

4

Aid for Trade in Tanzania

In order to analyse AfT flows and the reliability of AfT data it is useful to consider the various ways in which aid flows are reported in-country. This section provides a case study of Tanzania which, according to data in the previous section, receives a relatively large amount of AfT. The section provides a brief overview of the reporting system by which ODA is reported to the government in Tanzania and examines AfT flows according to a variety of sources. The intention is that the case study will inform the wider AfT debate and provide information and analysis that may be of use to other countries in assessing and quantifying AfT.

4.1 Reporting aid in-country

There are often substantial discrepancies between what donors say they will spend (commitments), what they actually spend (disbursements) and what the government records as having been received. In Tanzania, donors report their commitments (for the coming financial year) and projections (for the second and third year of the medium-term expenditure framework (MTEF) period) to the Ministry of Finance and Economic Affairs (MOFEA). The data are then used as an input in preparing the budget guidelines and subsequently the MTEF. There are several issues relating to the reliability of such data. In particular, aid commitments for projects that are directly funded (i.e. where the resources do not go through the Exchequer) are often under-reported by the donors in their reported commitments and projections to the government.³⁶ With respect to disbursements, funds are either directly channelled by donors through the Exchequer system (i.e. the Treasury) or directly to projects. Ministries, departments and agencies (MDAs) and local government authorities (LGAs) are charged with the responsibility of reporting 'direct to project funds' (more commonly known as D-funds), after execution, to the MOFEA. The funds are recorded and 'dummy vouchers' are issued. The dummy voucher system allows D-funds to be captured in the budget system. However, there is a long-standing problem of failure to account for D-funds by both MDAs and LGAs and a considerable amount of direct-to-project funds are not recorded in the government budget.³⁷

A significant amount of AfT has been provided through direct to project funds, certainly up until the mid-2000s, partly due to the lack of attention to trade and the productive sectors in mainstream aid processes and the peripheral role of the Ministry of Industry, Trade and Marketing. This encouraged a proliferation of small-scale projects at a time when donors supporting the priority sectors were attempting to consolidate projects and move towards programme support and general budget support (GBS). Hence, it is likely that AfT was under-reported in terms of both commitments and disbursements in the government budget, at least until the mid-2000s.

In addition to the data reported on budget, the Department of External Finance in the MOFEA also records aid flows. These flows are reported by donors to the department. The data are included in the Ministry of Finance External Finance Database (MFEFD), which covers a time series spanning from 1991 by donor, sector, MDA and region. The MFEFD classifies aid flows according to broad sectors or areas (e.g. agriculture, governance, rural development, etc.). With respect to trade, the database includes a category on 'industry/trade'. Other categories which (roughly) correspond to the OECD CRS categories and include projects and programmes which are included in other classifications of AfT (see Table A1) include: agriculture; economic management; energy and minerals (although the sub-categories appear to focus on energy); institutional support; legal; nature and tourism; private sector development; roads; rural development; support without sector; and transport and communication. Many of these categories include projects and programmes that may not have objectives related to trade – or for which trade is often only one small component – and therefore face classification problems similar to those previously discussed. Projects and programmes are allocated by focal area or objectives and not by whether or not the activities are likely to have an actual impact on trade.

In Tanzania, there are a multiplicity of expenditure, accounting and reporting databases, frequently not linked, and data discrepancies are commonplace. For instance, the MFEFD is not linked to the budget department in the MoFEA and data inconsistencies occur between the data reported by the two departments.

4.2 Quantifying Aid for Trade

Several surveys of AfT have been conducted in Tanzania, but here we compare the most recent data from the OECD CRS database, the TCBDB and a survey conducted for the Swedish International Development Co-operation Agency (SIDA) in 2007.³⁸ Note that all these estimates of AfT exclude budget support – a major concern given that budget support is an important aid modality in Tanzania and accounted for more than half of total aid in 2006. So far, discussions on budget support have concentrated on budget support as an aid category, while it should be considered as a modality. This issue needs to be satisfactorily addressed if the figures on AfT are to be meaningful. For instance, where a donor commits the majority of ODA to budget support, and where government prioritises trade in its budget allocation, donors' AfT figures will be significantly underestimated if budget support is excluded.

