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Public Expenditure and Financial Accountability (PEFA) Assessment

Mainland Tanzania (Central Government)

Final Report

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Study coordinated by ADE

Rue de Clairvaux 40, bte 101 – B 1348 Louvain-la-Neuve – Tel +32 10 45 45 10 – Fax +32 10 45 40 99
E-mail ade@ade.eu – Website www.ade.eu

"This report has been prepared by Peter Fairman, Jérôme Dendura, Charles Hegbor with the assistance of the European Commission. Its contents are the sole responsibility of ADE and can in no way be taken to reflect the views of the European Commission."

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CURRENCY AND EXCHANGE RATES

Currency unit = Tanzanian Shilling (TZS)
€1 = TZS. 2,500 (as of 1 May 2013)

Government Fiscal Year (FY): 1 July-30 June

Abbreviations and Acronyms

ACGEN	Accountant General
ACV	Agreement on Customs Valuation
AfDB	African Development Bank
AGA	Autonomous Government Agency
AMP	Aid Management Platform
AO	Accounting Officer
APER	Annual Performance Evaluation Report
ASYCUDA	Automated System for Customs Data
ATIP	Accountability, Transparency and Integrity Project
BBMTP	Background to the Budget and Medium Term Plan
BoT	Bank of Tanzania
CC	Ceiling Committee
CF	Consolidated Fund
CIT	Corporate Income Tax
CAG	Controller and Auditor General
CDG	Council Development Grant
CoC	Chamber of Commerce
COFOG	Classification of Functions of Government
CPO	Central Payments Office
CS-DRMS	Commonwealth Secretariat Debt Reporting and Management System
CSOs	Civil Society Organisations
CTB	Central Tender Board
CUI	Common Users Items
DAC	Development Assistance Committee
DEMPA	Debt Management Performance Assessment
DMS	Debt Management Strategy
DMU	Debt Management Unit (a unit of the Fiscal Policy Department of MoF)
DP	Development Partner
DPD	Director, Planning Department
DPG	Development Partner Group
DPS	Deputy Permanent Secretary
DSPFM	Deputy Permanent Secretary, PFM
DSA	Debt Sustainability Analysis
EAC	East Africa Community
EBO	Extra Budgetary Operation
EC	European Commission
EFT	Electronic Funds Transfer
EIN	Exchequer Initiation Note
EITI	Extractive Industries Transparency Initiative
EPZ	Export Processing Zone
EU	European Union
FYDP	Five Year Development Plan

FPM	Financial Programming Model
GBS	General Budget Support
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GFS	Government Finance Statistic
GLGGA	Government Loan, Grants and Guarantees Act
GN	Government Notice
GoT	Government of Tanzania
GPSA	Government Procurement Services Agency
HCMIS	Human Capital Management Information System
HBG	Health Block Grant
HRO	Human Resource Officer
IAU	Internal Audit Unit
IAG	Internal Auditor General
IFMS	Integrated Financial Management System
IGF	Internally Generated Funds
INTOSAI	International Organisation of Supreme Audit Institutions
IMF	International Monetary Fund
IPPF	International Professional Practices Framework
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
ITA	Income Tax Act
ITAX	Integrated Tax Administration System
JSC	Joint Steering Committee
LPO	Local Purchase Order
LGA	Local Government Authority
MACMOD	Macroeconomic Model
MCC	Millennium Challenge Corporation
MDA	Ministries, Departments and Agencies
M&E	Monitoring and Evaluation
MEFMI	Macroeconomics and Financial Management Institute
MEM	Ministry of Energy and Minerals
MDTF	Multi-Donor Trust Fund
MDTS	Medium Term Debt Strategy
MoH	Ministry of Health
MTDS	Medium Term Debt Strategy
MTEF	Medium Term Expenditure Framework
MTFS	Medium Term Fiscal Strategy
NA	National Assembly
NGO	Non-Government Organisation
NAO(T)	National Audit Office (of Tanzania)
NMB	National Microfinance Bank
OECD	Organisation of Economic Cooperation and Development
OT	Oversight Team (PEFA)
TR	Office of the Treasury Registrar
PAC	Public Accounts Committee

PAD	Policy Analysis Department
PA&OBs	Public Authorities and Other Bodies
PAYE	Pay As You Earn
PBG	Planning and Budgeting Guidelines
PEFA	Public Expenditure and Financial Accountability
PETS	Public Expenditure Tracking Study
PFR	Public Finance Regulations
PFMRP	Public Finance Management Reform Programme
PMIS	Procurement Management Information System
PMORALG	Prime Minister's Office Regional and Local Governments
PO-PSM	President's Office – Public Service Management
POPC	President's Office Planning Commission
PPAA	Public Procurement Appeals Authority
PPPA	Public Private Partnerships Act
PPRA	Public Procurement Regulatory Authority
PFM	Public Financial Management
PI	Performance Indicator
PIT	Personal Income Tax
PST	Permanent Secretary Treasury
PSE	Policy Support Initiative
PV	Payments Voucher
RfQ	Request for Quotation
RS	Regional Secretariat
SARA	Semi Autonomous Revenue Agency
SAI	Supreme Audit Institution
SBAS	Strategic Budget Allocation System
SDU	Service Delivery Unit (e.g. school, health centre)
SEZ	Special Economic Zone
SWAp	Sector Wide Approach
SWG	Sector Working Group
TA	Technical Assistance
TANESCO	Tanzanian Electricity Supply Corporation
TCC	Tax Clearance Certificate
TIN	Taxpayer Identification Number
TISS	Tanzania Inter-Bank Settlements System
TPDC	Tanzanian Petroleum Development Corporation
TRA	Tanzania Revenue Administration
TSA	Treasury Single Account
TR	Treasury Registrar
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USD	US dollar
VAT	Value Added Tax
WB	World Bank
WPB	Work Plans and Budget

Summary Assessment

1. Integrated Assessment of PFM Performance

Summary

This repeat PEFA assessment reveals significant progress in strengthening PFM systems, largely reflecting the impact of the Public Finance Management Reform Programme (PFMRP). Reforms are still on-going, so PFM systems should continue to strengthen. Two major problem areas remain that impact directly on the credibility of the budget.

The first major problem area is weaknesses in non-salary internal control systems. Expenditure commitments are being entered into that are not supported by approved budgets and cash availability, leading to a build-up of payments arrears that eventually have to be paid off at the expense of other public service provision. The reports of the Comptroller and Auditor General (CAG) also highlight many other areas of non-compliance with financial regulations, indicating the possibility of a wasteful use of public funds at the expense of service provision. Non-compliance tends to be a recurring issue due to insufficient follow-up by MDAs on the CAG's recommendations, though follow-up is improving.

The second major problem area is the fiscal risk to the budget posed by some public enterprises. Addressing this risk goes beyond the scope of the PFMRP, which does not cover the policy issues involved and the robustness of the PFM systems of these enterprises. Amended legislation (2009) has strengthened the monitoring role of the Treasury Registrar (TR) but this alone has not been enough.

The main symptom of these two problem areas is the execution of the budget through the monthly cash rationing system. Ideally, budget agencies should be able to plan ahead for the whole year for the orderly execution of their budgets, knowing that the financial resources will be available when required to pay bills. The Ministry of Finance cannot assure this availability, however, due to these problem areas, and therefore bills are paid only according to the cash available. Budget agencies cannot formally make expenditure commitments with a time horizon longer than a month, thus hindering efficient budget execution, particularly for the development budget. They may informally (i.e. outside IFMS) make expenditure commitments with a longer time horizon, but then may not be able to pay the bills arising from these commitments, the result being payments arrears.

Insufficient fiscal transparency is not directly impacting on budget credibility, but strengthening it would help add to credibility. Fiscal transparency has improved to an extent (e.g. Citizen's Guide to the Budget, introduced for FY2011/12) but, nevertheless, further strengthening would add to the credibility of the budget: for example, more explanatory narrative in budget documentation and the introduction of reports on the budgets of the numerous public bodies that receive funding from the budget, Greater transparency in their operations might bring about a greater degree of compliance with financial regulations; as noted in CAG reports, the extent of non-compliance tends to be higher for these bodies than for MDAs.

Institutional and human resource capacity constraints have contributed to the pace of PFM reform being slower than desirable. Capacity constraints were emphasised as challenges in several documents reviewed by the assessment team and by interviewees, notwithstanding capacity building being provided under PFMRP. Lower salaries in central Government ministries relative to those in autonomous/semi-autonomous agencies, the private sector, development partners and NGOs affect retention rates, so that new staff have to be hired and trained.

Credibility of the Budget (PIs 1-4)

The credibility of the budget remains an issue: (i) revenue shortfalls (PI-3) leading to expenditure cuts during the year, although this is becoming less of an issue; (ii) significant expenditure arrears accruing (PI-4), reflecting in part large construction contracts being entered into outside the commitment control system; (iii) the reallocation of funds away from budgeted activities due to non-compliance with financial regulations, including those covering commitment control (PI-2, high variance in the composition of the budget); (iv) unforeseen demands on the budget arising from the financial problems of some public enterprises (PI-9); and (v) higher than anticipated general election expenditures in 2010. End-year expenditure arrears have to be paid off at some point, at the expense of services that other MDAs were planning to deliver, unless financial resource inflows are higher than predicted.

