

Corrupting Aid?

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Perspectives on NGOs, governance & corruption in Tanzania

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1.0 Summary

Corruption undermines the legitimacy of government in the eyes of the poor and the confidence of taxpayers and aid agencies that finance development efforts. Civil society is not immune to the corrosive effects of corruption.

This paper examines the structure of bilateral donor-civil society funding relations. I argue that the degree of *systematic* corruption in CSOs reflects the following immediate factors:

1. The *number of links* between the source of CSO funds and the ultimate beneficiary of CSO activities;
2. The *degree of coordination* of aid flows by bilateral and multilateral agencies, government and recipients, and;
3. The nature of the *mission and mandate* of the final recipient of bilateral finance.

Bilateral aid finances national NGOs and community-based organisations in three main ways: (1) through direct disbursement of funds within the framework of country programmes; (2) through NGOs in the donor country or through international NGOs (INGOs); (3) funds from a bilateral donor country may be channelled to a multilateral agency, for example UNDP, which in turn sponsors CSO support within its country programme. *The longer the disbursement chain, the greater the likelihood of corruption and waste.*

CSO funding may be coordinated by government, CSOs and their representative bodies, or by the funding agencies themselves. At present, there are *no specific coordination mechanisms in place* that could serve as a check on corruption and waste.

The degree of *downward accountability* for funds received from bilateral sources reflects the nature of the mission/mandate of NNGOs/CBOs. Three main types can be distinguished: (1) membership organisations, for example savings and credit cooperative societies (SACCOS), CBOs; (2) general public service, for example, research and advocacy organisations promoting democracy and good governance; and (3) those serving specific vulnerable groups, for example, AIDS orphans or senior citizens. Of these three types, the first is more likely to demand accountability than the other two.

The high degree of dependence of most Tanzanian civil society organisations on external aid means that the nature of the *aid relationship* is a key component of the analysis of CSO governance.

The moral hazards and perverse incentives found in the aid relationship are also common in relation to external support for CSOs. At the extreme, pressures to disburse and to report only the good news constitute strong supply-side incentives, compared to judging institutional success by performance and outputs. On the demand side, the prospect of easy money from more or less uncritical donors is a powerful lure to opportunists.

Uncoordinated support for 'civil society' may lead to too much money chasing too little capacity.

If support for civil society is to gain more credibility, it will require much more serious engagement in governance issues at the giver-recipient interface. This means much more than merely 'fighting corruption'.

The explosion of new aid raises the likelihood of absorptive capacity and governance problems downstream. If there *is* a perception that corruption rather than (or in combination with) other factors is seriously undermining the performance of the sector, then a systematic, joint review of CSO governance would be in order. This would need to be a multi-donor initiative.

2.0 Background

Concern with corruption in the non-government sector in Tanzania² is not new. The sector has grown rapidly in the last two decades, coinciding with the rise of political pluralism and 'good governance' agendas among the international donor community. A number of international non-government organisations (INGOs) have set up shop in Tanzania, and 'local' advocacy and service delivery NGOs and CBOs have mushroomed throughout the country, along with coordination and networking umbrella organisations.³

This protean growth of the 'third' sector has raised concerns about the quality of its governance and the motives of its members. In the last 10-15 years the media and academic analysts have raised the following critical issues: (1) donor agencies have provided large grants to fledgling civil society organisations that may serve to encourage corruption and waste; (2) some external aid agencies and private charitable or religious organisations are said to be fronts for undeclared private, security or political interests; and (3) similarly, some local NGOs are said to be fronts for personal or political agendas.

This paper looks at the relationship between external funding arrangements and the governance of civil society organisations (CSO) in Tanzania. This is a big topic, and I only aspire to raise some of the most relevant issues and to ask, rather than to answer, some key questions.⁴ The paper is based on a media and literature review, personal experience and interviews with a number of INGO and CSO staff.

Why does this theme matter? It matters because corruption undermines the performance of NGOs/CBOs as regards serving their members or target

² This paper refers specifically to Tanzania, but its conclusions are relevant to other poor, aid dependent, countries characterised by low state service delivery capacity and poor governance.

³ By June 2004, the International Interest Group (IIG) -the 'talk-shop' of INGOs, volunteer and faith-based organisations- had a membership of 55, 47 based in Dar (85%).