4.2.1 OECD data on Aid for Trade flows

According to data from the OECD CRS database, between 2000 and 2006 AfT flows to Tanzania varied quite considerably in the two major categories (economic infrastructure and building productive capacity), perhaps reflecting the 'bulky' nature of infrastructure interventions. Aid flows under trade policy and regulations were dwarfed by the other

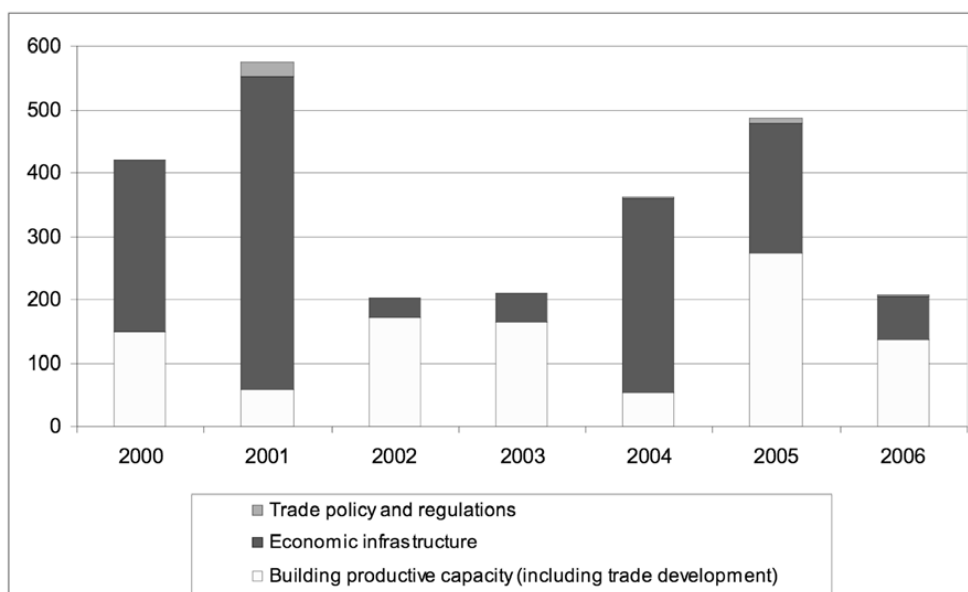
Table 4.1. Aid for Trade (bilateral and multilateral) by category, 2000–2006, CRS data (commitments, \$ million; 2005 constant prices)

	2000	2001	2002	2003	2004	2005	2006	2000-2006 average	2000–2006 total
Trade policy and regulations									
Trade policy and administrative management	0.46	2.74	0.02	0.60	0.35	6.18	2.14	1.78	12.49
Trade facilitation		19.84				2.61	0.16	3.23	22.61
Regional trade agreements				0.08	0.08	0.13	0.14	0.05	0.35
Trade education/training			0.03	0.25	0.25	0.49		0.11	0.77
Sub-total	0.46	22.58	0.05	0.60	0.68	9.41	2.45	5.17	36.21
Economic infrastructure									
Transport and storage	253.01	156.64	12.83	13.62	247.91	195.19	51.00	132.89	930.20
Communications	15.32	9.49	2.20	5.48	0.92	2.18	2.24	5.40	37.82
Energy supply and generation	3.34	329.36	16.51	25.73	59.21	7.08	15.59	65.26	456.82
Sub-total	271.66	495.48	31.54	44.82	308.04	204.44	68.83	203.55	1424.84
Building productive capacity (including trade development)									
Business support services and institutions	3.21	5.79	8.79	38.80	14.80	4.05	0.29	10.82	75.72
Banking and financial services	36.39	0.59	2.40	1.95	0.30	20.51	12.75	10.70	74.90
Agriculture	79.72	39.07	98.04	99.45	26.82	94.90	103.99	77.43	541.99
Forestry	9.24	1.92	47.24	10.52	0.54	0.23	13.37	11.87	83.07
Fishing	14.63	1.21	0.07	6.27	0.23	51.19	0.20	10.54	73.80
Industry	2.90	7.43	1.49	7.16	7.38	98.78	5.75	18.70	130.90
Mineral resources and mining	1.87	0.79	13.18	0.00	1.99	0.16	0.05	2.58	18.04
Tourism	0.51	0.59	0.52	0.15	0.29	3.11	0.02	0.74	5.18
Sub-total	148.48	57.39	171.73	164.30	52.35	272.93	136.41	143.37	1003.60
Aid for Trade proxies	Total	420.61	575.46	203.32	209.72	486.78	207.69	352.09	2464.65
Aid for Trade proxies (% of total ODA)		25.53	26.05	12.40	11.91	26.72	8.05	18.30	17.95

Source: OECD CRS database

categories, largely because of the nature of the activities supported under this heading; these activities were often dominated by TRTA/CB projects to ministries and agencies (see section 2).