The cash rationing system in place helps to protect macro-fiscal stability against revenue shortfalls and unexpected demands on the budget, but tends to work against a strategic allocation of resources that is consistent with GoT policy objectives and against operational efficiency in the delivery of services. It does not protect against expenditure commitments being made outside IFMS that are not consistent with cash availability. The budget releases (Exchequer Issue Notifications – EINs) authorised each month to MDAs by the Ceiling Committee may be insufficient to finance contracts, but MDAs sign contracts anyway, hoping the payments certificates can be financed out of future EINs. The resource situation may not permit this, and expenditure arrears arise.

The circumstances that have led to the use of cash rationing as the main budget execution tool have delayed the introduction of robust annual cash plans that would enable the provision of financial resources during the year when they are needed to finance budget execution. Rigorous cash flow forecasting, a pre-requisite for the preparation of robust cash plans, has yet to develop, even after several years of PFM reform (PI-16).

Transparency and Comprehensiveness (PIs 5-10)

The main areas of concern fall under PIs 7 and 9.

Unreported Extra-Budgetary Operations (EBOs), PI-7: The operations of over 200 authorities, agencies, institutes and commissions are non-transparent but are funded by public monies, implying the potential risk of such monies being used inefficiently and wastefully at the expense of service delivery. The only references to them in budget documentation are one-line items reflecting transfers (even these are non-transparent as the summation of them is aggregated under "Other Charges" in the budget documentation). The total of these transfers, as identified under the CAG's report on the financial statements of GoT, amounts to well-over 10 percent of expenditure. The CAG's audit report on Public Authorities and Other Bodies (PA&OB) points out areas of non-compliance with rules and potential for leakages and fraud, a good argument for making their budgets and budget execution reports more transparent.

Oversight of aggregate fiscal risk from other public sector entities (PI-9): The Office of the Treasury Registrar Act (2002) and the Public Corporations Act (1992) were amended in 2002 in order to strengthen the monitoring powers of the Treasury Registrar over Public Authorities and Other Public Bodies (PA&OPB). A Public Private Partnership Act was established in 2010 and a PPP unit established in MoF, the purpose being to provide for oversight of PPPs in order to maximise their benefits and minimise their risks to the budget.

The quality of the annual reports prepared by TR has been good, but as yet it does not prepare analytical reports on the fiscal risks posed by the more than 200 PA &OPB. As noted above, the fiscal risk posed by some public enterprises is significant (TANESCO being the most publicised example). The PPP unit in MoF has little teeth and PPPs are being entered into without sufficient scrutiny from MoF. The GoT is considering an amendment to the Act that would strengthen the oversight of PPPs.

PI-5: The budget classification system has improved through the adoption of GFS (2001), allowing capital expenditure to be explicitly identified, rather than comprising an unspecified component of both the recurrent budget and the development budget, and therefore for recurrent expenditure to be explicitly identified. A Bridge table was developed that maps the budget classification codes to the UN's internationally accepted Classifications of Functions of Government (COFOG). Nevertheless, these improvements are not yet reflected in Volumes 2-4 of the budget estimates provided to Parliament..

PI-6: The comprehensiveness of the budget documentation provided to Parliament has not changed. Clarity could be strengthened. The information could be presented more clearly, rather than in different ways across a number of documents, and more explanatory narrative could be provided

Planning and Budgeting (PIs 11-12)

Tanzania generally has a well-functioning planning and budgeting system, as represented in the Planning and Budgeting Guidelines prepared by MoF and the Planning Commission each year. Challenges include strengthening the strategic focus of the budget through reducing the excessive detail in the budget implied by the activities-based costing nature of budget preparation, placing more emphasis on the efficiency of spending, and ensuring that

forward spending estimates include full costing of service delivery, including the future recurrent costs implied by committed investment projects.
MoF is beginning to address these challenges through the planned introduction of programme budgeting under the auspices of a streamlined Medium Term Expenditure Framework. The result would be improved strategic allocation of resources and cost effectiveness and, in general, a more credible budget.

Revenue administration systems (PIs 13-15)*:* Weaknesses imply revenues lower than they would otherwise be, implying fewer resources to finance service delivery and the cash rationing constraint being more severe than it would otherwise be. Weaknesses in Tanzania include high levels of discretion in providing tax exemptions and a taxpayer identification system that is less developed than it could be (PIs 13-15), leading to some potential taxpayers being left outside the tax registration system.. Tax exemptions are approaching 5 percent of GDP and a quarter of revenues. On the positive side, tax payer education and the tax payer audit function are progressing.

Cash and debt management (PIs 17 & 12): Thousands of the bank accounts identified in the 2010 PEFA assessment have been closed and their balances transferred to MoF, but thousand remain, and new accounts are still being opened. The balances of these are not accessible to MoF for the purposes of liquidity management, an important input into cash plans. Debt management in technical terms (i.e. recording, reconciliation, reporting) is good, the main issues are the unclear criteria and responsibilities for issuing loan guarantees and entering into PPP-type arrangements, potentially exposing GoT to fiscal risk and potential resultant disruption to the budget. A Medium Term Debt Strategy (MTDS) has been prepared and the PPP Act of 2010 is being re-examined with a view to reducing the risks potentially arising out of PPP arrangements. The MoF is now able to conduct its own debt sustainability analysis, in support of the MTDS.

Internal control systems (PIs 18-21)

Non-compliance with internal control systems may lead to waste and leakage, leading to fewer funds than otherwise available to finance public service delivery.

Payroll control (PI-18): Much progress has been made in resolving the issues of ghost workers and delays in registering pay changes into the Human Capital Management Information System (HCMIS). This is due to the upgrading of the Lawson payroll control system in November 2011, the Local Government Authorities (LGA) taking over the responsibility of administering their payrolls (also 2011), and a major payroll cleansing exercise. The number of ghost workers has fallen considerably, resulting in more money available to finance service delivery. Salary arrears have reduced, thus providing greater incentives to service delivery workers to provide good quality services. Controls in Lawson are stronger, and the possibility of misuse of funds correspondingly lower. The increasing quality of the internal audit function is leading to payroll audits that have exposed weaknesses in the control systems and has prompted renewed payroll cleansing exercises; payrolls are now close to being fully cleaned.

Expenditure commitment control (PI-20): MDAs have been making expenditure commitments that are not consistent with cash availability and even approved budgets. Such commitments have led to an accumulation of expenditure arrears that eventually have to be paid off at the expense of other services being delivered, thus affecting the credibility of the budget. In principle, MDAs are supposed to enter proposed expenditure commitments into IFMS for approval. Under the monthly cash rationing system, commitments entered into IFMS cannot exceed the budget release ceiling provided to each MDA by the Ceiling Committee. This poses a potential problem for budget execution, particularly for the development budget, execution of which implies commitment horizons of perhaps several months. It is a particular problem in the case of multi-year projects in the context of an annual budgeting system.

Procurement control (PI-19): Costs of service delivery may be higher than necessary under a procurement system with weak internal controls leading to procurement through restricted tendering methods. The PPRA is becoming more effective in monitoring the procuring activities of MDAs, its compliance assessments and associated reports becoming a useful tool. The compliance assessments indicate an increasing degree of compliance with the PPA and its regulations and an increasing degree of transparency, both indicating that the procurement system is demonstrating increasing value for money in the purchases of goods and services. The increasing compliance includes compliance with the PPA and its regulations concerning the appropriate choice of procurement method (compliance indicator 9). An issue includes the lack of impartiality of the complaints system at the initial phase of submitting complaints, which might deter unsuccessful bidders from complaining. The recently amended Procurement Act will provide for more independence once it has been gazetted.

Other internal control systems (PI-20), e.g. real assets, imprest, bank reconciliation, own-source revenue collection, deficient record keeping, safeguarding of government stores and assets Non-compliance with systems may lead to waste, leakages and fraud, all draining resources away from service delivery. The reports of the CAG and the Internal Auditor General identify wide-spread non-compliance.

Internal audit (PI-21): Progress has been made in the development of the internal audit function (PI-21) since the 2010 PEFA assessments. It is becoming increasingly effective in identifying non-compliance. The Office of the Internal Auditor General has been established in line with the revised PFM Act (2010) and has already prepared some good quality reports. All MDAs now have functioning internal audit units, which are receiving training, and the quality of the reports they are preparing is strengthening. MDAs are increasingly following up on internal audit recommendations.

Accounting and Reporting (PIs 22-25)*:* Facilitated by IFMS, a well-functioning accounting and reporting system helps to check that expenditures are being accounted for and to identify areas where is it not being accounted for. Full accounting for expenditure reduces the risk of wasteful expenditure. Challenges include the further strengthening of the bank account reconciliation process, particularly in relation to the numerous accounts being held in commercial banks, the more timely retirement of imprest accounts, and the inclusion of fully comprehensive information in the annual financial statements on expenditure arrears in particular.

