



EU Grant Agreement number: 290529

Project acronym: ANTICORRP

Project title: Anti-Corruption Policies Revisited

Work Package: WP8 Corruption, assistance and development

Title of deliverable: D8.2) Case study reports on control of corruption and EU funds

D8.2.6 Case study on EU aid and anti-corruption and governance in Tanzania

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29 February 2016

Project co-funded by the European Commission within the Seventh Framework Programme		
Dissemination Level		
PU	Public	X
PP	Restricted to other programme participants (including the Commission Services)	
RE	Restricted to a group specified by the consortium (including the Commission Services)	
Co	Confidential, only for members of the consortium (including the Commission Services)	

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ACCRONYMS

ACP – African, Caribbean, and Pacific
BRN – Big Results Now!
CCM – Chama Cha Mapundizi
CHADEMA - Chama Cha Demokrasia Na Maendelo
CAG – Controller and Auditor General
CSP – Country Strategy Paper
DDTP – Deepening Democracy in Tanzania Programme
DPP – Director of Public Prosecutions
EAC – East African Community
EDF – European Development Fund
EPA – External Payment Arrears
ES – Ethics Secretariat
EU – European Union
GBS – General Budget Support
GoT – Government of Tanzania
HLD – High-Level Dialogue
IFMS – Integrated Financial Management System
JAST – Joint Assistance Strategy
LDC – Least-Developed Country
MDG – Millennium Development Goal
MDGC – Millennium Development Goal Contract
MKUKUTA – National Strategy for Growth and Poverty Reduction
NACSAP – National Anti-Corruption Strategy and Action Plan
NAO – National Audit Office
NIP – National Indicative Programme
ODA – Official Development Assistance
ONAO – Office of the National Authorising Officer
PAF – Performance Assessment Framework
PCCA – Prevention and Combating of Corruption Act
PCCB – Prevention and Control of Corruption Bureau
PEFA – Public Expenditure Financial Accountability
PFM – Public Financial Management
PFMRP – Public Financial Management Reform Programme
PRBS – Poverty Reduction Budget Support
SBS – Sectoral Budget Support
SDG – Sustainable Development Goal
TV – Tanzania Vision
UK – United Kingdom
UN – United Nations
UNDP – United Nations Development Programme
USAID – United Nations Agency for International Development

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I. INTRODUCTION

The United Republic of Tanzania¹ is considered a beacon of political stability in Sub-Saharan Africa. Following decades of one-party rule, Tanzania adopted a multi-party system with competitive elections in the mid-1990s. However, since the first democratic election held in 1995, Chama Cha Mapundizi (CCM)², the previous ruling party, has remained in power and defeated a fragmented opposition with considerable margins. The European Union (EU) and Tanzania enjoy a long-standing tradition of development cooperation forged around historical connections and a strategic partnership. These linkages were amplified following Tanzania's political transformation, which coincided with the abandonment of a state-controlled and isolationist economic policy, and increasing its regional integration into the East African Community (EAC). As summarised by José Manuel Barroso, former President of the European Commission, "Tanzania has become one of the EU's main partners in Africa, and is also playing an increasingly important role in the stability and the inclusive and sustainable economic growth of the whole region. We now want to deepen our regular political dialogue with Tanzania and further increase our cooperation in areas like energy, anti-piracy, counter-terrorism or migration; issues which are of concern both for Africa and the European Union."³

With annual economic growth rates averaging around 6% over the last decade, Tanzania boasts one of the highest rates of economic growth in Sub-Saharan Africa and amongst African, Caribbean, and Pacific (ACP) countries. Although this translated into improvements on a range of socio-economic indicators, a substantial reduction in poverty has yet to be achieved. Tanzania remains part of the Least-Developed Countries (LDCs) and continues to face major impediments to development stemming from an undiversified economy, an underdeveloped and poorly maintained infrastructure network, and large-scale corruption. Although establishing one of the most harmonised donors frameworks in the early 2000s, the relationship between Tanzania and its donors has deteriorated significantly in recent years following several high-level corruption cases and slow progress on more complex governance reform. In response, the EU has reformed the composition of its development assistance modalities, which predominantly entailed a reduction in Budget Support, and has stopped committing further aid to Tanzania for the time being. These events indicate considerable limitations to the effectiveness of the EUs (and other donors') measures to induce good governance through existing modi of development cooperation.

¹ The United Republic of Tanzania consists of a union between mainland Tanzania and semi-autonomous Zanzibar, which merged in the process of independence in 1964. Henceforth, for simplicities sake, this report will refer to it as 'Tanzania'.

² Kiswahili for "Party of the Revolution". It was formed in 1977 out of the Tanzania African National Union and the Afro-Shirazi Party, which were the sole operating parties on the mainland and Zanzibar respectively since independence 1961.

³ Cited in EU Tanzania News (2012).

II. EU CONDITIONALITY AND DEVELOPMENT ASSISTANCE

The EU and Tanzania enjoy a long-standing partnership that aims to promote a sustainable and inclusive development. As a consequence of its history of political stability, its LDC Status, the emergence of a multi-party democracy, and its strategic role in the East African region, Tanzania receives a substantial amount of development assistance from the EU. The relationship is cemented in multiple agreements – which reflect the stipulations of the European Development Fund (EDF), the EU approach to ACP countries, and Tanzania's national development strategies – with the official, overarching goal to i) support Tanzania's further political and social democratization; ii) advocate for a pro-poor growth agenda and for an improving economic governance and business climate; and iii) encourage Tanzania's continued involvement in regional economic integration processes as well as political and security initiatives that contribute to the consolidation of peace and democracy in the region (European External Action Service, 2015) The following section briefly outlines the main agreements that structure the relationship between the EU and Tanzania.

1. Historical Developments and Legal Agreements

The legal basis for EU-Tanzania development cooperation rests on the Cotonou Agreement, which defines the principal development goals for ACP countries and creates a political foundation for EU-ACP relations since 2000. Furthermore, the EU is a member to the Joint Assistance Strategy for Tanzania (JAST) and the Partnership Framework Memorandum, which are designed to harmonise the processes of the Government of Tanzania (GoT) and major Development international donors⁴, in order to contribute to sustainable development in line with Tanzania's national development strategy, defined in the Tanzania Vision (TV) 2025 and the poverty eradication programmes MKUKUTA⁵ (2005-2010) and MKUKUTA II (2010-2015). Additionally, Tanzania signed one of only eight Millennium Development Goals Contracts (MDGC), which grants it enhanced Budget Support tied to Millenium Development Goal (MDG) related results.

The Cotonou agreement⁶, a successor to the Lomé Convention (1975-2000), remains the major cornerstone for EU-ACP relations. The primary objective of the Cotonou agreement is the eradication of poverty in the context of sustainable development, in line with the international development agenda and with particular attention to the MDGs and Sustainable Development Goals (SDGs). Apart from structuring political and development cooperation, the signatories

⁴ These include the EU and several Member States (United Kingdom, Denmark, Germany, Finland, Ireland, Belgium, Sweden, Netherlands, France, Italy), Norway, Switzerland, USAID, Canada, Japan, Korea, African Development Bank, World Bank, and United Nations Agencies.

⁵ MKUKUTA is the Kiswahili acronym for National Strategy for Growth and Poverty Reduction.

⁶ Partnership Agreement ACP-EC, Signed in Cotonou on 23 June 2000, Revised in Luxembourg on 25 June 2005, in Ougadougou on 22 June 2010. Available at <http://www.europarl.europa.eu/document/activities/cont/201306/20130605ATT67340/20130605ATT67340EN.pdf> (Accessed January 2016).

have assumed mutual obligations, which are to be monitored through continuous dialogue and evaluation. A violation of these obligations, for example by infringing elements of human rights, democracy, and 'good governance', or through serious cases of corruption, may trigger a suspension of EU development cooperation. While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the European Consensus on Development adopted in 2006 sets the general policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the international agenda, and with particular attention for the MDGs. Human rights and good governance are recognised as other important objectives.

The European Council agreed on an all-encompassing Joint Africa – EU Strategy⁷ in 2005, which is based on three pillars: (1) promoting peace, security and good governance; (2) supporting regional integration, trade and interconnectivity to promote economic development; and (3) improving access to basic social services and protection of the environment to reach the MDGs. Regular EU-Africa Summits have been organised since then, with Heads of State and Government adopting a "Roadmap 2014-2017"⁸ at the latest 4th EU-Africa Summit in Brussels on 2-3 April 2014. A novel key aspect is the recognition of the need to "increase synergies between the political dialogue and cooperation and to promote contributions from the private sector and civil society"⁹.

Building on the international reform process of development aid agreed upon in Paris in 2005 – and revised in Accra in 2008 and in Busan, South Korea, in 2011¹⁰ – the EU adopted its new development policy, "An Agenda for Change", in 2011¹¹. Its main goal is to increase the impact and effectiveness of EU development assistance and to this end recalibrates the underlying priorities, dialogue frameworks, and disbursement instruments of EU development cooperation. Furthermore, human rights, democracy and other aspects of good governance are acknowledged as pre-requisites for effective development and the principle of 'ownership' is recognised as the fundament for development cooperation¹². Thus, the EU should enable government leadership of the national development process, with the participation of a wide range of domestic stakeholders, by providing predictable, untied development assistance

⁷ COM (2005) 489

⁸ 4th EU-Africa Summit Roadmap 2014-2017. Available at URL: http://www.africa-eu-partnership.org/sites/default/files/documents/2014_04_01_4th_eu-africa_summit_roadmap_en.pdf (Accessed January 2016).