Figure 4.1 Aid for Trade (bilateral and multilateral) by category, Tanzania, 2000-06 (commitments, US\$ million; 2005 constant prices)

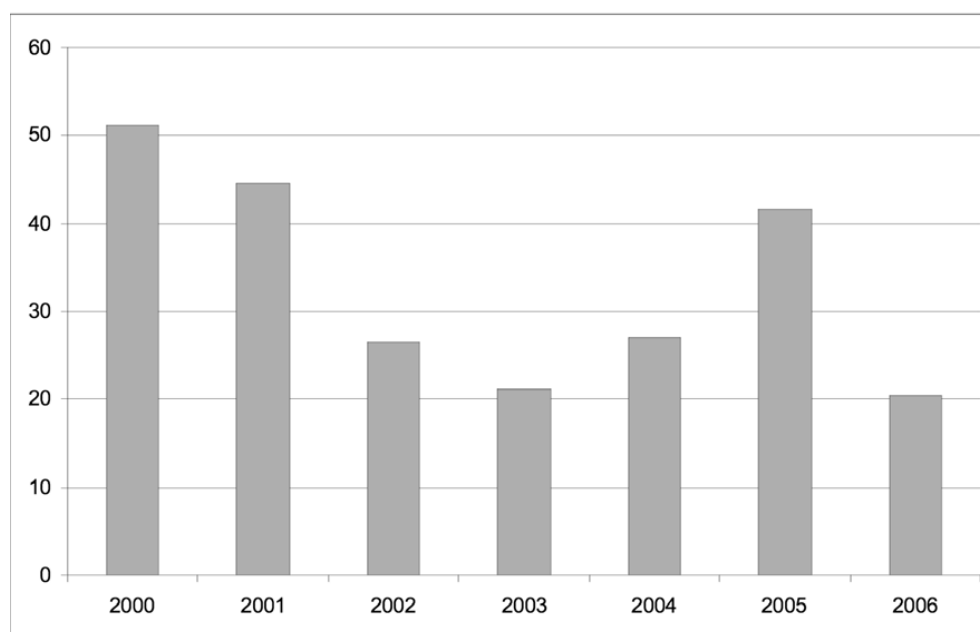


Source: OECD CRS database

OECD data on AfT includes only aid that can be allocated by sector. The proportion of sector allocable aid devoted to AfT varied significantly between 2000 and 2006, falling from over 50 per cent in 2000 to just over 20 per cent in 2003, largely reflecting the priority given to social sectors over productive sectors by donors in the early 2000s (see Figure 4.2). The share increased in 2004 and 2005 and declined again in 2006, although the change in the latest figures may be the result of incomplete reporting and should be treated with caution. By only reporting on sector allocable AfT, the data are likely to be misleading, particularly in a country such as Tanzania, where nearly half of all ODA is non-sector allocable (46 per cent on average between 2000 and 2006), with a large proportion provided through GBS (see Figure 4.3). ODA provided as GBS is made up of unearmarked contributions to the government budget (i.e. not pre-allocated by donors to any particular sector). The government may or may not choose to use GBS to support the productive sectors and trade, depending on its priorities.³⁹ Where donors have confidence in the public financial management and governance systems in place, and are

broadly supportive of government priorities, they may decide to provide a substantial amount of their support through GBS. In Tanzania, GBS on average accounted for 28 per cent of total ODA commitments between 2000 and 2006 (see Figure 4.3); according to recent figures from the Ministry of Finance (as well as the OECD data), more than 50 per cent of aid in 2006 was disbursed through GBS, with total ODA accounting for more than 40 per cent of the total government budget.

Figure 4.2. Aid for Trade (bilateral and multilateral) as a share of total sector allocable ODA, Tanzania, 2000–2006 (commitments, percentage)