External Scrutiny (PIs 26-28): The National Audit Office of Tanzania continues to do a very good job. Following a peer review exercised conducted by AFROSAI-E during 2011/2012 it received Level 3 status (i.e. 'very good'). Its coverage has expanded to 100 percent. The main issue, outside the control of NAOT itself, has been the inadequate follow-up by MDAs on NAOT's recommendations on increasing compliance with financial regulations. The authorities are addressing the issue.

Parliamentary scrutiny of the draft budget has improved in terms of the scope of review (now includes the Planning and Budgeting Guidelines) and the time for review. Performance in terms of the Public Accounts Committee's scrutiny of audit reports has not changed. As with the performance of the external audit function, the main issue has been the unsatisfactory follow-up by the Executive branch of Government on the recommendations issued by the PAC.

A potential issue is the recent amendment to the Audit Act of 2008 that prohibits the legislature from considering PAC's reports without first having received the responses from the Executive to the recommendations contained in the audit reports prepared by CAG. On the one hand, it delays the consideration of these reports. On the other hand, it may stimulate the Executive into preparing its responses.

2. Assessment of the impact of PFM weaknesses

The impact is alluded to above. The principal PFM weaknesses are: (i) those mentioned under PI-20 (non-salary internal control systems excluding payroll); (ii) the oversight of fiscal risk (PI-9); (iii) the apparent lack of transparency of discretionary tax exemptions (PI-13) and the still under-developed linkages between the TIN system and other databases that open the possibility of not all potential taxpayers being registered (PI-14); and (iv) the lack of transparency in the operations of semi-autonomous and autonomous agencies.

Aggregate fiscal discipline: This has been maintained, aided by the cash rationing system that has prevented total expenditure exceeding financial resources available at sustainable levels, and which has been assisted through the Policy Support Instrument (PSI) programme supported by the IMF.

Strategic Allocation of Resources: In principle, the annual budget preparation system supports this. In practice there are issues:

- The second year of the MTEF is still not a meaningful starting off point for the preparation of next year's budget and a meaningful medium perspective to budgeting has yet to be properly developed. This is partly due to the monthly cash rationing system in place (for reasons noted above), which implies that a genuine annual perspective is not even in place yet. The more stringent the cash rationing system, the more likely that the actual allocation of resources ends up being different from the allocation that has been planned in terms of GoT's policy objectives.

- The current very detailed activities-based costing system impedes the development of a medium-term perspective: the planned introduction of programme budgeting within the context of an MTEF implies the desirability of greatly simplifying this system.
- The system of forward estimates that are part of the annual budget preparation process does not transparently include the future recurrent costs implied by committed capital investments. Insufficient inclusion of these may result in the allocation of resources being less effective than it should be.

Efficient service delivery

Deficiencies in internal control systems detract from efficient service delivery through the wastage and leakage of funds. A portion of the funds that were budgeted for the provision of services is not spent on these, resulting in service provision being less than planned. Or else, the funds that are allocated to service provision are spent less efficiently than planned.

3. PFM Reform Program

The GoT has just started its fourth PFMR Strategy, the first covering 1998-2002. Considerable funding for the strategies has been provided through a Multi Donor Trust Fund (MDTF). Under PFMR 3, for example, it helped to fund the development of Debt Sustainability Analysis (DAS) capability, the development of a macroeconomic forecasting model and financial programming module, strengthening of the budget preparation system (including the upgrading of the IT-based Strategic Planning and Budgeting System), the upgrading of EPICOR/IFMS, the upgrading of the IT-based payroll control programme (Lawson),, strengthening of public procurement, the establishment of the Aid Management Platform (AMP), the strengthening of the National Audit Office, and various capacity building programmes, including line ministries. Section 4 elaborates on the many contributions of the PFMRP to the strengthening of PFM.

The establishment of the AMP contributed to the strengthening of the transparency of donor operations (D1-D2) in terms of the reporting on their planned and actual expenditures in budgeting documentation. USAID is now starting to use AMP, which is a major achievement, given the large size of USAID operations in Tanzania. The operations of some significantly-sized donors (e.g. India and China) still remain non-transparent. Also encouraging is the apparently greater use of country systems being made since the 2010 assessment, as indicated by an increased rating for D-3.

Reform issues have included the institutional location of the PFMRS Secretariat in MoF, delays in procurement processes, and a sometimes less than harmonious relationship between Government and the DPs. The institutional location of the Secretariat has been enhanced though the Head of the Secretariat also being the head of the Planning Division with a more direct relationship with top management. The assessment team was provided with a copy of the Completion Report of PFRMP 3 (Section 4 elaborates).

The top management of MoF appears to be fully in charge of the PFMRP, judging by their support of this PEFA assessment.

A potential risk is the mineral resource and hydrocarbon exploitation boom that is well underway in Tanzania. The large financial benefits expected to be generated by this boom may take minds off the importance of PFM reform, though this is somewhat a speculative point of view.

Capacity constraints were cited by GoT staff and in various documents reviewed by the assessment team as being a significant challenge to the pace of PFMRP reform, notwithstanding capacity building being provided under PFMRP. Lower salaries in GoT than in PA&OBs, private sector, DPs and NGOs affect retention rates, so that new staff have to be hired and trained.

A higher degree of sequencing and prioritisation in PFM reform programmes would have helped to address these constraints. This issue is not unique to Tanzania. In the experience of the PEFA assessment team, a common feature of PFM reform programmes seems to be the insufficient integration of capacity issues into programme design. A pre-requisite for successful implementation of PFM reform programmes (any reform programme for that matter) is skilled and motivated managerial and technical staff operating in a coherent institutional environment. If the pre-requisite is not met, then a high priority of the PFM reform programme should be to establish the pre-requisite; i.e. in terms of logical sequencing, establishing of capacity should be conducted early on in the PFM reform process.

Summary of Performance Indicator Ratings, 2010 and 2013 PEFA Assessments

	A: BUDGET CREDIBILITY	Score 2010 PEFA	Score 2013 PEFA	Performance changes
PI-1 (M1)	Aggregate expenditure out-turn compared to original approved budget	**A**	**B**	**Performance diminished** due to expected and actual revenue shortfalls leading to expenditure cutbacks imposed by MoF.
PI-2 (M1)	Composition of expenditure out-turn compared to original approved budget	D *(old methodology)*	**D+** (i) D (ii) A	**The budget lacks credibility:** Reasons: (i) budget preparation system (over-budgeting in the development budget, under-budgeting in some areas of recurrent expenditure); (ii) budget execution system (cash rationing due to resource uncertainty, commitment controls being bypassed, and insufficient access to excess liquidity in GoT bank accounts held in commercial banks). Expenditure arrears have thus accumulated, paid out of budgets in following years at the expense of planned service delivery. The methodology for assessing this indicator has been revised, with effect from January 2011, so direct comparability with the 2010 assessment is not possible. However, applying the previous methodology to the data for 2009/10-2011/12 yields a D rating, indicating that this element of budget credibility has not yet strengthened.
PI-3 (M1)	Aggregate revenue out-turn compared to original approved budget	**B** *(rev. method)* *(C, old method.)*	**C**	**Performance reduced.** Revenue outturns were 89%, 93% and 103% of budget estimates in 2009/10, 2010/11 and 2011/12 respectively. The scoring criterion for a C is that actual domestic revenue was between 92% and 116% of budgeted revenue in at least 2 of the last 3 years. The global financial crisis that started in 2008/09 hindered accurate revenue forecasting.
PI-4 (M1)	Stock and monitoring of expenditure payment arrears	**C** **(i) C** **(ii) C**	**C▲** **(i) C** **(ii) C▲**	**Performance unchanged in terms of rating, but the commencement in early 2010/11 of arrears reporting on an age profile basis is a step in the right direction.** (i) The end-year stock of expenditure arrears averaged 4.7% during 2010/11-2011/12 (5.6% and 3.7% respectively), the bulk of arrears

	A: BUDGET CREDIBILITY	Score 2010 PEFA	Score 2013 PEFA	Performance changes
				being in the area of construction works under Ministry of Works. The stock of arrears jumped sharply during the first 9 months of 2012/13. The bulk of arrears is more than 90 days old. (ii) Since the first half of 2010/11, as a conditionality under the PSI programme, MoF has been collecting data on arrears from MDAs through a manual quarterly reporting system. The reports include an age profile of arrears, unlike in previous reports. The comprehensiveness of the reports appears to be improving, but agencies under the parent MDA may not be reporting comprehensively
	B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency	**Score 2010 PEFA**	**Score 2013 PEFA**	**Performance changes**
PI-5/ M1	Classification of the budget	**C**	**B**	**Improvement in performance through the introduction of GFS 2001 in 2009/10 and the preparation of a bridging table linking budget classification codes to COFOG in 2011/2012.** In principle, budget formulation and execution and reporting can be consistent with COFOG. The actual classification used in budget documentation varies considerably between the documents, implying scope for providing greater uniformity.
PI-6/ M1	Comprehensiveness of information included in budget documentation	**A**	**B**	**Performance unchanged. Five of the 9 elements were met in terms of the situation at the end of 2011/12 when the budget for 2012/13 was presented to Parliament. Some of the elements assessed as 'Yes' in the 2010 assessment, should have been rated 'No'; A score of B would have been more appropriate.** The information could be presented more clearly, rather than in different ways across a number of documents.
PI-7/	Extent of unreported	**C+** (i) C	**D+** (i) D	**No change in performance.** The extent of unreported domestic EBOs remains