⁴ An area of great interest not covered by this paper is the independent trust fund mode of aid delivery. Trust funds are often basket-funded. Examples include the National Income-Generation Programme (NIGP), the Tanzania Social Action Fund (TASAF), and the Civil Society Foundation (CSF). Another model uses income from an investment fund for long-term service delivery.

groups, and may undermine the legitimacy of civil society in the eyes of the public, and the state. Also, the theme matters because corruption undermines the rationale of a plural society in which non-state, non-profit actors play essential roles in service provision and policy advocacy. Civil society can only demand open and accountable governance of others if it practices these principles itself.

My starting point is the high degree of dependence of Tanzanian CSOs on aid, which makes the *aid relationship* a key component of the analysis of CSO governance. It is worth remembering that donors often channel funds through CSOs because they are considered less corrupt and more efficient than government. CSOs and their collaborating partners need to demonstrate that this trust is justified.

In this paper I first scope the types of corruption typically found among CSOs (section 3). I then define different kinds of funding arrangements for Tanzanian CSOs (section 4), outline the possible corruption risks associated with these arrangements (section 5), and the wider governance issues raised by the aid dependency relationship (section 6). Section 7 concludes and sketches a possible way forward.

3.0 Types of corruption among CSOs

This section summarises some of the main forms of corruption found in CSOs. In section 4 I try to identify factors that facilitate corruption.

According to Irish,⁵ CSOs are vulnerable to a number of types of corruption, summarised below.

3.1 *Disguised business enterprise*

We are all familiar with the briefcase NGO, for whom the non-government sector is a vehicle for personal (individual) or shared rent-seeking. However, there is a legitimate interface between business and charity: 'Using profits from successful economic activities is essential to many NGOs in developing countries—and is not itself a form of corruption.'⁶ The investment trust fund concept is a case in point.

3.2 *Tax evasion*

Tax exemptions are very important for NGOs, for example, income tax exemption on revenues, deduction or credits for contributions, customs exemptions, real estate tax, and sales tax exemptions. However, these exemptions can be abused. Treasury officials may collude with importers to register imports as falling under the umbrella of NGOs, thus qualifying for tax exemption.⁷ NGOs and FBOs may also abuse their tax-free privileges, of course.

⁵ Leon Irish (1997). *NGOs and Corruption: The Role of Law and Self-Regulation*. The comments are mine. I have added point 3.8.

⁶ Irish op. cit.

⁷ Ally Mtunda (1996).

3.3 Improper private benefits

For example:

- Self dealing: being on both sides of a contract or grant; buying or selling assets to a NGO controlled by the individual at an unfair price;
- Excessive compensation or benefits;
- Indirect personal benefits, e.g. family members on the payroll;
- Reversion of assets to founders

A common complaint concerning NNGOs is that money that should be used to finance local-level activities disappears in 'compensation or benefits' to officials of the organisation. Another complaint is that too many resources are absorbed in allowances for attending workshops and other meetings of dubious utility. Though this may not constitute corruption *strictu sensu*, it suggests an unacceptable waste of resources.

3.4 Disguised state entity

A 'GONGO' is a government organised or controlled NGO.⁸ There are degrees of state 'control' of NGOs. Retired government officials and the close relatives of senior politicians and officials, including the President's wife, may be actively involved in civil society activities. Their strategic connections allow them to secure funds from both bilateral and multilateral aid agencies and the private sector. None of this connotes corruption, of course, but the very presence of 'big people' leads the cynics to conclude that such organisations are unlikely to be particularly transparent or accountable. **Box 1** gives an example of how politicians try to exert influence over INGO recruitment.

Box 1: NGOs may be vulnerable to state patronage pressures

A major international non-government organisation was recruiting a local desk-officer for one of its main assistance sectors. The person in charge of the recruitment process received a call from a very senior government minister requesting that candidate so-and-so be given the job, which had been publicly advertised. The recruitment officer said that s/he could not do that. A check on the candidates CV showed that s/he was not likely to make the short-list. The minister rang again to repeat the request, with the same response.
Personal communication (2003), anon.