⁹ *Ibid.*: 5

¹⁰ See the Effective Cooperation official website and the Busan Partnership For Effective Development Full Text. Available at http://effectivecooperation.org/files/OUTCOME_DOCUMENT_-_FINAL_EN2.pdf (Accessed January 2016).

¹¹ COM (2011) 0637

¹² Article 11a of the Busan Partnership agreement states: "Ownership of development priorities by developing countries. Partnerships for development can only succeed if they are led by developing countries, implementing approaches that are tailored to country-specific situations and needs."

through existing country systems. The EU therefore reaffirmed its commitment to disburse development assistance through Budget Support, an aid modality that uses domestic Public Financial Management (PFM) systems and supports national development, as a preferred mechanism to increase aid effectiveness (European Court of Auditors 2010: 11). Additionally, multi-annual joint programming and donor harmonisation are being encouraged to ensure greater cooperation between the EU and other international partners, in particular EU Member States.

Additionally, the EU strongly encourages a deepening of Tanzania's regional integration into the EAC¹³ and, to this end, provides institutional support to the EAC Secretariat and seeks to expand Tanzania's role in the organisation by strengthening its capacity to develop stronger linkages between national and regional programmes, in particular in regards to trade, infrastructure, and environmental initiatives. Furthermore, the EU and the EAC have finalised negotiations over an Economic Partnership Agreement in 2014, expected to enter into force in 2016, which includes a considerable expansion of EU market access for EAC countries and reinforces development cooperation between the EU and the EAC and its members.

2. EU Development Assistance to Tanzania 2007-2014

EU official development assistance (ODA) to ACP countries, which receive a major share of the total EU ODA budget, is predominantly administered via the EDF, managed by the DG for International Cooperation and Development of the European Commission (EuropeAid). The main strategic programming tool for each recipient country are outlined in Country Strategy Papers (CSP), while the National Indicative Programme (NIP), adopted for the same time period as each EDF, functions as management tool and executive plan of action for the strategy laid out in the CSP. The period under review falls mainly under the 10th (2008-2013) and 11th (2014-2020) EDF and their concomitant NIPs for Tanzania. Due to the on-going constitutional review process, recent elections, and a major corruption case in 2014, negotiations on the 11th NIP have not yet concluded. In addition to development assistance from the EDF, Tanzania became one of only eight countries provided with an Millennium Development Goals Contract (MDGC). Signed in 2009, this contract promised an additional €305 million un-earmarked ODA until 2015 to support Tanzania's efforts to complete the stipulations of the MDGs. The following section discusses indicative and actually disbursed amounts of development assistance to Tanzania in the period of the 10th and 11th EDF.

¹³ The EAC was first formed as a political union between Kenya, Uganda, and Tanzania in 1967, but collapsed after only ten years. It was reinvigorated by its original members with the addition of Rwanda and Burundi in 2000 and established a fully-fledged Customs Union by 2010. The integration agenda of the EAC orients itself after the EU and is strongly political in nature, with its ultimate goal is to become a federation.

Table 1 Contributions of Major Development Partners to Tanzania¹⁴

DP	2010	2011	2012	2013	2014	2015	post-2015	€ million p.a.
EU	€555 million 2008-2013			€626 million 2014-2020				92.5 / 104
UK	€1018 million 2011-2015*							204
Denmark	€460 million 2007-2011*							92
Germany			€176 million. 2012-2014					59
Finland			€124 million 2013-2016					31
Ireland			€139 million 2012-2015					35
Belgium	€60 million 2010-2013							15
Sweden				€590 million 2013-2019*				84
Netherlands	No reference							-
France	No reference							-
Italy	No reference							-
Norway			€110 million 2012-2013					55
Switzerland	€54 million 2011-2014							16
USAID	€1380 million 2009-2013							276
Canada	€330 million 2009-2014							55
Japan	No reference							-
Korea	No reference							-
AfDB		€432 million 2011-2013						144
World Bank		€1888 million 2012-2015						472
UN		€656 million 2011-2015						131

Source: National Indicative Programme for Tanzania 2014-2020¹⁵

* Original amount was provided in other currency, conversion rate from 31.12.2015 was applied.

The EU cooperates with other donors in providing development assistance to Tanzania. While it plays a fundamental role in this process, having an additional representative role for its members states, other donors provide significantly higher amounts of aid to Tanzania. For example, USAID, the World Bank, and even the UK provide annual contributions in excess of €200 million annually, far exceeding development assistance by the EU. Table 1 provides an overview of the indicative amounts of development assistance assigned to Tanzania by major donors.

¹⁴ The information in this table needs to be treated with caution, as, unfortunately, not all the information required to complete this table was accessible. The contributions displayed refer to indicative amounts that donors pledged to provide for the specified periods. It is very likely that most of the funding programmes were continued or renewed beyond the indicated date. Therefore, the annual amount refers to period when information on the assistance was available.

¹⁵ National Indicative Programme for Tanzania 2014-2020. Available at http://eeas.europa.eu/development-cooperation/docs/national-indicative-programme_2014-2020/2014-2020_national-indicative-programme_tanzania_en.pdf (Accessed January 2016).

2.1 EU ODA to Tanzania under the 10th EDF NIP (2008 – 2013)

The EU committed itself to provide a total of €22.7 billion in development assistance to ACP countries under the 10th EDF (European Commission 2014: 9). Out of this, Tanzania was to receive €555 million, an average of €92.5 million per year, in the six-year period. Table 2 indicates that the major bulk of funding, €305 million was dedicated to Macroeconomic Support with the overall objective to support Tanzania's progress towards its MDGs. Thus, the EU committed itself to supporting Tanzania's national development strategy, which is intended to induce macroeconomic stability and conduct structural reforms, such as in the areas of governance and anti-corruption. Improvements in this priority area are envisaged to catalyse the realisation of other key development targets in public service delivery, including health, water, transport, and education¹⁶

Table 2 Indicative Development Assistance under 10th EDF NIP (2008-2013)

Sector/Area	€ million	% of total
Infrastructure, Communications, Transport	139	25
Trade and Regional Integration	55.5	10
Macroeconomic Support	305	55
Other Programmes	55.5	10
Total	555	100

Source: Country Strategy Paper and National Indicative Programme for Tanzania 2008-2013: 4: 69

The second priority target, Infrastructure, Communications, Transport, receives €139 million, which are set aside to support the extension and improvement of the Tanzanian transport infrastructure, notably its road network. Furthermore the EU has pledged to contribute to various measures aimed at improving Trade and Regional Integration. Apart from concentrating on commodities that offer opportunities for pro-poor trade and facilitating market access to smallholders, these funds are made available to provide institutional support to improve the trade governance structure of Tanzania and its interaction with trading partners.

The 10th EDF NIP for Tanzania further includes a variety of other programmes aimed at providing technical assistance to legal and institutional reform. These include, amongst others, €23 million in support of Non-State Actors to improve governance and economic growth by strengthening accountability in the policy implementation and dialogue, €5 million to assist the transformation of the National Audit Office (NAO) to improve its capacity to administrate Budget

¹⁶ Country Strategy Paper and National Indicative Programme for Tanzania 2008-2013: 4. Available at https://ec.europa.eu/europeaid/sites/devco/files/csp-nip-tanzania-2008-2013_en.pdf (Accessed January 2016).

Support modalities through transparent monitoring and reporting processes, and measures to consolidate Tanzania’s multi-party democracy.

2.2 EU ODA to Tanzania under the 11th EDF NIP (2014 – 2020)

Although negotiations have not yet concluded, the EU intends to committed itself to promote pro-poor, inclusive and sustainable growth in Tanzania in 11th EDF. A preliminary version of the document will serve as the baseline for the following section. The current version of the 11th NIP for Tanzania contains an indicative amount of €626 million, €104 million annually, in development assistance. New priority sectors have been identified, due to considerable achievements in the priority sectors of the past EDF period,

EU development assistance under the 11th EDF NIP will attribute funds predominantly to three focal areas. The major target of EU funding to Tanzania, the Good Governance and Development¹⁷ sector, was chosen to improve domestic revenue mobilization, budget transparency, and reinforce domestic accountability, while at the same time continuing efforts to reduce poverty. In order to accomplish this, the EU intends to disburse €290 million with several objectives, including i) Support to Public Finance Management (PFM), ii) Promoting democratic governance and accountability with an emphasis on the local level, iii) Support to Monitoring of Results, iv) Support to the General Budget Support (GBS) Secretariat for the management, monitoring, and evaluation of GBS.

Table 3 Indicative Development Assistance under 11th EDF NIP (2014-2020)

Sector/Area	€ million	% of total
Good Governance	291	46.5
Energy	180	29
Sustainable Agriculture	140	22
Measures in Favour of Civil Society	3	0.5
Support Measures	12	2
Total	626	100

Source: National Indicative Programme for Tanzania 2014-2020: 4

¹⁷ Prior to the 11th round of the EDF, the EU had decided to further distinguish between State-building and Good Governance and Development Contracts (GGDCs). While the former is designed for fragile and un-democratic states, the latter, which was provided to Tanzania, entails significantly more and comprehensive technical requirements for recipient countries (Hauck, Galeazzi & Vanheukellom 2013).