	A: BUDGET CREDIBILITY	Score 2010 PEFA	Score 2013 PEFA	Performance changes
M1	government operations	(ii) B	(ii) B	significant. Dimension (i) in the 2010 PEFA assessment may have been over-scored.
PI-8/ M2	Transparency of Inter-Governmental Fiscal Relations	**C** (i) C (ii) C iii) C	**C+▲** (i) B (ii) B (iii) D▲	**No change in performance but strengthening is occurring under (iii): The ratings for dimensions (i) and (ii) in the 2010 assessment appear to be too low and the rating for (iii) too high.** The adoption by LGAs of the same chart of accounts as for central government, beginning in 2012/13, will facilitate the preparation of consolidated government sector-wide expenditure performance statements
PI-9/ M1	Oversight of aggregate fiscal risk from other public sector entities	**D** (i) D (ii) D (*revised from overall NR due to NR for (i)*)	**C** (i) C (ii) C	**Performance has improved under both dimensions, but neither the TR or PMORALG are yet preparing consolidated fiscal risk reports covering PA&OBs and LGAs**
PI-10/ M1	Public access to key fiscal information	**B**	**B**	**No change in performance.** 4 out of the 6 types of information are available to the public, though only partly so. The 2010 PEFA report indicated that the audited financial statements are available to the public after they are tabled in Parliament, but they are not posted on the NAO website
	C. BUDGET CYCLE	**Score 2010 PEFA**	**Score 2013 PEFA**	**Performance changes**
	C (i) Policy-Based Budgeting			
PI-11/ M2	Orderliness and participation in the annual budget process	**C+** (i) B (ii) B (iii) D	**B+** (i) A (ii) A (iii) C	**Performance has improved due to the Cabinet approving the expenditure ceilings proposed for each MDA by MoF and POPC prior to their dissemination to MDAs and the lessening of the time taken to approve the budget**
PI-12/ M2	Multi-year perspective in fiscal planning, expenditure policy and	**C** (i) C (ii) B (iii) C (iv) D	**C** (i) C (ii) B (iii) C (iv) C	**Performance has improved in terms of GoT conducting its own debt sustainability analysis.** The 2010 ratings for (ii) and (iv) appear to be too high and too low respectively.

	A: BUDGET CREDIBILITY	Score 2010 PEFA	Score 2013 PEFA	Performance changes
	budgeting			
	C (ii) Predictability & Control in Budget Execution			
	Revenue Administration			
PI-13/ M2	Transparency of taxpayer obligations and liabilities	**B+** (i) B (ii) B (iii) A *(revised from NR)*	**B+** (i) C (ii) A (iii) A	**Overall performance has strengthened due to measures taken to increase transparency in the granting of tax exemptions, and TRA actively promoting taxpayers' compliance through education campaigns and the use of technology.** Dimension (i) was rated too high in the 2010 assessment.
PI-14/ M2	Effectiveness of measures for taxpayer registration and tax assessment	**C+** (i) C (ii) C (iii) B	**C▲** (i) C (ii) C (iii) C▲	**No change in performance but strengthening measures are being implemented.** The TIN still provides only a limited tool for taxpayers' registration. Penalties for non-compliance with tax registration requirements are not effective enough to bring in non-compliant economic operators. Tax audits are planned but risk assessment remains rudimentary. The on-going audit module development warrants an arrow. Dim. (iii) rating, and therefore overall rating, were too high in 2010 PEFA as risk profiling not yet started.
PI-15/ M1	Effectiveness in collection of tax payments	**B** (i) A *(revised from NR)* (ii) B (iii) A	**B+▲** (i) A (ii) B▲ (iii) A	**No change in performance but strengthening is in process** through the Revenue Gateway project, which will streamline the flow of revenues into GoT's Exchequer Account in BoT.
	Budget Execution & Cash/Debt Management			
PI-16/ M1	Predictability in the availability of funds for commitment of expenditures	**C** (i) C (ii) C (iii) C	**C** (i) C (ii) C (iii) C	**No change in performance.** The budget is still executed through a monthly cash rationing system. A robust cash flow forecasting system is not yet in place, expenditure commitment horizons are one month only and within-year budget reallocations are numerous and lack

	A: BUDGET CREDIBILITY	Score 2010 PEFA	Score 2013 PEFA	Performance changes
				transparency.
PI-17/ M2	Recording and management of cash balances, debt and guarantees	**C** (i) B (ii) D (iii) C	**C▲** (i) B▲ (ii) D (iii) C	**Performance is improving under dimension (i)** through the consolidation in January 2010 of the external debt data base maintained by Bank of Tanzania (BoT) into the debt data base maintained in ACGEN (CS-DRMS). Not all debt is routinely reconciled monthly and some data issues remain.
	Internal Controls			
PI-18/ M1	Effectiveness of payroll controls	**C+/D+** (i) A (ii) C/D *(revised from NR)* (iii) C (iv) C	**B▲** (i) B▲ (ii) B ▲ (iii) B (iv) B▲	**Performance has strengthened sharply, and continues to strengthen, as the result of the up-grading of the Lawson payroll control system, strengthening of the payroll audit function and a comprehensive payroll cleansing exercise.** The rating in the 2010 assessment should probably have been D+.
PI-19/ M2	Competition, value for money and controls in procurement	**NR** *(revised method.)* (i) B (ii) NR (iii) NR (iv) D	**NR** (i) B (ii) NR (iii) NR (iv) D	**This indicator was revised in 2011 and is not comparable with the previous framework.** However, given that the recent changes in the legal and regulatory framework are not yet effective, dimensions (i) and (iv) would have received the same score in 2010. The format of the data collected by PPRA for its APERs, although very useful and indicate increasing compliance by procuring entities with the PPA and its regulations, does not allow the scoring of dimensions (ii) and (iii).
PI-20/ M1	Effectiveness of internal controls for non-salary expenditures	**C+** (i) B (ii) C (iii) C	**D+▲** (i) D (ii) B (iii) D▲	**No change in performance, but compliance is beginning to strengthen.** Expenditure commitment control systems are not effective, as evidenced by a large increase in payments arrears in recent years. The situation may be worse due to the large nature of contracts in recent years. Non-compliance with other internal control systems is still widespread. Compliance is beginning to improve, however, due to increasing focus on follow-up on audit recommendations by MDAs in response to a strengthening internal audit function.. The ratings for dim (i) & (iii) in 2010 PEFA seem too high.
PI-	Effectiveness of	**C**	**B**	**Performance improved in terms of the**

	A: BUDGET CREDIBILITY	Score 2010 PEFA	Score 2013 PEFA	Performance changes
21/ M1	internal audit	(i) C (ii) C (iii) C	(i) B (ii) B (iii) B	**regularity and distribution of reports and follow-up by MDAs on audit recommendations.** The pace of strengthening is constrained by insufficient capacity and budget.
	C. BUDGET CYCLE	**Score 2010 PEFA**	**Score 2013 PEFA**	**Performance changes**
	C (iii) Accounting, Recording and Reporting			
PI-22/ M2	Timeliness and regularity of accounts reconciliation	**D+** *(revised from NR)* (i) D *(revised from NR)* (ii) C	**D+▲** (i) C (ii) D▲	**Performance has improved.** The evidence available in 2008/2009 is enough to score 'D' for (i) in 2010 assessment regarding bank reconciliations. Regarding (ii) - clearance of suspense accounts -, there has been no change since 2010 assessment. The C rating in 2010 assessment was too high. The overall rating should have been D. The arrow reflects the new accounting procedure for retiring imprests through the new EPICOR 9
PI-23	Availability of information on resources received by service delivery units	**D**	**C**	**Performance has improved:** A PETS was published in February 2010. The Expenditure Tracking Unit under the Budget Division of MoF conducts an annual exercise to track expenditure of primary service delivery units; the report is however for management purposes only. LGAs routinely monitor resources received by SDIs, but do not prepare reports. Quarterly budget performance reports submitted to PMORALG include reports by type of sector conditional grants received.
PI-24/ M1	Quality and timeliness of in-year budget reports	**C+** (i) C (ii) A (iii) C	**C+▲** (i) B (ii) A (iii) C▲	**No change in performance in terms of ratings, but a strengthening trend is in place under dimensions (ii) and (iii).** Dimension (i) seems to be underrated in the 2010 assessment. Dimension (ii) was overrated in 2010 as IFMS had not been fully established. Interconnectivity of all MDAs on IFMS has slightly improved data quality but not sufficient yet to warrant a 'B' score in dimension (iii).