3.5 Collusion between external agencies and CSOs

Corruption may involve collusion between external agencies, including bilateral and multilateral donors, and local NGOs, with shared spoils. I have come across cases of this kind of corruption in the past. In one case, a local charitable organisation received funds from private individuals in the USA, from a multilateral agency's desk officer and from bilateral donors. The 'whistle blower' was a (non-Tanzanian) employee of the charity who fell foul of his employer. He described in detail how he collected funds from various sources that were not used for the activities claimed. The charity no longer exists but the main protagonist is still active--as a born-again Christian.

⁸ See Fowler 1997 for a list of types of NGO.

In another case, a desk officer in a bilateral agency was responsible for making substantial grants to local organisations for a range of gender-related development activities. Too many grants appeared to go to NGOs in her home district, and she was eventually sacked, but not prosecuted.

Lastly, participants in a Norwegian Embassy-sponsored seminar (April 2005) described how desk officers in bilateral agencies pressured them to return ten percent of project funds as a kickback. If the recipient agrees, the desk officer provides assistance to make sure the transaction is not detectable from the accounts presented to the funding agency.

Box 2: NGOs are not angels

'Some smart guys form NGOs to assist the youth and end up collecting huge donations from foreign countries. These funds are then dished out as allowances for seminars, conferences, travel allowance or research to the smart guys themselves. But the majority of the youth get nothing and go nowhere. Foreign donors contribute to this cheating.'

Adamu (not his real name) is a taxi driver who used to work for a NNGO. His view is that the funds brought by external NGOs are 'eaten' by the smart, educated Tanzanians who run local NGOs. He thinks outsiders should be more scrupulous in tracking their money.

In a discussion of the role of civil society in combating corruption, the representative of a Dar-based INGO questioned the integrity of CSOs like her own: 'We put our own corruption under the carpet.' She talked of a 'culture of silence' and pointed out that corrupt INGO and NNGO officials were transferred but not sacked.

Source: Dr S Hashim, 'Mob justice or murder by mob?' Letter to the Editor, *The Guardian*, 8 February 1997; discussion with taxi driver, Dar es Salaam, 6 February 2005 Breakfast Talk (2003). 'The Role of Civil Society in Combating Corruption', 27 June

The public perception of 'NGOs' is not particularly flattering. According to a recent survey, NGO workers are among the 'least trusted' groups, ranking only slightly higher than 'foreigners' in terms of trustworthiness in the views of Tanzanian adults (see **Appendix 1**).⁹

While not necessarily involving corruption, the following practices denote lack of transparency and accountability in CSOs and their funders.

3.6 Foreign funding and foreign NGOs

Governments receiving external financial support often fear that foreign NGOs and foreign funding will be used for gathering intelligence and/or subversion, a common phenomenon during the Cold War, but also widespread in the current 'war on terror' and, according to some, an integral part of the strategy of the current US government.¹⁰ Sometimes foreign NGO involved in human rights or humanitarian activities upset governments, who respond by closing

⁹ Views of the People 2007, REPOA (forthcoming).

¹⁰ See the Dissident Voice website for examples, including US involvement in central and Eastern Africa. Leaders of the aid recipient governments may be actively involved in covert activities, of course, in which case there will be less critical commentary.

them down for real or invented illegal acts (Russia is a recent example). Highlighting a foreign connection may serve to undermine the legitimate activities of 'legitimate' advocacy groups.

3.7 Misrepresentation of citizens

Do local or international NGOs really speak for the people they claim to represent? Leaders of local CSOs may be remote from the actual conditions of the people. A 'northern' NGO may not be well placed to represent the 'south'.

3.8 Disguised political party

More frequently, advocacy NGOs are accused of being associated with the political opposition. Governments are sensitive to CSOs playing political roles, and frequently conflate criticism with representing opposition parties or 'external' interests. Advocacy NGOs, especially those critical of government and policies, need broad freedom and protection to comment on public issues. NGOs cannot be good development partners unless they are free to speak independently of the government, but the line between unbiased criticism and partisanship is difficult to draw.

4.0 A typology of CSO funding arrangements

There is a wide range of relationships involved in funding CSO activities in Tanzania. Here I mention only some of the most important.¹¹ The main models discussed are local CSO funding through (1) donor agencies and (2) INGOs.

Both bilateral and multilateral aid agencies fund Tanzanian CSOs. Bilateral donor agencies are funded directly from taxes. International aid agencies are funded by contributions from member states, that is, also through taxes. Money from both taxes and private sources finance INGOs.¹² **Figure 1** summarises the main funding arrangements.