As lack of reliable, affordable, and sustainable energy is recognized as a critical constrain on poverty alleviation in Tanzania, the second priority sector **Energy** is targeted with €180 million. Programmes envisioned in this sector emphasise the boosting of domestic generation capacity, an expansion of citizen's access to electricity, and the promotion of Tanzania's role in the regional energy market. The third priority, Sustainable Agriculture, is set to receive €140 million in support of the agricultural transformation agenda under MKUKUTA II. Additionally, support measures and measures in favour of civil society will receive €12 and €3 million in development assistance respectively. The aid envelope further contains programmes to improve the programming, preparation, and implementations of actions foreseen under this and future NIPs, including support of the NAO and civil society organisations (CSOs).

2.3 Flow of EU ODA recorded between 2007-2014

Indicative funding guides the flow of development assistance and generally provides a sound notion of the strategies and aims EU aid. Nevertheless, the annual level of development assistance is ultimately decided in the Annual Action Plan, which may diverge from the indicative amount as a result of the performance and the needs of recipient countries. Thus, the following section briefly assesses the actual flow and sectoral composition of EU ODA to Tanzania in the period under review. Table 4 summarises commitments and disbursements of development assistance by EU institutions to Tanzania between 2007 and 2014¹⁸.

¹⁸ While commitments measure donors' intentions and permit monitoring of the targeting of resources to specific purposes, disbursements show actual payments in each year. Commitments are often made for a multi-year period and are recorded as a whole, which explains the at times considerable disparities between commitments and disbursement in a given year.

Table 4 EU ODA Committed and Disbursed to Tanzania 2007-2014 in € Millions

TANZANIA	2007	2008	2009	2010	2011	2012	2013	2014	TOTAL
EuropeAid Commitments	48.07	14.02	408.66	20	0	6.57	8	4	509.32
Non-EuropeAid Commitments	128.12	12.21	10.03	7.5	0	0	0	0	157.86
EDF Commitments	-	-	-	2	41.82	126.51	80.2	0	250.53
TOTAL EU Aid Commitments	176.19	26.23	418.69	29.5	41.82	133.08	88.2	4	917.71
EuropeAid Disbursements	12.14	121.62	91.31	30.71	8.05	5.64	2.99	2.75	275.21
Non-EuropeAid Disbursements	13.49	12.09	8.09	5.8	5.87	5.45	2.92	3.87	57.58
EDF Disbursements	-	-	-	108.91	93.74	98.84	74.08	51.99	427.56
Total EU Aid Disbursements	25.63	133.71	99.39	145.41	107.66	109.93	79.99	58.61	760.33

Sources: Annual Reports (2008-2015) "on the European Union's development and external assistance policies and their implementation" and compounding Commission Staff Working Documents.

The EU committed €917.71 Million and disbursed €760.33 Million of ODA to Tanzania in the period under review, an average of €114 and €95 Million per annum respectively. In the period between 2008 and 2013, the committed €737.52 and disbursed €676.09 million of ODA to Tanzania, which approximately reflects its pledge in the 10th EDF and the MDGC. However, it can be observed that the flow of EU development assistance was subject to considerable annual variation. In 2007, 2010, and 2014, failures of the Tanzania government to comply with agreed-upon performance criteria led the EU and other donors to suspend ODA payments until action was taken by the GoT to comply with the stipulations of the NIP and the MDGC. Furthermore, Table 4 shows that the vast majority of EU development assistance was administered by the EDF and EuropeAid, in particular since the first EDF following the revision of the Cotonou Agreement in 2008.

2.4 EU Development Assistance Modalities

The major bulk of EU development assistance to Tanzania is administered through untied budget support, complemented by targeted assistance to specific projects. Tanzania has, since its gradual opening to foreign donors, favoured development in the form of Budget Support, as this method was perceived to enable the highest degree of policy independence. The GoTs considerable efforts to establish a sound and harmonised framework for the management and distribution of Budget Support and a strong economic performance were welcomed by

international donors, who Poverty Reduction Budget Support (PRBS) framework¹⁹ with almost €500 million 2006²⁰. Nevertheless, an erosion of trust between the GoT and its development partners, following the publication of the first of several major corruption scandals in 2007, has since decreased donors willingness to provide aid through Budget Support (ITAD 2013). Thus, Budget Support, which comprised 14% of total spending in the period between 2005/06 and 2011/12²¹, only made up 6.8% of government spending in 2013.

The instruments employed by the EU reflect general donor preferences in the Tanzanian context. Under the 10th EDF NIP, budget support to Tanzania amounted to €444 million, 80% of development assistance the EU pledged to provide. The majority of this sum, €305 million (55%), was provided to Tanzania in the form of GBS as a means to support the national development strategy TV 2025 and the national poverty reduction strategy MKUKUTA II. Additionally, the MDGC signed in 2009 awarded an additional €305 million in GBS for the period 2009-2015. Furthermore, €139, or 25% of total development assistance, were provided via Sectoral Budget Support (SBS) to support the budget of the transport sector. This makes Considering that the EU disbursed a quarter of its development assistance through Budget Support in 2011, the share of Budget Support in the total development assistance envelope to Tanzania is uncommonly high, which is explained by Tanzania's aid dependency and its initial good track record in satisfying donor demands (European Commission, n.d.).

Budget support continues to comprise the majority of indicative EU development assistance under the 11th EDF NIP, yet decreased significantly to €360 million, or 57% of the overall amount. Out of this, GBS is intended to comprise €270 million (43%) and SBS €90 million (14%). Furthermore, in 2014 and 2015, the remaining funds from the MDGC will be disbursed to Tanzania via GBS. The relative decline in the share of Budget Support reflects an overall trend amongst donors, which have begun to reduce the share of Budget Support in their aid envelopes following an erosion of trust between the GoT and its donors after the first of several major corruption scandals in 2007 (Claussen & Martinsen 2011, ITAD 2013). Donors, citing the need for more measurable results and improved accountability, particularly relating to corruption and PFM, have reduced Budget Support to such a degree that it only made up 6.8% of Tanzania's budget in 2013 (Tripp 2012: 16, ITAD 2013). In the wake of the most recent corruption scandal, the EU has withheld its Budget Support payments for the financial year 2015/2016 and has not concluded negotiations on the 11th NIP. Meanwhile, other donors, such as the UK and the Netherlands have completely withdrawn Budget Support to Tanzania.

¹⁹ The PRBS is the precursor to the Partnership Framework Memorandum first signed in 2006 and stipulates general guidelines for the interaction of the GoT and donors in the context of budget support.

²⁰ National Indicative Programme to Tanzania 2014-2020: 9.

²¹ This puts Tanzania in a group of only four countries (the others being Rwanda, Burundi, and Mozambique) that had an annual average of over 10% of public spending consisting of Budget Support in the period 2005-2010 (ITAD 2013: 2).

2.5 Tanzania's Distribution Framework for Development Assistance

Although critical weaknesses persist, the GoT went to great lengths to create a sound donor framework, a comprehensive national development strategy, and improve its Public Financial Management (PFM) in order to attract aid in the form Budget Support from its donors. A central component of this framework, the JAST, is a government-led medium-term framework that harmonises donors and the GoTs development efforts in line with the national development strategy and promotes the government's preferred aid modality, Budget Support. Its ratification in 2006 coincided with the establishment of the Partnership Framework Memorandum by the GoT and its donors, including the EU, that establishes a common strategy and assessment framework for the provision of Budget Support to Tanzania. These instruments further established a platform for an on-going policy dialogue between the stakeholders in Tanzanian development cooperation with the aim to build domestic capacity and monitor development performance (ITAD 2013).

Budget Support directly allows the GoT to catalyse its efforts to implement its development policy, MKUKUTA, which is a comprehensive strategy improve public service delivery and economic performance with the ultimate aim of poverty alleviation. The strategy identified six priority sectors (agriculture, education, energy, health, roads, water), which receive around 50% of total government spending. In the period of 2005/06 to 2011/12 spending in these sectors rose significantly, also as a result of GBS and SBS provided by the EU, and contributed to significant sectoral improvements and poverty reduction (ITAD 2013). It forms an intrinsic part of the TV 2025, which envisages a strong economy that provides improved socio-economic opportunities, public sector performance, and environmental management with the ultimate aim of elevating Tanzania to a middle-income country. In order to accelerate this process, Tanzania adopted the Big Results Now! (BRN) initiative in 2013. The initiative expands on the priority sectors identified in MKUKUTA and aims to promote effective deployment of resources and timely implementation by involving all government stakeholders in the policy-making process and improving accountability checks and problem-solving platforms.

Already in 1998, Tanzania took its first steps towards developing an integrated PFM Programme, which is an essential component of the development process and a key condition and target of Budget Support. Since then, several rounds of updates have been completed, with the Public Financial Management Reform Programme (PFMRP) IV covering the period 2012/13-2016/17 currently in effect. Major progress has been achieved by introducing an Integrated Financial Management System (IFMS) into the majority of central government ministries, although the State House presents a notable exception, and by strengthened capacity and independence of NAO. Nevertheless, the recent Public Expenditure and Financial Accountability (PEFA) Assessment found that Tanzania's PFM continues to suffer from critical weaknesses and intransparencies, in particular with regard to budget transparency and credibility (ADE 2013).

3. Framework of EU Conditionality

Development assistance via budget support usually includes a fixed and a variable tranche, intended to enable the donor country to determine and enforce conditionalities in the context of development cooperation. The fixed component is disbursed irregardless of annual performance in order to increase aid predictability and may only be withheld following extreme infringements of underlying principles, such as violations of human rights, rule of law, and core elements of good governance. The variable component may be suspended by the donor in response to non-compliance of the recipient with any of the stipulated performance-criteria previously agreed upon. The variable tranche in EU budget support to Tanzania through the EDF and under the MDGC, which accounts for approximately 30% of total budget support, hinges on a broad range of indicators, including governance reforms and anti-corruption measures, which are discussed in the following section.

