Foreign aid and the poverty menace in Tanzania: an overview of recent experiences

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Abstract

Most of the aid-poverty debate in the development studies literature is dominated by two diametrically opposed positions. On the one hand, there are those who argue that foreign aid can contribute markedly towards poverty reduction in the South. On the other hand, there is growing evidence to suggest that, in fact, there is little or no correlation between aid inflows to the South and GDP growth rates, let alone poverty reduction. The evidence so far available on Tanzania provides virtually no causal relationship between the amount of aid received and economic growth or poverty alleviation. If the amount of foreign aid received had any relationship with poverty reduction in Tanzania, then it should have long been eliminated. One of the major reasons why foreign aid failed to alleviate poverty in Tanzania was because the real needs and aspirations of the poor were ignored by those who purported to be helping them. There were hidden interests on both sides of the aid process, evidenced in aid-tying on the part of donors, the high proportion of concessional loans and the importance of the technical assistance personnel component in foreign aid packages, and concern with regime survival on the part of the recipient government. A wider focus on the way in which domestic and international political economy imperatives interact to produce a specific outcome is essential to an understanding of the failure of aid to reduce poverty in Tanzania.

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