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Monitoring aid: Lessons from a natural  
resources programme in Tanzania

## U4 PRACTICE INSIGHT

### Monitoring aid: Lessons from a natural resources programme in Tanzania<sup>†</sup>

This Practice Insight describes the Norwegian Embassy's decision in 2006 to independently evaluate their long-term support to the Management of Natural Resources Programme in Tanzania. A review of several projects suggested that millions of dollars provided by the Norwegian government may have been lost through corruption and mismanagement.

How did development partners fail to notice - for years - widespread corruption in the natural resources programme? Explanatory factors include inadequate analysis of the sector's political economy, future-oriented strategies and plans from the donor side, over-reliance on the government's financial management systems, report-based evaluations by interested parties, and the 'pipeline problem' common in development aid.



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<sup>†</sup> This U4 Practice Insight is based on Jansen, E G (2009) *Does aid work? Reflections on a natural resource programme in Tanzania*. U4 Issue 2009:2

## Background

Renewable natural resources in Tanzania play an important role both for the population in rural areas and for the economy as a whole. Of Tanzania's total population of 40 million, 75 percent live in rural areas. Most of this rural population has access to forestry, fish and/or wildlife resources. It is estimated that on average 40 percent of the income in rural households comes from one of these three natural resources.

Resources are important at the national level too. Timber is important for economic activities and is also a major source of foreign exchange. Tanzania also receives substantial foreign exchange from the export of Nile perch from Lake Victoria and shellfish from coastal areas, while wildlife brings income from tourism and hunting licenses.

Local people traditionally established their own rules of management for these various natural resources. During the last decades this has changed. A new set of actors, often foreign businessmen, have discovered the value of Tanzania's natural resources, and competition for resources has changed the power dynamics among actors. "The lake is no longer ours", is a common complaint of the tens of thousands of fishermen and fisherwomen around Lake Victoria whose control over the fish resources has been displaced by foreign investors, national elites and government officials. Today, Tanzania's Ministry of Natural Resources and Tourism (the Ministry) issues licenses for harvesting resources in three sectors (forestry, fisheries and wildlife) and is responsible for managing them in a sustainable manner.

### Corruption in the sector

There is evidence that management and staff of the Ministry, together with politicians, people from the local population, and not least foreign investors, have plundered Tanzania's natural resources. For example, with assistance from the Kuwait Fund for Arab Economic

Development, the OPEC Fund for International Development, and the Saudi Fund for Development, one of the largest bridges in Africa was built over the Rufiji River in southern Tanzania in 2003. The bridge led straight into a natural forest of about 20,000 square kilometres that had remained fairly unexploited until then. A comprehensive study conducted following completion of the bridge showed extensive illegal exploitation of the forest.<sup>2</sup> Logs worth tens of million of US\$ were exported illegally to China and other countries in Asia. Taxes and royalties were paid for only four percent of the forests that were harvested. The study estimated that Tanzania annually lost US\$ 52 million of its potential revenue due to illegal logging. In the wildlife and fishing sectors as well, politicians and ministers have resisted pressure from development partners to increase license fees because they fear that higher prices will reduce opportunities for rent seeking.

The Tanzanian government has, with the support of its development partners, developed laws, policies, and sectoral strategies for its forestry, fisheries, and wildlife resources which comply with international standards. However, some government officials and politicians undermine the policies they themselves have pushed in Parliament. Many of these politicians and officials have held high positions in the Ministry and can force honest colleagues to adopt corrupt practices. It is not a lack of ideas that explains the mismanagement and corruption, but the political will to follow up on the adopted instruments.

### Norway's support to the Ministry

Since the 1970s, much of the Norwegian support to the Ministry has been spent on the development of national institutions in the

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<sup>2</sup> Milledge, S A H et al (2007) *Forestry, Governance and National Development: Lessons Learned from a Logging Boom in Southern Tanzania*, Dar es Salam: TRAFFIC East/Southern Africa.

forestry, fisheries, and wildlife sectors. From 1994-2006, Norway financed the Management of Natural Resources Programme in Tanzania to the tune of US\$ 60 million (around US\$ 5 million per year). During this time the programme consisted of 10-12 projects within the three sectors.