The EU first introduced development aid conditionality, allowing it to suspend development assistance to specific specific countries under previously established conditions, in 1995. The definition of human rights, the rule of law, and democratic principles as 'essential elements' of the Lomé Agreement with ACP countries, made the suspension of aid to countries that are in violation human rights or experience democratic breakdown legally possible. The Cotonou Agreement signed in 2000, broadened this political conditionality to some extent by making good governance a fundamental element, making it possible for the EU to suspend aid in cases of severe corruption and bribery (Hadfield 2007: 43-44). Article 96/97, which can be invoked when one of the essential or fundamental elements is violated, provides that the EU might impose sanctions after consultations with the violating country in which the EU and the partner country try to remedy the situation. While the EU has consistently evoked Article 96 in the case of *coup d'états* in the ACP region, its application in cases of the violation of human rights and democratic principles as well as corruption has been much less consistent (Del Biondo 2011: 381).

The 2010 revision of the Cotonou Agreement includes an additional set of conditionalities, defined in Article 61, guiding the provision of EU development assistance to ACP countries. These stipulate eligibility criteria for budgetary assistance, which shall be granted where i) Well-defined poverty-focused national or sector development strategies are in place or under implementation; ii) Well-defined stability-oriented macroeconomic policy established by the country itself and positively assessed by its main donors, including where relevant the international financial institutions, is in place or under implementation; and iii) public financial management is sufficiently transparent, accountable and effective. In practice, these systems and procedures form the basis for specific bilateral agreements between the EU and ACP countries.

Tanzania and its major development partners, including the EU, further agreed on a Performance Framework Memorandum in 2006, which established five underlying principles, 'critical to the continuation of the Budget Support Partnership'. These were reaffirmed in the 2011 update of the Memorandum and include i) Sound macroeconomic management; ii) Commitment to achieving the MKUKUTA objectives and the MDGs; iii) Sound budgeting and PFM systems; iv) Continuing peace and respect for human rights, the rule of law, democratic

principles, and the independence of the judiciary; and v) Good governance, accountability of the government to its citizens and integrity of public life, including the active fight against corruption²². Further, the Memorandum established an integrated Performance Assessment Framework (PAF)²³, which stipulates the conditions and indicators for determining annual GBS disbursements. Although *de jure* defined as performance assessments and basis for an on-going policy dialogue, these PAF reports have become quasi-conditionalities, due to their considerable influence on the disbursement of the increasing number of variable tranches to Tanzania (ITAD 2013: 42).

The principles for development cooperation established in the Cotonou Agreement and the Performance Framework Memorandum are further reflected in a broad set of tangible indicators for focal sectors and aid modalities under the NIPs. The 10th EDF NIP further includes a governance commitment by the GoT, which are formulated in conformity with MKUKUTA, and fall under three main categories: i) control of corruption, ii) economic governance, and iii) quality of partnership. Commitments in the second and third category aim to improve transparency, accountability, and the inclusiveness of the government in key areas, while commitments falling under the first category, which are presented in Table 5, address broad issues pertaining to the control of corruption. The 11th NIP does not include a separate list of commitments, but reaffirms the measures under the Performance Framework Memorandum for Budget Support.

²² Partnership Framework Memorandum Governing General Budget Support (GBS) for MKUKUTA II. Available at <http://tanzania.um.dk/sw/~media/Tanzania/Documents/GBS/Partnership%20Framework%20Memorandum%202011.pdf> (Accessed January 2016).

²³ The current PAF for Tanzania was developed in 2005 and involves three levels of assessment: i) 'Underlying Processes' (UPs), record progress in sector reviews and overarching policy issues; ii) 'Temporary Process Actions' (TPAs) were designed as a temporary substitute where UI were not yet in place; and iii) 'Outcome Indicators' (OIs) track performance of specific indicators over time. As the donors and Tanzania were unable to implement a comprehensive framework to assess UPs, TPAs are currently being used as the main tool guiding the disbursement of incentive tranches (ITAD 2013: 29).

Table 5 Anti-corruption indicators in 10th EDF NIP

Key Performance Area (KPA)	Commitment	Key Performance Indicator (KPI)	Method of Verification
Control of Corruption	Finalization, approval and Implementation of NASCAP II	Political and Parliamentary Approval	Government Gazette
	1.2 Publication of transfers of funds to district authorities and their intended purposes	Publication of details on notice boards and facilities concerned	Reports by NSA, Newspapers, District notice boards, Government website
	1.3 Publication of tender results	Number of public procurement tender results published in comparison to number launched	Newspaper publications, Government websites
	1.4 Increase compliance to procurement act	Number of Public entities compliant with procurement act	PAF
	1.5 Carry out baseline survey on corruption	Baseline survey published	Publication, PCB annual report

Source: Country Strategy Paper and National Indicative Programme for Tanzania 2008-2013

III. TANZANIAN STATE OF GOVERNANCE

After 30 years of one-party rule under CCM and adherence to a socialist model of economic development, Tanzania initiated political transformation in 1992 and held its first democratic elections in 1995. Nevertheless, CCM continues to dominate the Tanzanian government and state, aided by its long history of rule and structural weaknesses in the political system. Although political diversity has increased in recent years, the growth of major opposition parties continues to be obstructed by violations of the right to assembly and occasional limits to the freedom of press.

Tanzania's semi-presidential system – where the president is directly elected, appoints his cabinet from members of the National Assembly, and selects the Chief Justice – bestows excessive powers on the executive, while leaving legislative and judicative branches relatively weak. Although the National Assembly has, at times, managed to vote down bills proposed by the executive, it is occasionally denied its constitutional role by the government in favour of party committees. Thus, while the separation of powers is fundamentally guaranteed, in practice it is only evoked “when it seems to serve the government’s powers and only then” (A former Member of the Public Accounts Committee cited from Wang & Rakner 2005: 25). Additionally, the judiciary is viewed as only partially independent²⁴ and lacks credibility in the eyes of the populace, with 86% of respondents to the Global Corruption Barometer 2013 viewing it as corrupt and 52% also reporting having paid a bribe when accessing judicial services (Transparency International 2013). In effect, this significantly impedes the accountability of officeholders and is considered a critical weakness by many observers (Bertelsman Stiftung 2014a, Jingu 2014).

The blurred lines between CCM and governmental structures exacerbate the party's dominance over the political system. Apart from dominating the higher echelons of government, CCM continues to exert considerable power over the administration, as the old ties from the one-party system between party and administration continue to exist. (Mukandala, Mushi, Barkan et al. 2005, Ewald 2011). Additionally, it wields considerable influence over army, police, and security, which are essentially governed by the state. This overlap between party, state, and the police allow the CCM to undermine political opposition in two significant ways. First, it allows the governing party to obstruct and intimidate opposition, for example by threatening arrest or revoking their rights to assembly. These tools are also used to infringe on the rights of civil society actors and the media²⁵. Second, as most “political opportunities” arise within the government administration and are tied to CCMs wider political network, it increases political opportunity cost to stand outside the party. This political environment, in addition to posing

²⁴ In the Global Competitiveness Report 2015, Tanzania's judiciary received a 3.4 in a score of (judiciary is heavily influenced) to 7 (judiciary is entirely independent), with the global median being 4.2 (World Economic Forum 2015).

²⁵ Tanzania only attained a 54 in a score of 0 (un-free) to 100 (free) in the Freedom of the Press Report 2015 (Freedom House 2015).

severe obstacles to Tanzania's democratic consolidation, is highly conducive to political clientelism and a predominance of informal networks, which permeate every sector of Tanzania's governance regime. As elites from different sectors have joined in complex networks of mutual dependence and favours, attracted by the administrations extensive command over resources and wealth, corruption has become a "key element linking political legitimacy with economic benefit" (Hydén & Mmuya 2008:34, Koechlin 2013: 110, Bertelsman Stiftung 2014a, Gray 2015).

Nevertheless, slow progress in alleviating poverty, in spite of considerable economic development, crumbling physical infrastructure, and several high-level corruption cases have contributed to the emergence of a stronger political opposition in recent years. In particular Chama Cha Demokrasia Na Maendelo (CHADEMA), the main opposition party, has started to pose a serious challenge to the continuation of CCMs virtual monopoly on power in Tanzania. In the 2015 general election, considered the most competitive to date, CHADEMA candidate Edward Lowassa was able to procure a historic 40% of the vote against CCMs John Magufuli's 58%. Though this can be considered a promising development, it should be noted that Edward Lowassa had to resign as Prime Minister following a massive corruption scandal in 2008 and had defected to CHADEMA three months prior to the election after failing to be named CCMs presidential nominee (African Arguments 2015). A constitutional review process, initiated following popular demand in 2011, provides an additional indicator of increasing political plurality and opposition, with the intention to limit the power of the executive, increase the separation of powers and accountability of officeholders, as well as settle unclear questions about the state of the union with Zanzibar. The process of drafting a new constitution initially involved considerable civil society participation, but ultimately the government decided to exclude critical aspects of the contributions made by citizens and the opposition (Polepole 2015). In response, the main opposition parties rejected the new constitution and a scheduled referendum was postponed indefinitely (Voice of America 2015). Although the constitution of 1977 remains in place, this anecdote indicates an increase in political influence of opposition parties and civil society increasing in Tanzania.