There are three main ways in which bilateral aid finances NNGOs and CBOs. The first is characterised by direct disbursement of funds to NNGOs within the framework of country programmes. These funds may be disbursed by a bilateral aid agency (**Mode 1**) or a diplomatic mission (**Mode 3**).¹³ A second way of funding Tanzanian NGOs/CBOs is through NGO's in the donor country or through INGOs (**Mode 2**). The donor country NGOs may have a local

¹¹ See Cooksey (2004) for a discussion of principal-agent relationships in aid. The discussion is also relevant for the activities of philanthropic foundations and faith-based organisations. Though very important, I do not consider the activities of FBOs that mobilise resources from members (including 'tithes') or other sources.

¹² Some INGOs, such as child sponsorship organisations, are entirely or largely funded by private donations. Others are dependent on subventions from governments, as part of international development aid, humanitarian and emergency assistance. These organisations have special accountability requirements with high transaction costs.

¹³ Different arrangements reflect the comparative powers of the development agency and the Ministry of Foreign Affairs. Related to this is the degree of decentralisation in decision-making to local diplomatic missions and development agencies.

office, the INGOs usually do. Finally, funds from a bilateral donor country may be channelled to a multilateral agency that in turn sponsors CSO support within its country programme (**Mode 4**).¹⁴

Figure 1: Typology of bilateral aid funding arrangements for CSOs

	Mode 1	Mode 2	Mode 3	Mode 4
Principal¹⁵	Taxpayer/governments/citizens			
Agent 1	Bilateral development agency	Bilateral development agency	Ministry of Foreign Affairs/ Diplomatic Mission	Bilateral agency/ Ministry
Agent 2	---	Home-based NGO/INGO	---	International development agency
Client 1	National NGOs and networks			
Client 2	Community-based organisations			
Beneficiaries	The poor, vulnerable groups, members of local organisations			

Most disbursements under Modes 1 and 3 lack systematic coordination. Exceptions are basket funds for grant allocations to NNGOs such as the Civil Society Foundation. Large NNGOs may convene joint pledging meetings to discuss funding with potential bilateral supporters. Government does not coordinate assistance to CSOs, neither do CSOs coordinate external assistance among themselves.

The *principal* in all funding mechanisms is the taxpayer represented by government. The primary *agent* is the development agency or the Ministry of Foreign Affairs. Secondary *agents* are home-based NGOs, NNGOs and multilateral aid agencies, as outlined in modes 2 and 4. CSO recipients of bilateral aid are *clients* if they are at the end of the transaction chain. They are ‘*tertiary*’ *agents* if they pass on funds to lower level organisations.

The relations between NNGOs and lower level organisations (CBOs) depend on the nature of the missions and mandates of different CSOs. The degree of *accountability* for funds received from bilateral sources will reflect the nature of the mission/mandate. Three main types of missions/mandates can be distinguished: membership organisations (e.g. SACCOS, CBOs); general public service (e.g. research and advocacy; ‘targeted altruism’ (serving specific vulnerable groups).

¹⁴ UNDP is a good example of this mode.

¹⁵ Principal-agent theory is a means of understanding organisational and power relationships. The agent is delegated the responsibility for executing tasks on behalf of the principal (usually the state), and for the benefit of the client (the public or a part of it). Delegation is intended to reduce political or bureaucratic interference and raise efficiency. Examples are revenue authorities and a host of other ‘executive agencies’ responsible for regulation and control of public and private service provision (financial transactions, telecommunications, power generation and supply, civil aviation, statistics).

5.0 Funding mechanisms and corruption risks

From this discussion I derive three very general propositions. The degree of *systematic*¹⁶ corruption in bilateral funding of CSOs is likely to reflect the following:

- The **length of the chain** of principal-agent links between the source of CSO funds and the ultimate beneficiary of CSO activities
- The **degree of coordination** of aid flows by bilateral and multilateral agencies, government and recipients
- The **nature of the final recipient** of bilateral finance, with membership organisations generally less vulnerable to systematic corruption than 'targeted altruism' or general service organisations.

A research study would be required to test the validity of the above propositions. There may well be other factors affecting the overall level of corruption in the CSO sector, for example, the extent to which civil society is vulnerable to political patronage pressures at different levels (see **Box 1**).