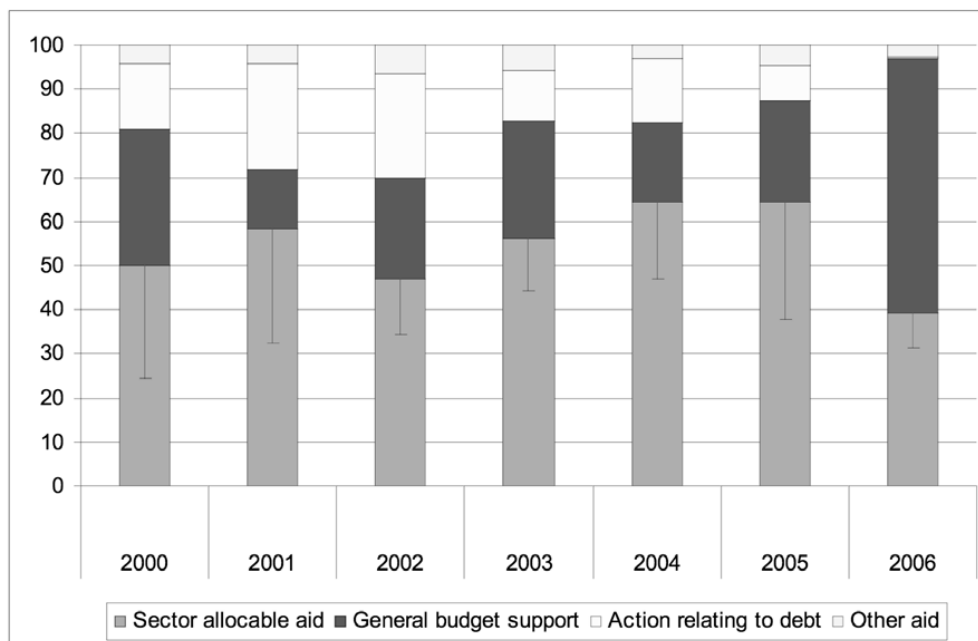


Source: OECD CRS database

Individual donors cannot ‘claim’ specific government priorities to support through GBS, although anecdotal evidence suggests that donors may be motivated to do so for their own records. For instance, donors would rather show that their aid allocation through GBS will support interventions that reflect their own priorities (particularly in areas where it is easier to demonstrate results) than areas that may not reflect their priorities and may indeed be politically unpalatable, such as defence.

However, ODA commitments and disbursements on GBS by all donors may be notionally allocated to specific areas/sectors by reviewing government priorities, for instance in the NDS (called the MKUKUTA in Tanzania),⁴⁰ and in budget and spending allocations (current and projected), hence providing a rough approximation of GBS by sector/area.⁴¹ The MKUKUTA in Tanzania signals a shift towards a greater focus on

Figure 4.3. Total sector and non-sector allocable ODA (bilateral and multilateral) as a share of total ODA, Tanzania, 2000–2006 (commitments, percentage)



Source: OECD CRS database

Note: denotes the share of total sector allocable aid that is aid for trade

growth and the productive sectors (over the period 2005–2010) compared with the first PRSP. Consequently, the government has allocated a greater share of the budget – including by definition GBS resources – to productive sector activities. For instance, the focal ministry on trade received a more than threefold increase in its budget in 2005. No detailed assessment and comparison has been made of budget priorities and possible allocable shares of GBS. However it is likely that the share of GBS allocated to activities that correspond with the AfT categories has increased significantly. Given that GBS accounts for more than 50 per cent of recent ODA to Tanzania, the OECD’s exclusion of budget support from AfT data may present a significant underestimation of AfT, particularly in recent years. Comparing data over time will be problematic, especially as donors’ favoured aid modalities (e.g. GBS versus project aid) may change and lead to substantial variations in reported AfT. For instance, a donor (or perhaps all donors) may decide to withdraw from providing GBS and channel resources through project support. If this occurs, OECD data may report a large increase in AfT as resources are diverted from GBS to AfT projects. Alternatively, if donors become more confident in providing GBS, they may decide to channel more ODA on AfT through GBS and hence reported AfT will decrease.

4.2.2 TCBDDB data on Aid for Trade flows

The TCBDDB records data on ‘trade policy and regulations’ and ‘trade development’ between 2001 and 2006 for Tanzania. Here we compile data on ‘trade policy and regulations’ from the TCBDDB and compare it with the data reported to the OECD CRS. It is not possible to compare the ‘trade development’ category, since there is not yet a comparable category in the CRS, given that ‘trade development’ is part of the wider ‘building productive capacity’. As mentioned in section 2, the data in the TCBDDB provide a greater level of detail, including 20 sub-categories, compared to four in the CRS.

Table 4.2 shows data on ‘trade policy and regulations’ totals from the OECD CRS and TCBDDB for Tanzania and reveals substantial data discrepancies with no apparent pattern between the two datasets. This is likely to be due to differences between the TCBDDB and CRS in terms of reporting. In particular, the TCBDDB includes data from more donors than the CRS, including non-DAC donors and data from multilaterals (e.g. the WTO and the ITC) that do not report to the CRS. In addition, the TCBDDB sub-categories are based on WTO mandates and may therefore be interpreted by reporters to the TCBDDB to be limited to support directly related to the WTO, while reporters to the CRS may interpret the general categories more widely.