1. The Legal and Institutional Anti-Corruption Framework

Experts note that the level of corruption in Tanzania has increased in recent years, in spite of significant efforts to combat and prevent it. Currently, an estimated 20% of the government's budget is lost to corruption each fiscal year (Norad 2011b:3, Bertelsman Stiftung 2014a). The worsening trend is also reflected in Tanzania's score on Transparency International's Corruption Perception Index, where the country fell indicates from a score of 35 to 31 between 2012 and 2014 and is now ranked 119th from 175 countries.

Table 6 Governance Indicators for Tanzania 2007-2014

Index	2007	2008	2009	2010	2011	2012	2013	2014
Transparency International Corruption Perception Index (0 to 10 / Rank in Brackets)*	3.2 (#94)	3.0 (#102)	2.6 (#126)	2.7 (#116)	3 (#100)	3.5 (#102)	3.3 (#111)	3.1 (#119)
World Bank Governance Control of Corruption Index (-2.5 to 2.5 / Percentile Rank in Brackets)	-0.34 (46th)	-0.42 (42nd)	-0.44 (39th)	-0.54 (35th)	-0.63 (30th)	-0.80 (24th)	-0.81 (23rd)	-0.80 (23rd)
Bertelsman Transformation Status Index (0 to 10)**	-	5.84	-	5.58	-	5.6	-	5.5
Open Budget Index (0 to 100)	-	48	-	36	-	45	-	47

Sources: Transparency International (2015), World Bank (2015), Bertelsman Stiftung (2014b), International Budget Partnership (2015).

* Transparency International changed the scale from 0-10 to 0-100 in 2012, the displayed results have been harmonised. ** The Bertelsman Transformation Status index gives an aggregate measure of trends in political, economic, and management transformation processes.

Arguably the most visible sign of Tanzania's failure to combat corruption is a series of high-level corruption scandals that emerged in recent years, presented in Box 1, which appear to have made the Tanzanian public increasingly aware on the issue. The Global Corruption Barometer (Transparency International 2013) reveals that 69% of respondents in Tanzania perceived the level of corruption to have increased in the two years preceding the study²⁶. Additionally, respondents to the Global Competitiveness Report 2014-2015 (World Economic Forum 2015) thought that corruption had become worse and policymaking less transparent. In response to the pervasiveness of both grand and petty corruption in Tanzania's administrative system newly elected president John Magufuli has vowed to rekindle Tanzania's efforts to effectively contain corrupt practices in every government sector (Wong 2016).

²⁶ It is highly likely that the observed trend in this indicator is, at least partly, explained by increased sensitisation and awareness of the public following the scandals.

Box 1 Grand Corruption Scandals in Tanzania 2007-2014

The **External Payment Arrears (EPA)** account facility at the Bank of Tanzania allowed companies to borrow money from the bank when they were making foreign currency transactions. The corruption scandal involved the fraudulent payment of around Tshs 133 billion (US\$96 million) from the account to 22 companies in 2005-06. Resulted in the sacking of the governor of the Bank of Tanzania in January 2008. No one was prosecuted.

In 2008, a government minister (Attorney General Andrew Chenge) resigned over allegations of taking a US\$1 million bribe from the British company, **BAE Systems**, over a US\$40 million radar deal. BAE negotiated a plea bargain and the criminal prosecution was dropped.

The **Richmond scandal** involved fraud and corruption in connection with a contract with American firm Richmond Development Company. An investigation in 2008 was followed by the resignation of the Prime Minister Edward Lowassa and two cabinet members, and subsequently to the dissolution of the entire cabinet, described by donors as “a significant democratic breakthrough. Edward Lowassa received 40% of the vote as CHADEMA’s presidential candidate in the general election 2015.

In 2013, the NAO recommended that three former senior officials from **Air Tanzania**, a public company, were to be prosecuted over a controversial aircraft-leasing contract that left the country with US\$41 million of debt. However, no criminal charges were filed

Arguably the biggest scandal to date came to light in 2014, when it was discovered that between US\$250 and \$800 million of public funds in the **Tegeta Escrow Account**, designated to settle conflicts between a state-owned an independent power supply company, had been illegally disbursed to high-ranking government officials. As a result, the Minister of Energy and Minerals, Permanent Secretary to the Ministry, and the Attorney General resigned, while the Minister of Land and Settlement was sacked. The cabinet was dissolved and reshuffled. Several officials have been charged for misuse of public office. International donors reacted immediately and suspended development assistance until the affair was settled.

Sources: Norad (2011b), Makoye (2013), TWaweza (2014).

1.1 Evolution and State of Legal Framework to Prevent Corruption

Tanzania’s long-standing awareness of the necessity to control corruption has resulted in a comprehensive legal framework that was expanded continuously since the political transformation in the 1990s. However, loopholes in Tanzania’s PFM regulation and a lack of political will severely obstruct regulatory effectiveness and the prevention of corruption in the government administration. (ADE 2013, Bertelsman Stiftung 2014a, Transparency International 2014).

The first step towards the creation of a legal framework dates back to 1968, when Tanzania was amongst the first African countries to establish an anti-corruption commission (Bertelsman Stiftung 2014a). This was soon followed by the Prevention of Corruption Act, ratified in 1971, which forms the core of Tanzania’s anti-corruption legal framework. Nevertheless, corruption

was deeply ingrained in government and public administration, in particular in the later years of socialist rule. In the course of Tanzania's political transformation in the 1990s, also at the behest of international organisations and donors, anti-corruption efforts moved to the top of the political agenda resulting in the first democratically elected president Benjamin Mkapa's declaration of 'war' on corruption in 1995 (Cooksey 2011, Transparency International 2014). The major tool to accomplish this was the creation of a Presidential Commission Against Corruption tasked with assessing the state of corruption in the country. The commission produced the 'Warioba Report'²⁷ that served as a fundament to the comprehensive National Anti-Corruption Strategy and Action Plan (NACSAP), which demanded that all ministries develop sector-specific corruption plans to improve transparency and increase public access to information. However, Mkapa's ambition to combat and eliminate corruption waned after the implementation of NACSAP and his reforms ultimately proved rather unsuccessful.

After several years of inaction on the issue of corruption, newly elected president Jakaya Kikwete renewed the government's commitment to combat corruption in 2005. This was to be achieved predominantly via two comprehensive and inter-linked reforms: the 2007 Prevention and Combating of Corruption Act (PCCA) that entailed a revision and significant expansion of the Prevention of Corruption Act and a revised anti-corruption strategy, NACSAP II, for the period 2008-2011. Generally, these reforms allowed the implementation of UN and African Union convention of corruptions and included measures aimed at removing corrupt leaders, increasing synergies between existing anti-corruption institutions, appointing a Minister of Good Governance, establishing an Ethics Commission, and reforming and strengthening the largely ineffective PCB, turning it into the Prevention and Combat of Corruption Bureau (PCCB) bestowed with investigative powers.

This move was well received domestically and internationally, yet ultimately did not prove sufficient to effectively combat corruption in Tanzania. The major shortcoming is that officeholders, though often forced to resign under political or popular pressure following accusations of corruption, are rarely legally prosecuted. For example, since 2007, several high-ranking government officials were forced to abdicate due to corruption charges, which at one point demanded a reshuffling of the entire cabinet, yet no high-ranking CCM Member has thus far been convicted in a corruption case (Lewela & Kisiangani 2012, Transparency International 2014). Furthermore, beyond losing office, corrupt officials hardly suffer punishment and are allowed to retain any potential wealth generated through their alleged corruption. Thus, the effectiveness of the PCCBs deterrent measures are limited, as it is ultimately incapable of preventing officials from engaging in corruption. Other shortcomings include to the ineffective enforcement of protection for whistle-blowers, who often face substantial negative

²⁷ The report, actually named "The Report of the Presidential Commission of Inquiry Against Corruption", is commonly called after its chairman, Joseph Warioba. It found, amongst other things that in the public services delivery sector, that public servants engaged in petty corruption as a means of supplementing their meagre incomes, and that grand corruption, involving high-level officials, existed on a large scale.

consequences in spite of legal protection, as well as the PCCBs dismal track-record in handling complaints within reasonable time and initiating necessary investigations (Business Anti-Corruption Portal 2013, Transparency International 2014). Thus, while the regulatory framework provides anti-corruption institutions, in particular the PCCB, with ample opportunities to prevent and combat corruption, political constraints obstruct serious efforts to effectively tackle corruption in Tanzania's administration. It fits this narrative that Jakaya Kikwete, akin to his predecessor, took a significantly quieter stance on the issue of corruption in the later years of his presidency (Bertelsman Stiftung 2014a).

Tanzania's PFM framework has been reformed and strengthened in several rounds since 1995. Apart from the introduction and subsequent consolidation of IFMS in 1998, major recent revisions include the 2004 Public Procurement Act, which established the Public Procurement Regulatory Authority and was amended in 2011, prohibits corrupt practices in procurement procedures by any public entity (Legal and Human Rights Centre 2013). The competencies and independence of the NAO was strengthened in the Public Audit Act 2008. Furthermore, an Internal Audit Department, tasked with coordination and regulatory authority for the development of Internal Audit Processes, was created within the Ministry of Finance (ITAD 2013). Although significant improvements have been achieved, considerable weaknesses, in particular with regard to budget clarity and transparency, continue to persist (ADE 2013).