	A: BUDGET CREDIBILITY	Score 2010 PEFA	Score 2013 PEFA	Performance changes
PI-25/ M1	Quality and timeliness of annual financial statements	**B+** (i) B (ii) A (iii) B	**B+** (i) B (ii) A (iii) B	**No change in performance.**
	C (iv) External Scrutiny and Audit	**Score 2010 PEFA**	**Score 2013 PEFA**	
PI-26/ M1	Scope, nature and follow-up of external audit	**B** (i) B (ii) B (iii) B	**C+▲** (i) B (ii) B (iii) C▲	**Performance unchanged, but strengthening is in process in terms of MDAs following up on audit recommendations. The 2010 B rating for dimension (iii) on MDA follow-up appears overrated**
PI-27/ M1	Legislative scrutiny of the annual budget law	**C+** (i) C (ii) B (iii) B (iv) B	**B+** (i) B (ii) B (iii) A (iv) B	**Performance has improved. (i) - review of planning and budgeting guidelines now included in the scope of review; and dimension (iii) - more time for legislature to scrutinise sector and national budget proposals..**
PI-28/ M1	Legislative scrutiny of external audit reports	**D+** (i) D (ii) B (iii) C	**D+** (i) D (ii) B (iii) C	**Performance has not changed. The period for reviewing CAG reports is still a year and MDA follow up on Parliament's recommendations is still inadequate.**
	D. DONOR PRACTICES	**Score 2010 PEFA**	**Score 2013 PEFA**	**Performance changes**
D-1/ M1	Predictability of Direct Budget Support	**A** **(i) A** **(ii) A**	**A** **(i) A** **(ii) A**	**Performance unchanged:** Donors submit schedules of planned in-year disbursements to GoT, the intention being to disburse all funds during the first half of the year. In practice, there are some delays, but the bulk of disbursements still takes place during the first half.
D-2/ M1	Financial information provided by donors for budgeting and reporting on project and program aid	**C+** (i) B (ii) C	**C** (i) C (ii) C	**Performance unchanged. Dimension (i) was perhaps too high in the 2010 PEFA assessment. DP reporting has improved immensely with the advent of AMP.** The information provided doesn't use GoT's budget classification system.
D-3/ M1	Proportion of aid that is managed by use of national	**C**	**B**	**Performance has improved:** Based on the data obtained from the Paris Declaration Survey 2011 for Tanzania, 77% of donor aid

	A: BUDGET CREDIBILITY	Score 2010 PEFA	Score 2013 PEFA	Performance changes
	procedures			was managed through the use of national procedures

2010 PEFA PI ratings that appear to be incorrect

PI	Rating	Reasons
PI-6	A	Too high, as some of information benchmarks not met. Score should have been B.
PI-7 (i)	C	No apparent change in performance. Rating in 2013 PEFA is D, probably correct score for 2010 PEFA assessment.
PI-8	(i) C (ii) C (iii) C	Ratings seem to be too low for (i) and (ii) and too high for (iii).
PI-11 (i)	B	Should be A, as the criterion concerns the time taken to prepare the budget estimates, not when they are submitted to Parliament.
PI-12 (ii) (iv)	B D	(i) The rating should have been C (iv) The rating should have been C. (overall rating still C).
PI-14 (iii)	B	Should have been C as risk profiling not yet started.
PI-18 (i) PI-18 (iii)	A C	Overscored, as evidence incorrect.
PI-20 (i) & (iii)	(i) B (iii) C	The ratings seem too low. (i) on commitment control should have been no higher than C; (iii) on compliance with controls could be a D.
PI-22 (ii)	C	The rating should have been D and the overall rating D, not D+. The D rating appears to have been too low, as evidence suggests that records on imprests are kept and reconciled, but are not acquitted in a timely manner.
PI-24 (i) & (ii)	C & A	(i) appears too low and (ii) too high.
PI-26 (iii)	B	Too high as only limited MDA follow-up.
D-2 (i)	B	Too high, should have been C as AMP not in place and GoT's budget classification system not used.

The table of scores above needs to be read carefully. Even though the team has assessed a number of ratings in the 2010 assessment as being incorrect, it is required (according to PEFA Secretariat) to show the original ratings instead of the revised ratings, at first sight making for confusing reading if a rating has fallen, when in fact it hasn't. The best way to read the table is to look at the first line under each indicator in the last column (i.e. performance improved, stayed the same, reduced). The exception to this is where indicators were not rated in the last assessment due to insufficient evidence. The team was able to rate these indicators and therefore the ratings are provided in the 2010 column.

Taking into account the ratings in the 2010 assessment that appear not to be correct, 12 ratings have improved, 5 are in the process of improving (upward arrow), 10 are unchanged, and 2 have reduced. Change cannot be assessed for 2 indicators, owing to a change in methodology (2 and 19). The two that have fallen are PI-1 and PI-3, mainly due to the uncertainty of revenue forecasts in the wake of the global financial crisis rather than through any PFM weaknesses.

Progress has definitely been made in PFM reform over the last few years and is continuing to be made. People may be disappointed that the number of improvements has not been higher in terms of PEFA ratings. However, PFM reform is a long process. Once the easier gains have been made and Ds have been converted to Cs, the rate at which PFM reforms impact on PEFA ratings may slow down (i.e. converting Bs to As may take longer than converting Ds to Cs. The reforms are strengthening PFM, but the strengthening may not be reflected in PEFA ratings as quickly.

1. Introduction

1.1 Objective

The purpose of the assessment is to assess the PFM system performance of the Government of Tanzania using the PEFA assessment methodology and establish a baseline for the PFMRP IV, which started mid-2012, and to gauge progress in strengthening performance since the last PEFA assessment conducted during 2008-2010. The results of the assessment will principally be used by the Government to determine whether the PFMRP IV should be adjusted and by the development partners to determine how best they can support GoT in any refinement.

1.2 Process of preparing the report

The MoF and DPs supporting the PFMRP (under a co-chairmanship, comprising MoF and a donor partner)) agreed to go ahead with a repeat PEFA assessment during the Joint Steering Committee of the PFMRP meeting in November 2012. The JSC further agreed to establish an oversight team (PEFA taskforce), which is headed by the Director of the Planning Division in MoF and PFM Development Partner Group (DPG) co-chair. This taskforce is supported by a secretariat which includes Planning Division staff, PFMRP staff and staff from the :PFM DPG.

It was agreed to observe the PEFA CHECK quality assurance principles as elaborated in Annex E. The EU agreed to fund the PEFA assessment team and a Terms of Reference was agreed by the PEFA taskforce and shared with Development Partners (DP) reviewers (as part of PFM DPG). The DP reviewers are World Bank, Canadian International Development Agency and European Union. The ToRs were also shared with PEFA Secretariat in Washington in Feb 2013 for their review. The revised ToRs were used to source the consulting team which was eventually contracted through ADE, based in Brussels with EU funding.

The team consisted of Mr. Peter Fairman, team leader, Mr. Charles Hegbor, and Mr. Jerome Dendura. Peter Fairman and Charles Hegbor arrived in Dar es Salaam on 15th and 14th April respectively. That week was spent: (i) meeting the head of the PFMRP Secretariat, other members, and members of the Task Force that had been established to support the assessment team; (ii) meeting Mr. Jim Halliday, co-chair of the PFM Working Group; (iii) finalising the meetings schedule and the list of information requirements; (iv) meeting the development partners who are members of the PFM Working Group; and organising, preparing and delivering a 1 day workshop on 19th April on the PEFA Framework methodology.

Jerome Dendura arrived on 21 April. The team then had meetings over the next two weeks with representatives from MoF, TRA, PPRA, Treasury Registrar, Ministries of Education, Health, Works, and Energy and Minerals, President's Office-Public Sector Management, National Audit Office of Tanzania, the head of the planning department in the Parliament of Tanzania, and representatives of two private sector business-oriented organisations. A telephone interview was held with the Chairman of the Public Accounts Committee (PAC).

The team delivered a de-briefing workshop on May 9th, presenting the results of the PEFA assessment. They left the country on May 10th. Over the next two weeks they prepared the first draft report and submitted it to EC on 27th May (except for Chapters 2 and 4 - Background and PFMRP- and PI-18 on payroll control, drafting of which required further communication with PO-PSM; these were submitted on 9th June and 13th June respectively). The drafts were shared with all reviewers (GoT, DPs and PEFA secretariat in Washington).