Some of the Norwegian funding was spent on new infrastructure facilities for the Ministry, and many of the Mweka Wildlife College buildings in Moshi and Mafia Island Marine Park (MIMP). In addition, vehicles, boats, petrol, and ICT equipment were paid for through the support to MNRP. Most of the money allocated to MNRP was, however, spent on “capacity building” for the Ministry’s own staff, government employees in the districts, and the local population, in order for them to learn more about how the various natural resources should be managed. Although it is difficult to estimate accurately how much was allocated for this purpose, it is not unreasonable to assume that 50-70 percent of the US\$ 60 million may have been spent on seminars, workshops, per diem, and travel expenses in order to promote capacity building.

#### Previous evaluations

The results of the Norwegian support were reported in various ways. The Norwegian Embassy met the Ministry in Annual Meetings where the annual report, the audit report, and next annual plan for MNRP were presented, discussed, and subsequently adopted. Prior to each annual meeting a field trip was organised to some of the projects. These typically lasted three to six days and the participants received reports from the projects in the field. Three mid-term reviews of MNRP, one for each phase, were conducted. These reviews often involved former and retired Ministry directors, but also Norwegians who had previously acted as advisors to the Ministry.

The main feedback from the annual meetings, the field trips, and the mid-term reviews of

MNRP were positive. Village committees had been established to manage the natural resources in the rural areas and village patrols had been given the task of guarding the resources from being exploited in an unsustainable and illegal way. This resulted in, inter alia, the ending of dynamite fishing in the MIMP, protection of certain areas of forest, the planting of trees, and a reduction in illegal hunting. One of the 11 projects, The HASHI-project, was awarded the United Nations Equator Prize for reforesting the Shinyanga region with 350,000 hectares of forest. Many of the reports made by the Ministry and mid-term reviews showed that a large number of the planned MNRP targets had been achieved.

The Controller and Auditor General (CAG) audited the annual accounts and made some comments. CAG always found issues that were not satisfactory, though these were mainly minor issues. In connection with the construction of buildings for MNRP, mismanagement was detected. The responsible Project Manager was removed to another position in the Ministry. CAG has continually made comments on the documentation concerning use of vehicles and petrol in MNRP.

The Norwegian Embassy received CAG’s report a month prior to the Annual Meetings. The audit report was highly technical and the Embassy staff found it difficult to understand. The Embassy therefore received an opinion about CAG’s report from the office of PriceWaterhouseCoopers (PWC) in Dar es Salaam. The Embassy assessed PWC’s comments and then passed on its comments to the Ministry. On the basis of the comments from CAG and the Embassy, MNRP prepared a list of these comments and later reported on how the various issues had been followed up.

In the main, everything appeared to be in good order, both concerning the results of MNRP and the financial management of the programme. MNRP was widely considered to

be “the jewel in the crown” of Norwegian support for the environment and natural resources in developing countries.

## Description of the intervention: Independent evaluation of an NRM programme

The positive aura around MNRP was cast into shadow in 2006 following the first independent evaluation of the programme. The evaluation found some positive results in the project areas, but said that it was difficult to assess the extent of these results. One reason for this was a lack of baseline information on the situation when the project began. The evaluation noted that MNRP had showed too little concern for governance issues, real participation by the local people in the project, the distribution of benefits from MNRP, and issues related to corruption and mismanagement. The evaluation further observed that the reporting of results from MNRP was too simple and too mechanical.