4.2.3 Aid for Trade commitments according to trade-related priorities

Data on AfT have been compiled from 2000 to 2010 (see Table A1) by SIDA.⁴² Only areas that are identified as priorities in the Diagnostic Trade Integration Study (DTIS) conducted in 2005 are reported against. This approach is in line with the AfT Task Force recommendations. The DTIS has since been updated and, although broadly in line with earlier priorities, the updated priorities (e.g. additional sectors targeted for trade development) should be factored in to any future re-assessment of AfT.⁴³

Annual DTIS-aligned data are not available: data are only available for the entire time period of an intervention. Where interventions starting in 2006 or before go beyond 2006, the data are adjusted on the basis that commitments are distributed equally over the time period of the intervention. Although imperfect, this is the best solution at present.

In order to compare the data with the CRS data, it was necessary to classify and group the data in Table A1 according to AfT categories (Table 4.3). When comparing the DTIS-aligned AfT data with the current data extracted from the OECD CRS database, which has not been narrowed down to reflect country priorities or definitions of AfT or a trade component calculated for wider AfT categories, OECD data are nearly four times greater than the DTIS-aligned data. This reflects identified AfT needs under both the narrow and broader AfT categories. However, in the DTIS-aligned data, the ‘trade policy and regulations’ figure is more than double the figure recorded in the OECD database. This may be due to problems of separating different components of the same project and programme between different aid categories. For example, support to the Tanzania Revenue Authority is included under trade facilitation. However, the activities may cover a much broader remit than AfT, and the Business Sector Programme Support

Table 4.2. Aid for Trade (bilateral and multilateral), trade policy and regulations, TCDBD data for Tanzania (commitments, US\$ million; 2005 constant prices)

	2000	2001	2002	2003	2004	2005	2006
Trade policy and regulations							
Trade mainstreaming in PRSPs/development plans	n/a	2.71	0.01	0.07	0.07	0.01	0.28
Technical barriers to trade	n/a		0.00	0.02	0.05	0.01	1.00
Sanitary and phytosanitary measures	n/a		0.32	0.11	0.01	0.01	1.01
Trade facilitation procedures	n/a	8.47	0.09	0.02	5.54	0.02	3.64
Customs valuation	n/a		0.01	0.05	0.00	0.01	
Tariff reforms	n/a					0.47	0.29
Regional trade agreements	n/a			0.10	0.03	0.24	0.04
Accession	n/a						
Dispute settlement	n/a		0.01	0.01	0.01	0.00	
Trade-related intellectual property rights	n/a				0.01	0.02	0.04
Agriculture	n/a		0.01	0.01		0.02	
Services	n/a		0.05		0.01	0.01	0.00
Tariff negotiations – non-agricultural market access	n/a	0.01	0.01	0.01	0.01	0.02	0.01
Rules	n/a		0.00		0.01		
Training in trade negotiation techniques	n/a			0.01	0.01	0.01	0.01
Trade and environment	n/a		0.37	0.00	0.01		
Trade and competition	n/a		0.01	0.01	0.02		
Trade and investment	n/a	0.01	0.01	0.00	0.01	0.02	0.10
Transparency and government procurement	n/a		0.01	0.01	0.01	0.01	
Trade education/training	n/a	0.13	0.15	0.23	0.09	0.10	1.19
Trade policy and regulations							
Total	n/a	11.33	1.06	0.67	5.87	0.97	7.62
Memo: Trade policy and regulations							
Total (OECD CRS)	0.46	22.58	0.05	0.60	0.68	9.41	2.45

Source: WTO-OECD TCDBD and OECD CRS

Table 4.3. Aid for Trade (bilateral and multilateral) by Aft proxies, 2000-06 total, OECD, TCDBD and DTIS-aligned data (commitments, US\$ million; current prices)

	2000–2006 total		
	CRS data	TCDBD data	DTIS aligned data
Trade policy and regulations	36.21	27.51	82.77
Building productive capacity	1003.60	—	130.03
Economic infrastructure	1424.84	—	419.75
Total	2464.65	—	632.55

Source: SIDA (2007)

Note: TCDBD data cover only 200–2006.

(BSPS-II) funded by the Danish International Development Agency includes a component on trade policy, but a much larger component related to productive capacity. In addition, the DTIS data include support from a wider range of multilaterals (e.g. the WTO). Alternatively, this may simply be the result of a paucity of data recorded in the OECD CRS database on trade policy and regulations. It should be noted that both the OECD and DTIS-aligned data exclude budget support.