The comments on the first draft report were submitted to the assessment team on 24th July. A second draft report incorporating these comments was submitted on 19th August. The team leader returned to Tanzania on 27th August, and presented the final draft report at a wide stakeholder workshop held on 29th August, the report reflecting comments on the second draft the day before. The workshop was chaired by the Permanent Secretary of MoF (chairman of the PFMRP Joint Steering Committee) and was attended mainly by MoF staff, representatives of the donor community, and CSO organisations among others. The Joint Steering Committee met immediately following the conference and approved the PEFA assessment in principle, the main remaining task being to tidy up a few remaining loose ends. This report, submitted on 4 September, represents the finalised final draft.

1.3 Scope of the Assessment

This PEFA assessment is focused on the MDAs and Regional Secretariats of the Government of Tanzania (GoT). It does not assess the other parts of the public sector, which consist of the semi-autonomous Government of Zanzibar, autonomous/semi-autonomous Public Authorities and Other Bodies (PA&OB) owned by GoT (and which include commercial enterprises) and the Local Government Authorities (LGA) in Tanzania which constitute a lower level of government. Expenditure of GoT comprises about 80 percent of total GoT and LGA expenditure (as noted under PI-8 in Section 3). The total expenditures of the PA&OB are not known, so it is not possible to express GoT expenditure as a proportion of total public expenditure.

2. Tanzania Background Information

2.1 Economic and Fiscal Information

Table 1 provides general economic background information and Table 2 summarises Government of Tanzania's (GOT) fiscal performance over the last four years.

Table 1 : Tanzania, Selected Economic Indicators

	2008	2009	2010	2011	2012
Total Population, millions	39.5	40.7	41.9	44.5	43.6
% growth	3	3	6	1	
National Income and prices					
GDP per Capita (TZS 000s,2001 prices)	376	386	401	415	439
GDP current prices (TZS blns)	24,754	28,213	32,293	37,533	44,718
GDP, annual real growth,%	7.4%	6.0%	7.1%	6.4%	6.9%
CPI Inflation (annual average)	10.3%	12.1%	7.6%	12.6%	16%
Monetary sector					
% growth in M3	19.8%	17.7%	25.4%	18.2%	13.1%
External sector (US $ millions)					
Current account balance	-1,703	-1,810	-1960	-3,992	-3,658
% of GDP	-7	-6	-6	-11	-8
Gross official reserves of BoT	2,930	3,553	3,948	3,761	4,069
Months of imports coverage	4.3	5.7	5.4	3.7	3.8
GoT external debt, % GDP	26	29.4	33.8	40.1	

Sources: Economic Survey, 2011 (Planning Commission); Background to the Budget & Medium Term Framework, 2012/13-2014/15 (MoF); Budget Speech, 2012/13 budget; IMF Article IV Consultation Report, May 2011; and IMF Fifth Review Under Policy Support Instrument (PSI), January 2013.

Table 2: GoT fiscal performance

TZS billions	Actual	Actual	Actual	Actual	Budget
	2008/09	2009/10	2010/11	2011/12	2012/13
Revenues + External Grants	**5,633**	**6,067**	**7,363**	**9,055**	**11,086**
Revenues	**4,293**	**4,662**	**5,736**	**7,200**	**9,077**
External Grants	**1,340**	**1,405**	**1,627**	**1,855**	2,009
Recurrent expenditure	***4,682***	***5,700***	***6,690***	***6,989***	***9,212***
Non-interest	*4,439*	*5,451*	*6,337*	*6,553*	*8,535*
Personnel emoluments (PE)	1,609	1,723	2,346	2,722	3,147

TZS billions	Actual 2008/09	Actual 2009/10	Actual 2010/11	Actual 2011/12	Budget 2012/13
Other recurrent expenditure	2,830	3,728	3,991	3,831	5,388
Interest	*243*	*249*	*353*	*436*	*677*
Development expenditure	***2,226***	***2,611***	***2,749***	***3,778***	***4,528***
Total expenditure	**6,908**	**8,311**	**9,439**	**10,767**	**13,740**
Adjustment to cash basis	60	167	(247)	(382)	
Overall Balance	***(1,215)***	***(2,077)***	***(2,323)***	***(2,094)***	***(2,654)***
Financing	**1,215**	**2,077**	**2,323**	**2,094**	**2,654**
Net external	956	1,380	1,077	1,735	*3,558*
Net domestic	259	697	1,246	359	(904)
GDP, TZS billions	26,497	30,253	34,913	41,120	48,385
Domestic revenue*, % GDP*	16.2	15.4	16.4	17.5	18.8
Total expenditure, % GDP	26.1	27.5	27.0	26.2	28.4
Overall balance, % GDP	-4.6	-6.9	-6.7	-5.1	-5.5
PE, % expenditure.**1/**	23.3	20.7	24.9	25.3	22.9
Non-PE recurr. expend. % ex.	41.0	44.9	42.3	35.6	39.2
Interest expenditure, % ex.	3.5	3.0	3.7	4.0	4.9
Develop. expenditure, % ex.	32.2	31.4	29.1	35.1	33.0
Public debt as % of GDP	39.3	33.8	38.7	38.5	44.8

1/ PE=Personnel Emoluments

Sources: Annual Budget Speeches and IMF Fifth Review Under Policy Support Instrument (PSI), January 2013, Table 2A.

Tables 1-2 indicate that, notwithstanding the impacts of the global financial crisis and increasing global food and fuel prices, the economy has performed well. Real GDP growth averaged 6.8 percent during 2008/09-2011/12, enabling per capita income growth of over 3 percent a year, the driving forces being the industry, construction and services sector, including a 56 percent increase in public spending with strong orientation to basic public services and infrastructure provision. Inflation (CPI) averaged 11.8 percent, the high rate due to rapid money supply growth and increasing global food and petroleum prices, the latter feeding through into higher power prices due to a drought-induced fall in hydro-generation capacity.[1] Although the inflation rate is double that of Kenya's and Uganda's, the rate has declined over the last year, reflecting prudent monetary policy and falling food prices.

The current account deficit widened sharply in 2010/11, due to the increase in public spending and a sharp rise in fuel imports for power generation. International reserves fell in terms of months of imports coverage, but the fall would have been higher if domestic revenues and external budget financing had not risen sharply over the last few years.

[1] The Budget Background and Medium Term Framework contains much useful information on the factors influencing economic activity and inflation.

The overall fiscal balance averaged 5.8 percent of GDP during 2008/09-2011/12 and is projected to fall gradually over the medium term (aided by increasing efficiency in revenue administration), but fiscal risk is not absent. The public debt/GDP ratio is projected to increase sharply to 44.8 percent of GDP in 2012/13 due to a planned increase in external borrowing, but the medium term scenario agreed between GoT and IMF through the PSI indicates a stabilisation at around this figure.[2] Much of the debt is on concessional terms (the PSI agreement with IMF places limits on borrowing on non-concessional terms, with such borrowing restricted to financing infrastructure investment projects only).

The main risk is the financial plight of TANESCO, which, if not resolved, could put a big hole in GoT's budget (see PI-9 in Section 3). Other risks are large build-ups of expenditure arrears, much of these emanating from road construction projects, (see PI-4 in Section 3), the potential for pension arrears as future pension liabilities are under-funded, low cost natural gas-driven power generation not materialising in 2014, causing high cost oil imports to continue with possible adverse impacts on economic growth and therefore revenue growth, the possibility of future commodity price shocks, possible fiscal expansion policy with elections on the horizon, a continuing high level of tax exemptions and possible contingent liabilities arising from PPP arrangements currently being negotiated by GoT with private sector companies.[3]

Economic classification of the budget

Table 2 shows the broad economic classification of the budget in terms of total expenditure. Personnel emoluments averaged about 24 percent of total expenditure during 2008/09-2011/12 with no noticeable trends. Non-wage recurrent expenditure (excluding interest payments) averaged 41 percent of total expenditure. The proportion dropped sharply to 35 percent in 2011/12 through cutting of non-priority expenditure as part of the fiscal tightening programme under the PSI (the fiscal deficit fell sharply in terms of GDP) while at the same time allocating more resources to development expenditure, which increased to 35 percent of GDP in 2011/12 from 29 percent of GDP in 2010/11. Non-wage recurrent expenditure includes transfers, which are not explicitly identified in the budget documentation.

Capital and recurrent expenditure are not accurately captured in the budget documentation. Some of the recurrent expenditure shown in the budget documentation is in fact capital expenditure, while a significant portion of development expenditure is in fact recurrent expenditure, not capital expenditure. The switch to GFS 2001 in 2009 enables the correct differentiation in principle between recurrent and capital expenditure, but in practice this differentiation has yet to be explicitly made in the budget documentation.

2 Tables 2a and 2b of the 5th review of PSI, January 2013 (posted on www.imf.org).
3 The World Bank has conducted Public Expenditure Reviews of tax exemptions and PPPs.

Table 3 shows trends in the functional classification of GoT expenditure.