Several additional bills compound Tanzania's legal and regulatory framework to combat corruption. The Anti-Money Laundering Act signed in 2006 and amended in 2012 aims to intensify the fight against capital flight and financing of terrorism (Business Anti-Corruption Portal 2013). The Elections Expenses Act of 2010 acts as framework for controlling political parties and candidates from illegal mobilisation and use of financial and other resources during elections²⁸. As of yet, Tanzania does not have an adequate Freedom of Information Act, though it passed the controversial Access to Information Bill 2015, which allows institutions to publish or make public information that they think is for public interest. However, the same bill prevents information seekers from making public the information that they receive from these institutions.

1.2 Anti-Corruption Institutions and their Agenda

The major anti-corruption institution, the PCCB, is an independent body under Section 5 of PCCA with the mandate to raise awareness and guide the government on anti-corruption issues as well as arrest, investigate, initiate proceedings and prosecute cases of corruption. Yet, it is only capable of doing this with permission of the Director of Public Prosecutions, which is reportedly difficult to obtain (Business Anti-Corruption Portal 2013). Table 7 indicates that, in the period under review, progress on expanding the PCCBs capacity to effectively tackle corruption in Tanzania is mixed. Although an increasing number of cases are prosecuted and the number of convictions has increased, the number of cases investigated decreased substantially in 2014

²⁸ However, this act faces severe challenges in its implementation, including an inability of the office of the registrar of political parties to effectively monitor parties' fundraising (Transparency International 2014).

after initial increases. Furthermore, the increasing number of on-going cases in court indicate a persisting lack of capacity in the PCCB to finalise the prosecution of cases and limited support from the judiciary. Yet, the most critical weaknesses of the PCCB are its apparent unwillingness to tackle high-ranking officials and susceptibility to political interference (Global Integrity 2010, Transparency International 2014). For example, the PCCBs Director-General and his deputy are appointed by the president, who may install individuals serving his political considerations and party loyalties (Global Integrity 2010). Complicating matters further, the judiciary, tasked with handling the prosecution of corruption cases via the Director of Public Prosecutions, is considered to be largely inefficient, underfunded, and susceptible to corruption (Bertelsmann Foundation 2014a, Business Anti-Corruption Portal 2013). This poses a severe obstacle to the adequate prosecution of corrupt officeholders (Legal and Human Rights Centre 2013).

Table 7 PCCB Statistics 2008 - 2014

Year	Allegations received	Cases Investigated	Disciplinary Actions Taken	New Cases in Court	Total Cases Prosecuted	On-Going	Convictions
2008	6,137	928	74	147	416	308	37
2009	5,930	884	40	222	477	369	47
2010	5,685	870	29	227	538	409	61
2011	4,765	819	30	193	522	435	52
2012	5,084	1,178	27	288	645	551	47
2013	5,466	1,100	19	343	818	684	89
2014	5,056	808	15	256	890	646	135

Source: PCCB (2015)

The PCCBs efforts are supported and complemented by a range of other institutions. The Controller and Auditor General (CAG), which is part of the NAO, is guaranteed its independence by the constitution, has an oversight function in public finance and procurement and regularly audits public offices. It has played a critical role in revealing a major case of financial mismanagement and embezzlement of funds in 2012, yet, in the aftermath of said case, it was severely weakened and several high-ranking officers were removed and reprimanded (AllAfrica 2013). Furthermore, as with the majority of anti-corruption institutions in Tanzania, doubts exist about the independence of appointments to the CAG (Global Integrity 2010). The Commission for Human Rights and Good Governance has an Ombudsman's function, receives complaints from citizens and makes non-binding recommendations to the state. It is capable of initiating its own investigations, except into the president's office (Business Anti-Corruption Portal 2013). It is not considered entirely independent and its recommendations are usually ignored or receive little attention (Global Integrity 2010). The Ethics Secretariat (ES) is charged with implementing the 1995 Public Leadership Code of Ethics, which is designed to ensure that public servants do not engage in illegal or unethical activities. It is not considered to be independent nor effective, as its chief executive and staff are appointed by the president, complaints made to the ES are not permitted to be anonymous, and its decisions are non-binding (Business Anti-Corruption Portal 2013, Legal and Human Rights Centre 2013). The Public Procurement and Regulatory

Authority, established through the 2004 Public Procurement Act, is tasked with ensuring that procurement standards and practices are fair, competitive, transparent, non-discriminatory and value-for-money. Its main efforts include the registration of contractors participating in public procurement and publish all tenders in the media. It is currently undergoing review. In addition, Tanzania participates in a variety of multilateral initiatives with the explicit aim of combatting corruption and promoting transparency, such as the Extractive Industries Transparency Initiative, the Construction Sector Transparency Initiative, and the Open Government Partnership (Transparency International 2014).

In conclusion, the Tanzanian anti-corruption legal framework is relatively comprehensive, but as experts note, low priority has been given to its implementation, which consists of cosmetic, superficial efforts. Similarly, key institutions for tackling corruption are in place, but their effectiveness varies greatly (Booth, Cooksey, G-M, & Kanyinga 2014: 28). Yet, corruption issues have been a major focus in the on-going political dialogue between Tanzania and its major donors, including the EU. Although considerable progress has been made, critical weaknesses persist and further, serious institutional and regulatory reform is needed in order to eliminate both petty and grand corruption. Newly elected president Magufuli reaffirmed the GoTs commitment to eliminate corruption and launched a highly visible campaign of unexpected personal visits to public institutions, where he personally criticises inefficiencies and fires corrupt officials upon detection. Furthermore, he eliminated lavish government expenditures, such as extravagant national celebrations unnecessary foreign travel by public servants (Wong 2015, Allison 2015). However, a reform programme that targets the structural issues of corruption has not been announced and, considering the precedent set by his predecessors, scepticism as to whether Magufuli's reform ambitions are going to persist is warranted.

IV. ANALYSIS

Nominally, good governance is at the core of the EUs development strategy to ACP countries, including Tanzania, which has been subsequently reaffirmed in the Cotonou agreement, the Busan agreement, and in the Tanzanian Partnership Framework Memorandum. The EU attempts to achieve improvements in this sector through a comprehensive set of instruments that include conditional Budget Support, extensive political dialogue, and targeted assistance to legal and institutional reform. While some success has been achieved in promoting improvement of Tanzania's anti-corruption framework and strengthening institutional capacity, the impact of EU instruments to induce good governance reforms in Tanzania in the context of development cooperation is ultimately limited. This can be explained by several shortcomings in the conceptualisation of development assistance instruments and the sensitive, political nature of development cooperation with the GoT and other donors. Before engaging in a thorough analysis of the different methods employed the EU in the context of Tanzania, it is important to note that this particular development assistance nexus is characterised by a high degree of donor coordination and harmonisation. Thus, it is difficult to assess the effectiveness of EU measures to induce good governance in Tanzania in isolation for the policies of other donors.

1. Good Governance in the Budget Support Framework

The majority of EU development assistance to Tanzania is pooled with other donors in the context of the Budget Support framework. Although this severely reduces transaction costs for all parties involved and provides donors with considerable political leverage when acting united, several complications arising from this setup have proven to limit the ability of donors to monitor and enforce GoT commitments in the context of development cooperation (Molenaers 2012). Although donors may successfully negotiate short-term safeguard mechanisms and remedial measures, the credibility of their response to corruption will ultimately hinge on their ability to push for real actions (Norad 2011a: 72). Anti-corruption measures form a core aspect of the Budget Support framework and have been enshrined in the partnership between Tanzania and its donors, echoing similar commitments made in the context of the EU-Tanzanian relationship. Notably, one of the underlying principles of the Partnership Framework Agreement states that parties will promote "Good governance, accountability of the Government to the citizenry, and integrity in public life, including the active fight against corruption" (Norad 2011b: 44). In order to ensure that this principle is upheld, donors apply both positive and negative conditionalities to the disbursement of Budget Support.

Generally, the EU has not played a major role in developing the development assistance framework for Tanzania and is rather considered as 'just another donor' amongst Tanzania's development partners (Delputte & Obie 2014: 682). Although it is considered a key development partner and commits considerable contributions, other actors, such as the World Bank, UN Organizations, and the AfDB, provide relatively higher contributions and have played a more active role in establishing key agreements underlying the development cooperation process. For example, the JAST was developed in 2006 under the lead of the World Bank and the United Kingdom in close cooperation with the government. Today, UNDP serves as the general

Development Partner Group secretariat, whereas sub-groups are chaired by a rotating sector lead (ibid.). Nevertheless, the EU has played a key role in sectors where it has comparative advantages, such as the road sector and PFM, and in promoting and coordinating political dialogue between Tanzanian and its donors. In particular, its efforts in the on-going High-Level Dialogue (HLD) on governance and anti-corruption, as well as in the design and monitoring of PFM reform programmes have received praise on several occasions (MoF 2013, Delputte & Orbie 2014).

The combination of high rates of annual economic growth, democratic consolidation, steady progress in PFM reform, and significant efforts to increase aid effectiveness as well as donor harmonisation resulted in Tanzania being considered a 'donor's darling' by the international community (Tripp 2012). Positive evaluations of Tanzania's development performance in the context of the PAF led to significant aid disbursements to the highly aid-dependent country, predominantly in the form Budget Support, further indicating the trusting attitude towards the country's governance performance and reform progress. Conversely, Tanzania's achievements are partly attributed to the influence of Budget Support, which has "allowed the Government to maintain a high level of development spending throughout the period, without increasing domestic borrowing, contributing to a sustained level of public investment and a fast recovery from the global financial crisis" (ITAD 2013: i). Furthermore, the anti-corruption components of the Budget Support framework are considered to have facilitated reforms of the Tanzanian governance sector (ibid.). This ostensible success story, however, is contradicted by several cases of grand corruption that were being dealt with in an unsatisfactory manner by the relevant authorities and stagnating or declining international anti-corruption indicators (see Table 6).