The following discussion looks briefly at each of the above propositions.

5.1 Length of the funding chain. Distance/communication, bureaucratic complexity and reporting/accounting pressures vary in proportion to the length of the funding chain. A short funding chain links the bilateral donor with the final recipient directly. A long chain may have two or three additional links, each one widening the gap between the principal and the client. The greater the number of links in the chain, the more problematic the degree of accountability between principal, agents, and clients.

Even with relatively short financing chains, agents frequently require no more than a financial statement from recipients, with no external audit, let alone value-for-money audit or impact assessment. In general, this may be perfectly acceptable, but may be inappropriate in a context of relatively weak institutions and the possibility of vulnerability to corruption. INGOs and others concerned with accountability issues must be prepared to finance the additional transaction costs that their concern is likely to incur.

Financial accountability usually takes the form of internal and external audit. Embassies, aid missions or INGOs administering many small grants to NNGOs and CBOs do not have the resources to audit their beneficiaries' accounts or check on their performance.¹⁷ In the absence of information on financial performance and impact, underperforming CSOs can continue in business indefinitely.

¹⁶ I distinguish between corruption involving CSO officials acting alone on an *ad hoc* basis and *systematic* corruption involving the senior management (or parts of it) of CSOs.

¹⁷ For example, between 2003-2005, Forum Syd supported 60 Tanzanian organisations working on HIV/Aids in the Lake Victoria region, and in 'February 2006 the programme worked with 45 local partner organisations.' Three Forum Syd employees worked with administration of funds and one with capacity development. (Annual Report 2005).

Larger NNGOs receiving bilateral support are under greater scrutiny because they receive larger grants. Scrutiny may involve external audit and evaluation, including attempts to assess value for money.¹⁸ Despite what may seem to be onerous accounting procedures, large-scale embezzlement can still occur (**Box 3**).

If NNGOs receive funding from numerous sources, the transaction costs of accounting can become significant. Donors may be persuaded to accept a *common reporting format*, but are unlikely to propose such an initiative unilaterally. The *collective action* problem is one of the main obstacles to improving international NGO governance.

Box 3: How could it happen?

'Norwegian Church Aid (NCA) has gone through a very painful process that has shaken our entire organization. A former trusted staff member defrauded one of our offices of more than USD one million! We spent [an] incredible amount of time and energy to uncover what really happened and what damages this fraud caused to people in need. It further was a great challenge to our credibility and trust among our donors and supporters in Norway. African partners may have regarded financial and administrative procedures of European and US based organizations as rigid and rigorous. In spite of this we experience that fraud is certainly possible within these organizations! In this spirit we all need to appreciate that issues of planning, financial monitoring and reporting are repeatedly discussed.

'We have seen a number of instances in which churches and individuals who have been seen as prophetic voices in their societies have been caught red-handed. It may have been misappropriation, undue influence in financial matters or inappropriate appointments due to tribal, family or other close affiliations. Are we willing to name financial dishonesty within our own organizations as an expression of greed and sin?'

Source: Villumstad (2000:51-2)

Donor procedures may make it difficult for serious CSOs to limit the risks attached to receiving support from different sources. For example, some agencies are prepared to fund projects or activities but not institutional overheads, including staff costs. This may force honest organisations to fudge their accounts in order to meet funding agency reporting requirements while still meeting their overhead costs. It would help if guidelines on funding overheads were discussed and agreed upon.

It is common for INGOs and NNGOs to have in place *codes of conduct*, including commitments to transparency, accountability and non-corruption. Less common but also increasingly popular are *whistle-blower protection mechanisms*. The adoption of codes of conduct is part of 'new' public administration theory, while whistle blowing has become popular within global corruption-governance discourses.

¹⁸The large trust funds financed with multilateral loans are not part of this review. How effective are their accountability mechanisms?

Operationalising codes of conduct and whistle blowing initiatives is problematic, and may be taken as external impositions, especially if the relations between donor and recipient are lacking in trust and a sense of shared mission and commitment.

My impression is that INGO managers are not under particular pressure to increase their monitoring of expenditures, including support for NNGOs/CBOs, and that they do not have the staff capacity to do much more than they are doing already as regards internal and external audit. At the same time, they are concerned with the corruption issue, and think 'more should be done' to deal with it.¹⁹ But who will take up the challenge?