Table 3: Functional classification of GoT budgets

Function, % total expenditure	2008/09	2009/10	2010/11	2011/12	2012/13
Administration	26.5	22.6	23.5	23.3	21.8
Defense & Security	7.4	7.9	7.3	6.9	7.5
Economic Services	16.5	11.6	12.7	16.1	13.7
Productive Services	3.8	4.4	3.8	3.2	3.6
Social Services	36.4	37.5	37.6	36.3	35.3
Stat. expend: (mainly debt service)	9.4	16.0	15.1	14.1	18.1
Total	**100**	**100**	**100**	**100**	**100**

Source: Annual BBMTFs

Table 3 shows a gradually increasing proportion of debt service to total expenditure, a decreasing proportion allocated to economic services and a roughly constant proportion allocated to Social Services, Defence & Security and Productive Services.

2.2 Legal and Institutional Framework for PFM

2.2.1 Legal framework for PFM

The 1977 Constitution of the United Republic of Tanzania underpins the legal framework for PFM. Chapter 2 covers the Executive branch of Government: the President and Vice President, the Prime Minister, the accountability of the Executive, and the Cabinet and Government (including Secretary to the Cabinet, Regional Commissioners, Attorney General, Director of Public Prosecutions). Chapter 3 covers the Legislature: Parliament; Members, Constituencies and Election of Members; Procedures, Powers and Privileges. Chapter 4 covers Zanzibar. Chapter 5 covers the Justice system (High Court, Judicial Service Commission, Court of Appeal, and Special Constitutional Court. Chapter 6 covers the Commission for Human Rights and Good Governance, and the Public Leaders' Ethics Secretariat. Chapter 8 covers Local Government Authorities. Chapter 9 covers the Armed Forces.

Chapter 7 covers the roles of various bodies involved in the management of public finances, specifically the National Assembly (legislature), the President (executive) and the Controller and Auditor General. The Chapter's main provisions are:

- Paras. 135-136: Unless otherwise specified, all revenue to be paid into one special fund, known as the Consolidated Fund (CF) of the Government of the United Republic of Tanzania. Revenue not paid into this has to be specified by law to be paid into another fund for a specified purpose. Money withdrawn from the CF can only be used to finance expenditure: (i) authorised to be charged directly on the CF; (ii) authorised under an Appropriations Act, as approved by Parliament; and (iii) authorised under other Acts in accordance with Article 140 (explained below). Monies paid out of the CF cannot be spent without the prior approval of the Comptroller and Auditor General (CAG).

- Article 137 provides for the preparation of estimates of revenues and expenditures for the next financial year. After the estimates are approved an Appropriations Bill is introduced to the National Assembly for the purpose of authorising withdrawals from the CF for financing the expenditures contained in the estimates. If the amounts approved are insufficient for a certain purpose, or if funding is required for an activity not provided for in the Appropriations Act, or if money has been spent in excess of what is provided for in the budget, or is not provided in the budget at all, then a supplementary estimate/statement of excess shall be prepared and submitted to the Assembly for approval. If approved, a Supplementary Appropriations Bill is prepared for the purposes of authorising the issues of funds from the CF to meet the costs of the estimates or to pay for excess expenditures.
- Article 138: No taxes shall be imposed unless provided for by law.
- Article 139: If an Appropriations Bill has not been approved by Parliament by the beginning of the new financial year, then the President may authorise the issue of funds from the CF to meet the essential needs of government for up to for months.
- Article 140: Parliament may enact a law providing for a Contingencies Fund and authorising the President or a minister appointed by the President to borrow money from the Fund to meet the costs of an urgent and unforeseen need for which no funds had been provided. A supplementary estimate shall then be presented to Parliament for approval, and, if approved, a Supplementary Appropriations Bill shall be introduced to the Parliament to authorise the additional expenditure and thereby ensure that funds borrowed from the CF shall be re-imbursed from the moneys the expenditure of which has been authorised by the Bill.
- Article 141: Public debt shall be secured on the CF.
- Article 143 provides for a Controller and Auditor General and outlines the responsibilities of the position.

Table 4 provides an overview of PFM-related laws.

Table 4: Overview of PFM Laws in Tanzania

Area	Description
Budget preparation, execution, reporting & accounting.	- Public Finance Act 2001, amended 2004 & 2010 - Public Procurement Act, 2004, amended 2011 (not yet gazetted).
Tax administration	A tax administration law is currently being drafted that will rationalise the current large number of tax laws. The VAT law is being amended in order to rationalise the exemptions system.
Public sector entities	The Office of the Treasury Registrar Act (2002) and the Public Corporations Act (1992) were amended in 2002 in order to strengthen the monitoring powers of the TR.
Procurement	The Public Procurement Act (2004) was amended in 2010 to provide for a Public Procurement Policy Unit in 2010 and to strengthen the complaints and appeals process. The regulations are still being revised and thus the Act has not yet been gazetted.
Public Debt	Government Loans, Grants and Guarantees Act (1974), amended 2004, PPP Act in place in 2010.
Decentralisation	Local Government Finance Act 1982
External Audit	Public Audit Act 2008, amended 2011 (not yet gazetted)
Legislative oversight	The Constitution and the Standing Orders of the National Assembly

The main changes in the legal framework since the 2010 PEFA assessment have been:

Amendment of the Public Finance Act (2004) in 2011 to provide greater powers to the Paymaster General and the Accountant General (both MoF) to monitor and oversee the finances of Local Government Authorities (LGA), and to provide for the establishment of the Office of the Internal Auditor General (IAG); The IAG was appointed in April 2011 and the Assistant Accountant General for Local Government appointed in August 2011.

Amendment (2011) of the Public Procurement Act of 2004 to provide for:

- The establishment of a Public Procurement Policy Division in MoF, with responsibilities for drafting/amendment of procurement policies; the Public Procurement Regulatory Authority (PPRA) maintains its supervisory and monitoring responsibilities vis-à-vis MDAs that are procurement entities;
- Reducing the number of stages in the appeals process from two to one. Previously any prospective supplier complaining to the procurement entity (PE) about a perceived irregularity in the procurement process could appeal to the PPRA first, and, if unsatisfied, then appeal to the independent Public Procurement Appeals Authority (PPAA). This was not totally satisfactory, as the PPRA, although institutionally independent of the PEs, was not, in its oversight and advisory role, fully impartial in terms of the procurement process.
- Providing for an impartial complaints review body to be established in the PE itself on a case by case basis in the event of a complaint.

Amendment of the Public Corporations Act (1992) and Office of the Treasury Act (2002) in 2010 to strengthen the powers of the Office of Treasury Registrar (TR) in terms of its monitoring of the activities of Public Authorities and & Other Bodies (PA&OBs). As discussed under PI-9, the strengthening, though desirable, is still insufficient in terms of providing for rigorous fiscal risk analysis.

Public-Private Partnerships Act (PPPA), 2010: GoT is increasingly entering into PPP arrangements with private sector companies in terms of the latter contributing to the funding of public sector infrastructure projects indicated in the Five Year Development Plan. Such arrangements potentially provide efficiency gains and additional funding relative to GoT implementing and financing the projects itself, but they also potentially pose fiscal risk to GoT in the form of contingent liabilities. The Loans and Guarantees Act (2004, as amended) does not cover such situations, hence the need for the PPPA. As discussed under PI-9, the Public Private Partnership Unit (PPPU) in MoF is preparing a guideline on the implementation of the Act.

The Public Audit Act, 2008 and its amendment in 2013. The Audit Act provides for much greater independence of the National Audit Office of Tanzanian (NAOT) from the Executive (though, as noted in PI-26 in Section 4, not full independence) and stipulates its responsibilities. The recent amendment provides legal backing for audit recommendations to be promptly responded to by the Paymaster General (PMG: i.e. Permanent Secretary of MoF) in the form of a consolidated action plan. However, the amendment mandates that the parliament is not to consider or discuss the PAC report on the CAG report until the (PMG provides the formal responses to CAG recommendations.

A tax administration law is being drafted, which will harmonise and rationalise the current large number of tax laws. The VAT Act is in the process of being amended (under the PSI agreement with the IMF) in order to rationalise the exemptions system and to provide for advance rulings.

Institutional Framework

The Ministry of Finance has the main responsibility for public finance management. Its organisational chart is provided in Annex D, as approved by the President on 3rd June, 2011; it is updated from time to time. A document 'The Functions and Organisational Structure of the Ministry of Finance' was prepared by President's Office – Public Service Management (PO-PSM) in 2011 and approved by the President on 3rd June, 2011.

The Permanent Secretary is the top-civil servant, reporting to the Minister. Under him/her fall three Deputy Permanent Secretaries (DPS) for Economic Management, Public Financial Management Reform, and Treasury Services respectively. Under the DPS for Economic Management fall four Divisions, each headed by a Commissioner: Policy Analysis, External Finance, Government Budget Management, and Poverty Eradication. Under the DPS for Public Financial Management Reform falls the Public Procurement Policy Division. Under the DPS for Treasury Services fall four divisions: Accountant General, Internal Auditor General, Financial Management Information Systems, and Government Real Asset Management. Under each Division fall a number of sections: e.g. Fiscal Policy under PAD, Financial Management under ACGEN. Reporting directly to the PS is the Public Private Partnership Unit.