1.1 Limitations of the Incentive Tranche

Budget Support is generally disbursed through a first, fixed tranche and then through subsequent variable tranches (or incentive tranches), which usually comprise around 30% total aid commitments, following success of the recipient country in reaching macro-economic stability and/or MDGs-related criteria. The underlying idea is to incentivize political reforms of key sectors in recipient countries. However, it is unlikely that positive conditionalities themselves have contributed to an improvement of the anti-corruption framework in Tanzania due to several technical and political factors. First, the EU did not prepare an exact methodology for monitoring, deemed a crucial component for the functioning of the variable tranche, and there is no clarity on how it will have an effect on the allocation of development assistance (Molenaers 2011: 414). In fact, the 10th NIP for Tanzania simply states that the conditions for the incentive tranche will be agreed upon with the government at a later stage. The ambiguity emerging from this has resulted in the characterisation of the EUs variable tranche as a "non-transparent process where the head of the delegation has all the discretion", limiting its predictability and clarity (Wolff 2015: 932). Second, also as a result of the absence of clear methodology attached to the incentive tranche, the EU, and other donors, have disbursed their variable tranche according to annual evaluations based on the Performance Assessment Framework (PAF). The PAF is treated as a matrix of conditionalities in which targets are linked to eligibility criteria and disbursement triggers. Relevant indicators in the PAF were designed to reflect Tanzania's national

development strategy, MKUKUTA, and include good governance and anti-corruption targets. Although Tanzania's overall performance against PAF indicators has been deemed as satisfactory in the period under review, slow progress was made on indicators related to good governance and international indicators point to a declining trend in the control of corruption in Tanzania (ITAD 2013). In spite of this, the EU has disbursed the full incentive tranche to Tanzania on virtually every occasion (Interview 2). Ultimately however, the major impairment of the performance-based tranche to induce good governance reform is that its share in the total development assistance budget is too low to provide the EU with political leverage. This shortcoming is aggravated by the progressive decline in the share of Budget Support in the EU development assistance envelope to Tanzania. As stated by a former member of the EU delegation to Tanzania: "It is an illusion that the [variable] tranche can be successful ... Any attempt at improving domestic conditions through conditionality governance are pointless, as the share of the [variable] tranche cannot be raised to a sufficient level to extract political leverage without seriously impeding aid predictability" (Interview 1). Thus, the effectiveness of the tranche to induce significant reforms in donor countries in general, and in Tanzania in particular, in the period under review is highly questionable.

In addition to suffering from conceptual difficulties, the application of positive conditionalities in Budget Support is a highly sensitive, political matter. Finding agreement amongst all stakeholders - the EU, other donors, and the GoT – on indicators that determine the disbursement of the incentive tranche has proven to be difficult and often results in lowest common denominator solutions (Interview 2). Generally, the EU has prioritised political engagement over the imposition of sensitive, political conditionalities in the context of development assistance with Tanzania and has based disbursement conditionalities predominantly on technocratic governance criteria, in terms of: (1) transparent, effective and reliable public finance management; (2) well defined macroeconomic or sector policies; and (3) open and transparent public procurement. However, this has been criticised as being too restrictive and technocratic in nature, as it relies on a very limited number of indicators and only focuses on PFM systems and public procurement, thereby failing to reflect the wider context of political governance (Norad 2011b, De Vibe, Taxell, Beggan & Boffin 2013). Furthermore, the role of good governance indicators in the overall PAF appears to have been rather marginal, as, notably, the 2013 Annual Review of Budget Support, conducted by Tanzania and its donors, explicitly states that it does not include discussion on matters pertaining to good governance and anti-corruption, but states that partners will "seek to find other fora to continue this dialogue" (MoF 2013: 130). The reluctance to invoke these types of indicators as disbursement triggers can be explained by two, inter-linked factors. First, performance-indicators need to reflect reasonable and attainable targets. Yet, convincing indicators for corruption are hard to come and even harder to agree upon. Common indicators for the control of corruption are based on perceptions and often involve considerable assumptions, which severely decreases their reliability. Furthermore, a lack of government commitment to tackle corruption issues severely complicates these negotiations and impedes the attainability of any targets in this area (Interview 2). Thus, as the EU has encountered considerable unwillingness by the GoT to deepen anti-corruption reforms, it has refrained from pushing for a more comprehensive set of

indicators on good governance and anti-corruption measures for the disbursement of its incentive tranche. Instead, the EU and other donors have attempted to incrementally incorporate more aspects of a political-economy approach by transforming “political issues into technical and managerial problems, thereby removing them from the sphere of political decision-making and fundamental political contention” (Jaeger 2007: 260, Hout 2012). This is particularly evidenced by an increasing reliance on PEFA assessments in the context of development cooperation. PEFA was developed as an international tool through a multi-donor partnership, in which the EU performed a fundamental function, as a direct result of the global aid effectiveness agenda. It was designed with the specific intention to assist PFM reform formulation and monitoring by recipient countries in collaboration with international development partners as well as to serve as a risk management tool, to evaluate whether countries are more or less subject to corruption and public financial management risk. However, “over the years, PEFA standards and methodology have been de facto coupled to eligibility conditionality for EU budget support. Similarly, the EU has been trying to influence the PEFA methodology by inserting criteria that would reflect the EU’s political conditionality”²⁹ (Wolff 2015: 931). Generally, PEFA provides a much more comprehensive view of a country’s PFM system than the PAF and does not require the same degree of agreement between donor and recipient on which indicators to use. Nevertheless, as of yet, PEFA assessments do not serve as the baseline for the incentive tranche and, considering the reluctance of the GoT to include anti-corruption indicators in the PAF, are unlikely to do so in the future (Wolff 2015).

1.2 Suspension of Budget Support

In terms of negative conditionality, the Cotonou Agreement and the Budget Support framework allow for the suspension of the entire development assistance envelope in case of an extreme violation of fundamental principles. Specifically, Article 96 of the Cotonou Agreement, enables the EU to suspend development assistance in the case that one of the essential elements described in Article 9 (democracy, human rights, the rule of law) is violated (Del Biondo & Orbie 2013: 416). Thus, in the case of extreme corruption, the EU and other donors can temporarily or permanently suspend development assistance, in order to exert pressure on the government to find a solution to the issue at hand. In the case of Tanzania, this has happened twice, with the most recent case, following the Tegeta Escrow Scandal, still pending.

In practice, the EU’s political leverage stemming from this measure is limited, as it can only be invoked in case of severe violations, severely limits aid predictability and the functioning of recipient governments, and may cause severe damage to the fundament of the relationship between the EU and the GoT. Furthermore, this strategy can only prove fruitful if the measure is executed timely, predictably, and engages in a long-term systemised effort of providing an

²⁹ Nevertheless, critics maintain that PEFA continues to entail a de-politicized institutional isomorphism that ignores the specificities of beneficiary domestic political systems. Therefore, in spite of transferring standards that provide legitimacy to beneficiary governments, in-depth issues of implementation sometimes remain a ‘black box’. (Lawson et al. 2014).

external check (Persson, Rothstein & Teorell 2013: 6). However, the EUs and other donors' past responses to grievances in the Tanzanian governance sector deviate from these criteria. First, there is a clear divergence between the rhetoric of "zero tolerance to corruption" and actual practice, as only very few of the severe cases of grand corruption resulted in tangible repercussions to Tanzania. In fact, it appears that donors are more likely to put in place an articulated and well-communicated response when the corruption cases were too large and public to ignore, which may be attributed to an unwillingness to touch politically sensitive matters and insufficient monitoring practices (Persson, Rothstein & Teorell 2013: 6).

Second, the EUs response to cases of severe corruption in Tanzania have not been fully effective in remedying the underlying issues, mainly due to the necessity of donor coordination and the protracted process of formulating a common position on the conditions that need to be satisfied by Tanzania in order for development assistance to proceed (Interview 2). This is best illustrated in the case of the EPA scandal of 2007/08 (see Box 1). The EPA scandal, which was presented in Box 1, and its consequences provides a striking example for the problematic and drawn-out nature of donor responses to severe violations of commitments by Tanzania. Following the publication of massive fraudulent payments in previous years, donors failed to agree on an immediate response and instead opted to wait until a second audit of the payments was made. Furthermore, and in spite of wide acknowledgement of the scandal, the annual review of 2007/08 in the PAF made no mention of the case and awarded Tanzania a 'satisfactory' rating in the good governance section at the insistence of the GoT (De Vibe et al. 2013: 11). Nevertheless, following the release of a second audit confirming the fraudulent payments, an EPA Action Plan was drafted, which, for the first time, included tangible political demands for the continuation of development cooperation. Besides strengthening the Bank of Tanzania's governance, these were predominantly aimed at extracting stronger commitment to administrative and management reforms by the GoT (Norad 2011a: 64). In the following years, progress on anti-corruption governance in the annual review of Budget Support was rated as 'non-satisfactory', due to the lack of implementation of the EPA action plan, and the HLD on corruption was initiated. Although parliament and civil society had previously played an active role in annual Budget Support reviews they were mostly excluded from discussions surrounding the EPA case (ibid.). Thus, while the temporary suspension of development assistance to Tanzania has helped to foster an intensified dialogue, it has ultimately not been successful in leading to conviction and highlighted severe shortcomings in the structure of the Budget Support Framework: the monitoring of good governance indicators was influenced by political interests and donors were unable to respond to severe corruption in a timely manner.

