make full use of aid that is, a government's inability to predict aid flows affects not only the level of government spending but also its composition and effectiveness. The utility of aid to recipients is often seriously compromised by delays in disbursement and the associated unpredictability of its availability.

### **Data and Methodology**

This study was conducted at Manyoni district in Singida region focusing on strategies used to deal with 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.

## Results

### Causes of Deviations of Foreign Aid Disbursement

The results on what causes deviation of foreign aid Disbursement to LGAs the result showed that, 71.4 per cent out of 28 of the respondents in Local Government Authorities replied that the main cause of deviations of foreign aid disbursement was occurrence of emergency issues example floods, food insecurity, eruption of diseases and employees strike, 66.7 per cent of respondents replied that failure to meet donor conditions. For example in Kintiku village World Bank promised to drill deep wells which cost 200 million and community requested to contribute 20 million and the rest would be funded by the World Bank but to date the project has not been implemented because community failed to contribute. 83.3 per cent of respondents replied that political influence was a contributing factor example during election period, members of parliament allocated funds to their constituency to avoid complaint of their voters and 100 per cent of respondents said that lack of commitment of the government officials caused deviations of foreign aid disbursements for example, water well construction in Kitalaka village in 2005 the contractor collected funds from the District Council but the project did not execute claiming that money or resources should cover the costs for similar project executed at Rungwe and Itagata. While in NGOs

28.6 per cent of respondents replied that occurrence of emergency issues on donor side, made NGO stop disbursement of funds and focused on solving emergency issues for instance, economic crisis, floods, drought were the source of deviation of funds. 60 per cent of respondents replied that due to economic fluctuation and devaluation of money make it difficult to disburse funds. The funds to assist health project in 2008-2009 under World Vision Tanzania by ADP Kilimatinde was deviated to education sector due to the reasons that the funds required or proposed to be used was not disbursed on time. Economic crisis and conflicts of interests between community, donors and government were the contributing factors while 100 per cent of respondents said unviable project and emergency issues was a cause of deviation of foreign aid disbursement and no respondent who suggested that lack of commitment of the Non-Governmental Organizations was a cause of deviation of foreign disbursement. The deviation of funds was a problem in Local Government Authorities due to occurrence of emergency issues, failure to meet donor conditions and due to the presence of lack of commitment of the officials, while in NGOs the deviation of foreign aid disbursement was not a problem. Therefore, the local government authorities should learn the techniques and strategies used by NGOs to increase the level of commitment and meet donor conditionality and also know how to deal with emergency issues Table 2.

**Table 2:** Causes of Deviation of Foreign Aid Disbursement

Causes of Deviation of foreign Aid Disbursement	Response as per Organization		Total (%)
	LGAs (%)	NGOs (%)	
Occurrence of emergency issues	5 (71.4)	2 (28.6)	7 (100.0)
Poor allocation of Funds	4 (100.0)	0 (0.00)	4(100.0)
Unlawful personnel	2 (66.7)	1 (33.3)	3 (100.0)
Economic fluctuation, money devaluation	4 (40.0)	6 (60.0)	10 (100.0)
Lack of communication	1 (100.0)	0 (0.0)	1 (100.0)
Ignorance of recipient	4 (100.0)	0 (0.0)	4 (100.0)
Failure to meet donor conditions	8 (66.7)	4 (33.3)	12 (100.0)
Political influence	5 (83.3)	1 (16.7)	6 (100.0)
Increase of operation costs	2 (100.0)	0 (0.00)	2 (100.0)
Lack of commitment	8 (100.0)	0 (0.00)	8 (100.0)
Weakness of management	2 (100.0)	0 (0.00)	2 (100.0)
Economic crisis, conflicts of interests	2 (40.0)	3 (60.0)	5 (100.0)
Emergency, poor project implemented	0 (0.00)	1 (100.0)	1(100.0)
Unviable project and emergency	0 (0.00)	6 (100.0)	6 (100.0)
Not happened	0 (0.00)	4 (100.0)	4 (100.0)
Total	47 (62.7)	28 (37.3)	75 (100.0)

Source: Field Research Survey, 2012.

In addition, one of the respondents from Local Government Authorities explained in detail that “the way deviation of funds occurred in LGAs “Donors normally released funds on quarterly bases but money disbursed during second month of implementation of the project and a report needed by donors at every quarter. For example, for a project funded 200 millions and disbursement in terms of 50 millions but if report indicates, funds spent is only 20 millions and funds remained is 30 million under this case funds in the next quarter only 20 million will be disbursed with assumptions the project still has 30 millions. Not all funds expected to flow will be disbursed. This situation caused incomplete implementation of the project or project implemented was of low quality”.

### Causes of Delays of Foreign Aid Disbursements

The findings revealed that the official procedure was a cause of delays of foreign aid disbursement to LGAs, 74.2

per cent replied of respondents positively saying that all districts in Tanzania got one basket of funds in which all donors put their aid and districts were requested to prepare budget to the central government. Once some districts were late to send their proposal, no funds would be disbursed to any district and there was long chain in decision making. While 50 per cent of respondents replied that, poor accountability contributed to delays in foreign aid disbursement and 87.5 per cent of respondents said that, poor coordination and report preparation were the causes of delays in foreign aid disbursement. The findings show that in LGAs the bureaucracy was a cause of delays in foreign aid disbursement compared to Non-Governmental Organizations with only 25.8 per cent of respondents who said that bureaucracy was a cause. In addition, 71.4 per cent of the respondent in NGOs said that unsatisfactory proposal and delay of the previous report caused the delays in foreign aid disbursement as indicated in Table 3.

**Table 3:** Causes of Delay of Foreign Aid Disbursement

Causes of Delay of foreign Aid Disbursement	Response as per Organization		
	LGA (%)	NGOs (%)	Total (%)
Bureaucracy	23 (74.2)	8 (25.8)	31 (100.0)
Corruption	2 (100.0)	0 (0.00)	2 (100.0)
Conditions	3 (60.0)	2 (40.0)	5 (100.0)
Lack of Commitment	5(55.6)	4(44.4)	9 (100.0)
Poor Accountability	1(50.0)	1(50.0)	2(100.0)
Economic Crisis to Donor side	2 (28.6)	5 (71.4)	7 (100.0)
Poor Communication	2 (100.0)	0 (0.00)	2 (100.0)
Unsatisfactory Proposal and Delay of report	2 (28.6)	5 (71.4)	7 (100.0)
Poor Coordination and Poor report Preparation	7(87.5)	1(12.5)	8(100.0)
No response	0 (0.00)	2(100.0)	2(100.0)
Total	47 (62.7)	28 (37.3)	75 (100.0)

Source: Field Research Survey, 2012.

### Conclusion

It is concluded that, deviations and delays of foreign aid disbursement to both LGAs and NGOs is caused by several factors. This leads to poor implementation of various community development projects. It is concluded that, both LGAs and NGOs should establish bylaws to control misuse of donor funds so that to improve livelihood of people. Based on this study, the following areas are recommended for further studies (i) why donor country cutback the pledged funds to developing countries; (ii) modeling foreign aid disbursement to developing countries

and (iii) strategies used to monitor flow of funds for developmental project in developing countries.

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