The most important evaluation finding concerned the financial management of the MNRP. The accounts appeared very unclear and not transparent. Much of the financial support seemed to have been used for administrative purposes. The evaluation was, in particular, critical of MIMP, one of the eleven projects, indicating that financial mismanagement might have occurred. On the basis of this assessment, both the Ministry and the Norwegian Embassy decided to carry out a re-evaluation of this particular project. The goals of the project were to conserve the rich marine environment around Mafia Island and to promote people’s participation in sustainable exploitation of the resources found there.

The Ministry and the Norwegian Embassy together appointed a team to re-evaluate the MIMP. Among the team members was a Danish auditor, with extensive experience from Tanzania, who collaborated with a local audit

firm. The results of the re-evaluation were shocking with regard to the financial management of MIMP: Capital goods for the projects were overpriced; payments had been made to consultants for whom there were no contracts and no reports; the procurement rules had not been followed; and there were expensive and long trips for the MIMP staff. The MIMP accounts were unclear, and the internal and external control mechanisms were not effective. The Norwegian Embassy was so alarmed by this report that it decided to conduct audit reports for more of the MNRP projects. In total, five of 11 projects were audited by the Danish audit firm. In addition, MNRP’s support to the Institutional Capacity Building Project, placed in the Ministry’s HQ, was audited.

Some details from the findings:

- Seminars and workshops were regularly reported to last longer than they actually did, for instance, costs were charged for six days for seminars lasting only two.
- A Value Added Tax (VAT) of 20 percent was paid on goods and services. According to the agreement between the governments of Tanzania and Norway, all VAT should have been refunded to MNRP. This was not done.
- The vehicles purchased were overpriced. For example, Tshs. 57 million was paid for one car, while the actual market price should have been Tshs. 35 million.
- The **internal** and **external** mechanisms for controlling the financial management system did not function well. The internal control mechanism, the audit unit of the Ministry, did not identify the poor financial management system of MNRP. Neither did the external mechanisms, the CAG, the Norwegian Embassy, or PWC. The most serious problem was that the CAG received all the reports and accounts from the

Ministry and accepted them with only minor changes.

According to the independent auditor's two reports, over 30 percent of the expenses were undocumented. Moreover, based on their findings, they estimated that up to half of the funds allocated to the programme during the twelve-year period, US\$ 30 million, may have been lost due to corruption and mismanagement. While this sum reflects a worse-case scenario rather than the likely reality, there is no doubt that an enormous amount of money was diverted from its intended use.

Explaining the results of the evaluation

How could these problems have gone largely unnoticed for so long? Part of the answer lies in aid ideology and practice in general. Norway's engagement with the Ministry reflected principles of "recipient responsibility" which, among other things, means that it uses the government's own auditing system. Norway also, like many donors, has assumed in recent years a more distant relationship with the programmes it funds. This implies taking a few steps back from the actual implementation of the project and instead assuming the role of dialogue partner with the authorities. Most programme officers therefore focus on planning, coordinating and harmonizing policy - future oriented work - rather than following up activities in the field. Details such as looking carefully at budgets are not prioritized, and not enough time is spent on the location of project activities to understand community power dynamics.

## Impact of the evaluation

The primary impact of the evaluation process was to ensure that the weaknesses uncovered would be addressed in future support to the NRM sector in Tanzania.

Norway informed Tanzania in early 2007 that it could provide up to NOK 50 million per year

for five years in support of a new environment and natural resources programme. In August 2007, Norway received a request from the authorities for a new five-year programme with a cost ceiling of NOK 250 million. The 2006 evaluation and the Danish audit reports from 2007 have provided clear directions for the new programme.

Specific proposals have been made in order to avoid past problems in the new programme:

- The financial management system will be strengthened. Foreign, independent accountants will train Ministry staff and monitor the accounts for the new programme carefully. The cash flow for the programme will be followed closely.
- No agreement for any new programme will be signed before a satisfactory system is in place for financial management.
- There will be an active dialogue with the Ministry concerning problems related to MNRP and the lessons that have been learnt in the new programme.
- The lessons that have been learnt in the evaluation and audit review of MNRP will be shared with the other development partners.
- A main goal for the new programme will be to help Tanzania collect more taxes and fees through its natural resources. The new programme will have tax experts who can cooperate with the Ministry of Finance and the Tanzania Revenue Authority to increase tax revenues. It will be an explicit goal to help Tanzania finance the management of its natural resources from the taxes it collects.
- Indicators must be developed for income from the natural resources that is paid into the Treasury. These indicators will

be included in the authorities' Performance Assessment Framework.