What happens when cases of corruption are encountered? Though evidence is lacking, it does not appear common for staff to be sacked, investigated or prosecuted for corruption, which offers perverse incentives to the corrupt. **Box 2** suggests, albeit anecdotally, that some of the major actors are not particularly pro-active in practicing internal transparency and accountability, or, indeed, in pointing the finger at cases of abuse or the misuse of funds.

5.2 Degree of coordination.²⁰ Aid to CSOs can be coordinated by donors, the government or CSOs themselves. Neither the government nor CSOs have coordination mechanisms in place.²¹ The NGO Bill contains requirements for CSOs to report their sources of finance on an annual basis. CSOs and their umbrellas have challenged this requirement on the grounds that it could be misused by government to exercise control or put other undue pressures on CSOs.²² Whether the government has the resources to enforce the requirements of the Bill remains to be seen.

CSOs do not have a mechanism in place to coordinate aid flows, and have resisted moves from within civil society to compile a data-base of financial sources and amounts received.

INGOs in Tanzania meet quarterly in the International Interest Group (IIG). The IIG does not attempt to coordinate assistance to CSOs and has not to date discussed corruption or accountability issues in the sector.²³

Lack of effective coordination mechanisms has various consequences for recipients. A NNGO receiving funds from different donors has to comply with the accounting requirements of each one separately, increasing transaction

¹⁹ This concern is not new: the perception that corruption was undermining the impact of CSO activities has been around for some time. Again, this parallels the 'failure of aid' discourse.

²⁰ In a recent review, I conclude that attempts by donors to coordinate aid confront insurmountable problems related to the nature of the aid relationship and the *modus operandi* of aid agencies. It is likely that the same constraints would frustrate efforts to coordinate aid to the CSOs.

²¹ According to De Walle (2005:75) '... the failure of donor coordination is almost entirely due to bureaucratic resistance within donor agencies.' Cited by Riddell (2007: 362).

²² The idea of reporting income and income sources is not in itself wrong or bad. The dispute reflects the widespread *distrust* between government and the CSO community.

²³ This was true in mid-2005 – I have not managed to check whether it is still the case.

costs.²⁴ On the other hand, the absence of effective coordination facilitates the misuse of funds, for example, through the double payment of salaries or double funding of activities.

Coordination mechanisms could help concerned actors reduce some forms of CSO corruption. For example, a joint INGO/NNGO/CBO grants register could be introduced listing which agencies are funding which CSOs and for what.²⁵

5.3 Mandates and missions. The absence of strong institutions and effective regulation increases CSOs' vulnerability to corruption. A membership-based organisation is more likely to exert collective controls that prevent the misuse of funds, including donor funds, than CSOs of the service provision and advocacy varieties.

A person setting up a NGO for sustainable rent-seeking purposes would not be likely to register a membership-based organisation in Dar es Salaam. A better strategic choice would be a service-oriented NGO with a focus on up-country outreach activities.²⁶ Similarly, the sectoral focus should not be too quantifiable, since the sponsor seeking impact might ask for concrete results.

In summary, CSOs are more or less vulnerable to corruption. Corruption is more likely to occur in externally-funded organisations with a long funding chain, where coordination mechanisms are weak, and where organisational missions are service provision or advocacy rather than membership-based. Corruption is less likely where funding is more direct, there is some degree of coordination, and members hold executives responsible.

6.0 Wider governance issues

Beyond the issues discussed above lies the wider context in which aid transfers of all types are made for development purposes. This section considers the governance problems that threaten the effectiveness of both official and 'third sector' aid.²⁷

Tanzania and many other poor countries are characterised by a high level of *aid dependency*.²⁸ CSOs have multiplied in response to donor policies and priorities, and the response of local elites, not primarily through internal demands.²⁹ According to TANGO, there were about four thousand NGOs operating in Tanzania in 2000, with a tenfold increase over ten years.³⁰ The

²⁴ A recent study (REPOA:2005) sampled 47 Tanzanian NGOs that received funding from no less than 111 donor sources.

²⁵ The amounts received need not be reported.

²⁶ Ndege (2004:1) gives an example of how bogus CBOs are set up in response to the presence of INGOs.

²⁷ The distinction is rather artificial, since much third sector aid is from official sources.