In 2014, in the wake of the Tegeta Escrow case, the EU and other donors again decided to suspend their Budget Support envelopes to Tanzania. Once more, this action highlighted significant shortcomings in the structure of the donor coordination framework. Although the scandal itself presented an extreme infringement on the Underlying Principles of the Partnership Framework Memorandum, donors chose to not respect the agreement by suspending Budget

Support disbursements immediately and not, as stipulated, in the following financial year³⁰. While this course of action put pressure contributed to a fruitful dialogue in parliament and put positive pressure on the GoT to solve the underlying issue, it also undermined aid predictability and the credibility of the entire partnership agreement.

In effect, the EU withheld its contribution to Budget Support for the financial year 2015/2016, apart from on-going support to the road sector budget, and has not completed negotiations on the indicative programme for 2014-2020. Considering that critical questions about the Tegeta Escrow case remain unanswered and that several donors, such as the UK and the Netherlands have discontinued Budget Support to Tanzania, the role of Budget Support in EU development assistance, it remains questionable as to what effect this episode will have on the future structure of EU development assistance to Tanzania.

2. The ‘Soft’ Approach: Engagement through Political Dialogue

The Budget Support framework provides for activation of a “high level dialogue” (HLD) if donors have reason to believe that any of the Underlying Principles have been breached, a clause that was included partly because of extensive lobbying by the EU. This reflects the EUs preference of political engagement over the imposition of strict conditionalities. As it does not want to provide third countries with a ‘blank cheque’, the EU preferred to frame Budget Support within the context of ‘political dialogue’, which serves as a ‘key forum to address concerns and challenges relating to fundamental values, including human rights issues’ (European Commission 2011: 2). A series of HLD meetings were triggered by on-going corruption concerns. And have been taking place since February 2011. The EU has played a leading role in these dialogues, which is widely regarded as a fundamental instrument, as it provides an avenue for sustained dialogue on good governance and anti-corruption, areas in which indicators, due to the political sensitivity attached to these matters, are either not represented or adequately enforced in the Annual Review of Budget Support (MoF 2013: 130). Furthermore, independent evaluations concluded the effect of Budget Support on governance reform and anti-corruption legislation has been most effective when combined with extensive political dialogue (Norad 2011b, ITAD 2013). Nevertheless, the quality of the dialogue between the EU and Tanzania has been described as mixed³¹. While some evaluations have highlighted that previously inaccessible information on progress in anti-corruption efforts were made available in these dialogues, others have criticised that important topics were not addressed (Interview 1, ITAD 2013). Furthermore, following the EPA scandal and the subsequent suspension of development assistance, observers have characterised the dialogues as a process where donors have audited the GoT, “leading to a situation of mistrust and lack of clarity on what is the

³⁰ See Article 21 and 22 of the Partnership Framework Memorandum 2011. Available at http://www.tzdp.org.tz/fileadmin/migrated/content/uploads/GBS_PFM_May_2011.pdf (Accessed January 2016).

³¹ Delputte & Orbie (2014) cite a EU Member State representative to Tanzania, who indicates that there is not “much value added of a strong EU coordination in general terms”, as other groups command more influence in the framework of development cooperation with Tanzania (685).

real agenda for the ‘dialogue’” (Claussen & Martinssen 2011). Conversely, policy dialogue between the EU and Tanzania has “not been as effective as [it] could have been. In particular the policy dialogue was characterised by a low level of government ownership, high transaction costs, technical weaknesses in the indicators of the Performance Assessment Framework, and the lack of a strategic, policy-solving orientation. As a result, in a number of important areas, weaknesses in policy design and in reform implementation have persisted” (ibid.) Although the quality of exchange started to improve in 2012, it is questionable whether this trend will persist following the events surrounding the Tegeta Escrow scandal of 2014 (ITAD 2013).

3. Project-based Assistance to Anti-Corruption Reforms

The EU has launched and participated in several programmes aimed at increasing institutional capacity of relevant anti-corruption actors, democratic consolidation, and strengthening the media and civil society. Generally, the EU has played an important role in development of NACSAP I and II, in particular in urging GoT to work with civil society, the media, and private sector in the implementation of the strategy and action plan (European Commission 2011). Thus, the EU contributed to the strengthening of the PCCBs institutional capacity and the expansion of its mandate. Additionally, the EU has provided significant contributions to the government-owned PFMRP basket fund and has provided individual technical assistance to several rounds of PFM reform, thus contributing to Tanzania’s considerable initial achievements in strengthening its PFM systems. However, in spite of the recently stalling progress of Tanzania on various PFM indicators, the EU has failed to increase technical assistance to aid Tanzania in meeting the demands of implementing ‘second generation’ reforms – involving roll-out and consolidation rather than simple design and initiation (ITAD 2013: 61). Targeted EU Support to Tanzania’s PFM reforms further entailed the provision of assistance to core institutions involved in public procurement and budget management, such as the Ministry of Finance, the NAO, and parliamentary committees. Furthermore, the EU has expanded project-based assistance to the Office of the National Authorising Officer, tasked with managing Budget Support funds in Tanzania, after it was found that PFMRP basket money was mostly used on a plethora of workshops and training (Norad 2011a: 61).

In an effort to promote democratic consolidation and oversight, the EU supported the multi-donor project Deepening Democracy in Tanzania Programme (DDTP), which sought to improve the electoral process and build the capacity of election management bodies and strengthen structures and institutions of governance and checks and balances (Amundsen 2010: 10). The evaluation of the DDTP has been positive, highlighting that chairpersons of parliamentary committees have become more competent to review the budget and scrutinise bills, dialogue between parliament and civil society has increased, and that involvement of civil society in the review of bills has increased its influence on legislation (European Commission 2011: 130).

4. EU Aid in the Nexus of Tanzania’s Political Economy of Corruption

The effect of measures aimed at inducing good governance through development assistance,

including concomitant political dialogue, are, however, only effective when coinciding with high-level political will to implement anti-corruption actions in recipient countries (Norad 2011b). In Tanzania, and in spite of foreign aid financing a significant percentage of the GoT budget, donors have been shown to have little impact on the domestic political issues that drive reforms. As is noted by a recent United States Agency for International Development (USAID) governance assessment donors' efforts can be constrained by a political economic system in which they are not a player: "...a formal development agenda, characterized by "visible" processes of institutional reform and capacity development, coexists with a less visible but determinative informal political economy, which largely determines the boundaries within which formal reforms take place, and serves to parry threats to the political and economic interests of the state elite" (USAID 2010). Problematically, aid has become a means of entrenching the status quo and is used to buy political support in a variety of ways. Ownership of the development agenda is placed solely in the hands of the government, bypassing parliament and civil society. (Tripp 2012: 17). Thus, by continuing to provide aid, not taking a robust stance on corruption, and utilising entrenched government structures, the EU and other donors may actually contribute to corruption within the Tanzanian governance sector (Kolstad, Fritz & O'Neill 2008: 62). Thus, policy responses of donors, including the EU, to severe corruption in Tanzania, in particular the halting of aid disbursements, are likely to continue to be ineffective in stopping grand corruption. This is because such policies are based on the assumption that grand corruption can be stopped once rationally maximizing leaders have more to gain by clamping down on corruption than by letting it continue. In reality, the ability of the ruling party to effectively constrain corruption is shaped by the nature of elite struggles and their interaction with the wider distribution of power in society (Gray 2015). This analysis of the drivers of corruption implies an approach to political and economic reform that falls far outside the remit of donor-led anti-corruption initiatives.

V. RECOMMENDATIONS

1. Conclude Negotiations on 11th NIP. It is of utmost importance for the future of EU-Tanzania development cooperation to finalise the negotiations on the 11th NIP, in order to create a predictable and positive environment for development coordination and political dialogue.

2. Removal of variable tranche in Budget Support modality. A performance-based component to Budget Support components cannot result in political leverage without violating global principles in development cooperation, such as aid predictability. Furthermore, it necessitates the imposition of controversial political conditionalities, which stymies the effectiveness of genuine political dialogue.

3. Improve coordination with other donors. Although a comprehensive framework for cooperation amongst donors is already in place, the creation of a common contingency plan to ensure a speedy and efficient response in the case of a severe violation of established commitments is required to improve donors' political leverage.

4. Reform Political Dialogue. Although not entirely successful, political engagement has proven to be an effective tool to promote good governance in the context of development cooperation. The recently elected president and current political momentum to engage corrupt structures provides ample opportunity to re-invigorate political dialogue.

5. Support democratic consolidation and involvement of media and civil society. Although significant progress has been made on both fronts in recent years, CCM's virtual monopoly on power in Tanzania's political economy and the exclusion of civil society and the media from vital parts of the budget review process continue to be major impediments to effective anti-corruption governance.

6. Continue and increase technical assistance to strengthen capacity of core institutions. Considering the prevalence of systemic corruption in Tanzania's political system, strengthening the institutional capacity and independence of key actors tasked with controlling corruption offers a fruitful avenue for the promotion of internal reform. Focussing technical assistance on the PCCB, the NAO, and the Parliament may also support further democratic consolidation as an ancillary effect.

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Interviews

Interview 1: European Union Expert, 05.12.2014

Interview 2: European Union Expert, 25.12.2016

Disclaimer: Given the sensitivity of the topic and the job function of the interviewees, their names will remain undisclosed.