- More emphasis will be placed on the various dimensions of good governance, such as corruption and real public involvement.

## Lessons learned

**Sectoral “silo visions” are risky:** Both Norwegian and Tanzanian authorities treated MNRP as if it existed in a vacuum. The programme was never assessed in relation to how the Tanzanian government administered natural resources in the country, or in relation to how public funds were administered more generally. Most of the people engaged in the programme were technical, rather than governance, experts. There was little analysis of actors and networks that could give insight into how finances were actually administered.

**Capacity building programmes are soft targets for corruption:** The areas most susceptible to abuse were **procurement**, as expected, and the **training** components. A three days' seminar could provide a per diem of Tshs. 60 000 to poor fishermen and farmers who normally took home an average salary of Tshs. 1000-3000 a day. Many times the administrators of the seminars themselves took most of the per diem intended for participants. Sometimes people attended only the opening session of a workshop to collect their per diem. In other cases, workshop organizers would bill for too many participants, or for too many days.

**Light footprints carry heavy risks:** As donors transfer more responsibility for aid to national authorities, they have stepped back from overseeing actual implementation of projects and programmes. In Tanzania, as elsewhere, embassy employees spent most of their time engaged in macro-level policy planning in the capital rather than checking accounts and activities on the ground. These macro-level plans at the sectoral level rarely

incorporate revenue and expenditure tracking.

**Disbursement pressure makes it easier to ignore red flags:** The need to negotiate large agreements quickly reduced incentives for Embassy staff to look for, or respond to, irregularities in MNRP. In addition, the amount of money earmarked for natural resource management varied according to political priorities set by the Norwegian – not Tanzanian – government. This weakened the link between performance and financial support further and signalled an acceptance of the status quo.

**Audits based on self-reporting are inadequate to capture failures of financial management:** Neither internal nor external audits – by the Ministry's own auditors, the national audit institution, PriceWaterhouseCoopers or the Norwegian Embassy – uncovered major problems during more than ten years of programme support. It took independent experts evaluating actual activities to identify misuse of funds as a serious impediment to the MNRP's impact.

## Additional reading

Andreasen, A F and Bhattbhatt, K K (2007a) *Management of Natural Resources Programme, Tanzania - Financial Review of 5 Projects under MNRP* Report prepared for Ministry of Natural Resources and Tourism and Royal Norwegian Embassy, Dar es Salaam.

Andreasen, A F and Bhattbhatt, K K (2007b) *Re-evaluation of Mafia Island Marine Park* Report prepared for the Ministry of Natural Resources and Tourism and Royal Norwegian Embassy, Dar es Salaam.

Cooksey, B (team leader) (2007) “Management of Natural Resources Programme, Tanzania TAN 0092 Final Evaluation” *Norad Collected Reviews 1/2007*. Available online at:

<http://norad.no/en/Tools+and+publications/Publications/Publication+Page?key=109608>

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## Abstract

This U4 Practice Insight describes the Norwegian Embassy's decision in 2006 to independently evaluate their long term support to the Management of Natural Resources Programme in Tanzania. A review of several projects suggested that millions of dollars provided by the Norwegian government may have been lost through corruption and mismanagement. How did development partners fail to notice – for years – widespread corruption in the natural resources programme? Explanatory factors include inadequate analysis of the sector's political economy, future-oriented strategies and plans from the donor side, over-reliance on the government's financial management systems, report-based evaluations by interested parties, and the “pipeline problem” common in development aid.



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