²⁸ Aid finances 40 percent of the Tanzanian recurrent budget and most capital expenditure.

²⁹ See Shivji (2003). Support for INGOs from official donor sources has also mushroomed as a result of the expanding good governance industry in the wake of pressures for democratisation and pluralism, and mistrust for 'corrupt and unaccountable' governments in poor countries. For a discussion see Manji and O'Coill (2002).

³⁰ TANGO (2002:11).

supply-driven nature of much of civil society makes it more likely that business-oriented or 'briefcase' NGOs will proliferate, and less likely that the donors will look closely at governance shortfalls, corruption and lack of capacity as possible factors undermining the effectiveness of CSO activities.

If money available for CSOs outstrips the 'absorptive capacity' of the sector, then the quality of governance and performance will suffer. Without *strong prior commitment*, CSOs cannot be expected to use funds effectively, whatever their source. Do bad NGOs drive out good? Do the 'good' NGOs get overfunded, encouraging them to adopt 'bad' habits?

There is an obvious parallel here between the aid-NNGOs and aid-government relationship. Critics claim that aid to both is provided relatively unconditionally and focuses more on inputs and processes than on outputs and outcomes.³¹ In this view, the big INGOs suffer from some of the same constraints as bilateral donor agencies, for whom moving money is as important as (or more important than) moving money *to good effect* (**Box 4**).

Box 4: Bureaucracy determines staff incentives

Riddell (2007) cites an evaluation of Swedish aid (Oström et al. 2002): 'The ways that key staff are assessed and judged are not geared to rewarding them for the contribution they make to achieving the core purpose of the Agency—enhanced aid impact and long lasting and sustainable aid programmes and projects. ' ... there are few incentives to staff to learn from current and past aid projects and programmes, and to use the knowledge that exists within the Agency to inform decisions about future projects and programmes. ... aid quality is adversely affected by (informal) pressures ... to disburse funds quickly and ... that too few resources are allocated to designing and monitoring aid projects and programmes.'

Source: Riddell 2007:362.

Perverse incentives like these help explain the often disappointing impact of donor assistance to 'strengthening' civil society.³² According to Unsworth, such assistance "may have done little to encourage genuine pluralism or to support broader democratic objectives."³³ More broadly, Riddell argues that, in 'weak clientelistic states' ... 'aid provided with the aim of strengthening institutions and promoting good governance ... not only risks failing to achieve its objectives, but can have the (unintended) effect of reinforcing some of the very problems that it was intended to ease, such as patronage.'³⁴ Where

³¹ See Cooksey 2004.

³² Space prevents a discussion of the relationship between democracy and socio-economic development, but there is little evidence that democracy drives development, rather than the reverse. Some argue that there is a governance framework, but no robust governance *theory* that aspires to explain the relationship between governance and development (See Cooksey 2007b).

³³ Unsworth (2005:6) quoted by Riddell (2007:302). Riddell (p303) goes on to argue that donors have not addressed the question of the impact of 'strengthening civil society' efforts, which is often just thought to be 'a good thing to do'.

³⁴ Riddell, op. cit., p375, summarising Brautigam, D and S Knack 2004.

patronage is a socio-cultural norm, it would be surprising not to find it operating in civil society.³⁵

7.0 Conclusions and the way forward

In countries characterised by weak governance and low public trust in state institutions, aid agencies and INGOs have frequently opted to 'take the civil society route', including increased support for service provision and empowering CSOs to hold the state publicly accountable. Current debates suggest that this strategic choice may create other problems 'downstream', as well as providing short-term solutions. **Box 5** argues for more engagement between civil society and the state as a way to address shared governance problems.

Box 5: CSOs interaction with government

'Instead of working in "isolated islands of good", NGOs and churches need to link up with governments and demand a reasonable division of labour and responsibility, ... Civil society does not represent a cohesive and unified group. Civil society is perhaps a prototype of irresponsibility – in the sense that most civil society groups represent interests and specific and exclusionary ideas. ... The crucial areas for interaction are policy-making, priority-setting and coordinated and efficient implementation. This could be within sectors ...: health, education, water, food security – but also democratic development, human rights, accountable governance on local and national levels, proliferation of weapons, crime... Key to this interaction is basic and sufficient capacity on both sides.'

Source: Villumstad 2000:51

How widespread is corruption in civil society organisations--including international and national not-for-profit organisations, trust funds, and community-based organisations--and the agencies that fund them? The short answer is we don't know, because nobody is mandated to keep track. But *who wants to know?*³⁶

External agencies funding CSO activities need to assure constituents that their money is put to good use. The systems in place to make this happen are systems of *external accountability*. But CSOs are also supposed to be accountable to *their members*. This dual accountability characterises aid in general, not aid to just civil society, of course. The question is: how accountable are CSOs to external funders, their members, or to themselves (their managers) alone?

³⁵ Some of the conflicts and misunderstandings between expatriate and local staff in INGO offices stem from the cultural clash between 'Weberian' ideal type and client-based institutional models.

³⁶ See Cooksey 2005b. I raised this issue in relation to corruption trends in light of the evident trend (at the time) of praise-singing Tanzanian good-governance achievements rather than submitting them to more critical appraisal. Two years later, external agencies are more critical, in light of recent revelations concerning new examples of grievous grand and political corruption.

Those in government and elsewhere who are hostile to CSOs' claims to play a legitimate role in advocacy and policy formulation argue that the government is elected to represent the people, CSOs are not. Popular opinion seems to support this claim (**Appendix 1**).

Rather than the state over-reaching its powers in its relations with civil society, it is possible that advocacy CSOs are self-censoring and reluctant to criticise the government, for example, on the issue of corruption.³⁷

It may be that CSOs are, on average, relatively clean, but we do not know, since nobody is keeping track. Interviews and personal experience suggest there is corruption in CSO and FBO projects. It is quite plausible that other examples of corruption and waste go undetected.

Corruption is one of a number of related governance concerns. Reducing corruption would not automatically improve CSO performance, since resources may still be used wastefully or inefficiently in the absence of corruption. What matters is whether services are being delivered and the causes of the poor and vulnerable are being defended effectively. Consequently, CSOs should be more performance and outcome-oriented. Attempts at corruption control that virtually increase the policing of CSO by INGOs would probably prove counterproductive.

By the same logic, attempts to better coordinate assistance to CSOs would make sense for reasons other than attempts at corruption control. It is worth remembering that government and donor agencies are constantly striving to improve coordination in order to increase aid effectiveness and reduce transaction costs.³⁸ The Tanzanian government favours the recent move away from projects to general budget support. Yet some donor agencies' continued direct funding of projects, including NGOs, belies their concerns to better coordinate aid and move away from the project mode of aid delivery. For the moment, the funding of Tanzanian civil society is anarchic. Who is interested in putting some order in this anarchy?

Direct and indirect aid to civil society in Tanzania and more generally has increased exponentially in recent years. Major new non-state players, in particular private foundations, have radically changed the shape of development aid, emergency relief, and post-conflict reconstruction architectures. This explosion of new aid raises the likelihood of absorptive capacity and governance problems downstream. If there *is* a perception that corruption rather than (or in combination with) other factors is seriously undermining the performance of the sector, then a systematic, joint review of CSO governance would be in order. This would need to be a multi-donor initiative.

³⁷ Tanzania's National Anti-Corruption Strategy and Action Plan (NACSAP) has officially incorporated a CSO component, involving a network of NGOs in corruption monitoring.

³⁸ Cooksey 2004.

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Appendix 1: Who do Tanzanians trust?

	Very much	Some-what	Not very much	Not at all	DK/NR
People in general*	8	13	35	40	4
Family members	66	28	5	1	0
Politicians	43	41	11	2	3
Clan members	39	47	11	1	2
Teachers	28	52	15	2	3
Old women	27	54	15	2	2
Old men	26	54	16	2	2
Ethnic group members	25	52	19	2	2
Village/ward chairperson	23	52	18	4	3
Doctors and nurses	23	53	18	3	3
Local government officials	21	53	18	3	5
Traders & businessmen	12	45	31	9	3
Police	12	39	29	12	8
Religious leaders	12	45	24	4	15
Tanzanian strangers	10	45	35	5	5
Young women	10	52	30	6	2
NGO workers	9	49	34	7	1
Young men	9	48	36	7	2
Foreigners	5	24	43	17	2
Average	21	47	23	5	4

* Question: 'These days, most people can/cannot be trusted'.
Source: Views of the People 2007, sample size 5,000.