The President's Office is also part of the institutional framework for PFM through the Planning Commission and the Public Service Management Unit, as described under 'Key Features' below.

The Prime Minister's Office takes the lead role in managing relations with regions and local government authorities (PMORALG), as discussed under PI-8 in Section 3. Regions, numbering 25, fall under the auspices of the central government. They have their own Votes (Volume 3 of the Budget Estimates).

Ministries, Departments and Agencies (MDAs) have responsibilities for all areas of PFM, under the leadership of the Accounting Officer, who is usually the Permanent Secretary. Each MDA has its own Vote in the Budget Estimates books (recurrent and development budget separately). There are about 60 MDAs.

As described more fully under PI-7 and PI-9 in Section 3, Tanzania is characterised by a large number (213) of Public Authorities and Other Bodies (PA&OBs) at central government level. Some of these are statutory bodies, covered by their legislation, some are executive agencies falling under the auspices of an MDA and receiving some/all of its funding from the MDA in the form of a transfer, and some are commercial entities (e.g.

TANESCO). Their budgets are not included in the Budget Estimates submitted to Parliament, only the transfers to them are. The Office of the Treasury Registrar (OTR), a semi-autonomous unit under MoF, monitors the financial position of these, including through the preparation of an annual report.

Key Features of the PFM System

The main developments since the 2010 PEFA assessment have been:

Rolling out and upgrading of IFMS: The IFMS has been rolled out to include all MDAs, sub-treasuries and regional administrations and many LGAs. Rolling out to remaining uncovered LGAs continues. The software (EPICOR) has been upgraded to add functionality and take advantage of improved connectivity and reporting and processing tools. The role of IFMS is highlighted under relevant indicators in Section 3, particularly in relation to budget release, voucher preparation, payments, accounting and reporting processes. The role of PFMRP in facilitating development and upgrading of IFMS is highlighted in Section 4.

The IFMS is supposed to control budget execution, starting with approval/rejection of proposed contracts/Local Purchase Orders (LPOs) that are not covered by the approved budget and projections of cash availability. Budget execution is not being controlled this way, however, due to contracts/LPOs being entered into outside IFMS, thus raising the possibility of payments arrears (discussed under PI-4, PI-16 and PI-20 in Section 3). The month-by-month cash rationing system in place, combined with the absence of rigorous cash flow forecasting (that would help to avoid the use of cash rationing) and the perception by MDAs that the annual Appropriations Act provides the annual expenditure limit (and therefore the annual commitment ceiling) for them all point to the difficulties in using IFMS to control budget execution.[4]

Increased role of Planning Commission (Office of the President) in the budgeting process: The Planning Commission has being playing an enhanced role in the preparation of the development budget since FY 2010/11 and the MoF a correspondingly lesser role. The Planning Commission's authority mainly rests, however, in the choice of projects to be included in the Development Budget, which is still prepared simultaneously with the Recurrent Budget under the guidance of the annual Planning and Budgeting Guidelines (PBG).

Cash management: Thousands of dormant GoT-held accounts in commercial bank accounts have been closed since the last PEFA assessment and the balances transferred to GoT's accounts held in BoT. PI-17 in Section 3 elaborates. The GoT is making increasing use of on-line banking, facilitated by the Tanzania Interbank Settlements System (TISS) that has been developed by BoT (also facilitating timely bank statements and bank account reconciliations). The bank account system at LGA level has also been rationalised, each of

[4] A paper prepared by East AFRICTAC in October 2012, "Advanced Public Finance Management Reforms" includes a discussion on how to combat the incurrence of expenditure arrears.

the 134 LGAs now holding a maximum of 6 accounts compared to up to 35 previously (mainly in connection with DP-funded projects).

As noted under PI 17 in Section 3, Tanzania still has some way to go before a Treasury Single Account (TSA) system is in place. [5]

Consolidation of debt databases: The external debt data base maintained by Bank of Tanzania (BoT) through CS-DRMS was consolidated in January 2010 into the external debt data base maintained in ACGEN, also through CS-DRMS (elaborated on under PI-17 in Section 3).

Payments: GoT continues to execute its payments at central government level through the Centralised Payments Office (CPO), which falls under the Accountant General's Department (ACGEN). The CPO administers four payments accounts through IFMS (recurrent, development, consolidated fund services (CFS) and deposits), using Electronic Funds Transfers (EFT) for recurrent and development expenditure payments, and for CFS since July 2012. MDAs issue departmental warrants through CPO to sub-treasuries for making payments in regions; these payments are not yet made through EFT.

Upgrading of payroll control system

An IT-based payroll control system (Human Capital Management Information System – HCMIS) was introduced in 2000, covering the public service at both central and local government. An issue was that data entry was centralised in Dar-es-Salaam, leading to a high incidence of errors. Systems accuracy was assessed at only 60 percent in 2009. Getting on to the payroll could take up to six months following appointment, while changes in pay resulting from changes in employment status (e.g. promotion) could take up to three years. Salary arrears mounted. Removing people from the payroll (e.g. resignations) also took time, resulting in 'ghost' workers being paid.

In 2009, the President's Office-Public Service Management (PO-PSM) decided to address the issue through decentralising management of the system to the 370 Accounting Officers (AO) located around the country. This meant upgrading the IT system so that users in each entity could input changes to personnel records online. The upgrade would take place under the Public Service Reform Programme, which development partners (DPs) were partly funding. Discussions on the best way to upgrade were lengthy, dragging on into early 2011. Finally, in the context of a hotly contested general election in 2010 and allegations of corruption, the President demanded (April 2011) that the payroll system should be upgraded by the end of the year and all 'ghosts' removed.

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5 A paper prepared by the Cash Management and Banking Arrangements Working Group (of which East AFRITAC is a member) in January 2012 on 'Strengthening the Management of GoT's Cash Position: Strategies and Recommendations' recommends measures that would facilitate TSA introduction; in particular (i) further reducing the number of GoT-held bank accounts; (ii) bringing the balances held in deposit accounts, and accounts held by local governments, autonomous government agencies, special funds and donor-funded projects into the overall calculation of GoT's cash position; and (iii) sub-treasuries making payments through EFT.

The GoT contracted the existing supplier, Lawson, to upgrade its system (to Version 9) by the end of 2011 in the form of a web-enabled platform through which each AO would manage his/her segment of HCMIS. The World Bank provided funding for training staff in the use of the system. By the end of the year 648 users had been trained and the upgraded system rolled out to 284 AOs. By the middle of 2012 the system had been rolled out to 364 AOs. The total cost was $1.9 million.

The upgraded system resulted in the removal of 13,815 ghosts by the middle of 2012 at a savings of $2 million a month, a sharp reduction in errors to 5 percent, and new hires receiving their salaries their first month after joining, resulting in a fall in salary arrears. The sharply increased timeliness and accuracy of wage and salary payments has reduced the dis-incentives for staff to work in outlying areas. PI-18 in Section 3 elaborates.

3. Assessment of the PFM Systems, Processes and Institutions

3.1 Introduction

The following sub-sections provide the detailed assessment of the PFM indicators contained in the PFM PMF (Public Finance Management-Performance Measurement Framework). The scoring methodology only takes into account the existing situation and does not cover on-going and planned activities that may result in higher scores under future assessments, but these are summarized at the end of the discussion on each section.

Each indicator contains one or more dimensions in order to assess the key elements of the PFM process. Two methods of scoring are used. Method 1 (M1) is used for all single dimensional indicators and for multi-dimensional indicators where good performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator (in other words, by the weakest link in the connected dimensions of the indicator). A plus sign is given where any of the other dimensions are scoring higher.

Method 2 (M2) is based on averaging the scores of individual dimensions of an indicator. It is prescribed for multi-dimensional indicators, where a low score on one dimension of the indicator does not necessarily undermine the impact of a high score on another dimension of the same indicator. A conversion table for 2, 3 and 4 dimensional indicators is used to calculate the overall score. The PEFA handbook ("PFM Performance Measurement Framework, www.pefa.org) provides detailed information on the scoring methodology. Effective January 2011, a revised methodology is being used for PIs 2, 3 and 19.

The PEFA assessment reviews PFM performance under the existing situation. The relevant time period depends on the type of indicator. For some indicators, the relevant time period is the last completed fiscal year (s), for example, PIs 1-4, 25, 26, 28. For many indicators (e.g. PIs 13-14 concerning revenue administration and the first three dimensions of PI-18, concerning payroll control), the relevant time period is the situation up the time of the assessment. More information is available in the PEFA Secretariat's publication 'Guidance on evidence and sources of information to support the scoring of indicators.

3.2 Budget Credibility

Good practice in public financial management emphasizes the importance of the budget being credible so that planned Government policies can be achieved. Budget credibility requires actual budgetary releases to be similar to voted budgets and requires appropriate fiscal discipline to be in place. The indicators in this group assess to what extent the budget is realistic and implemented as intended.

Assessment of Performance Indicators of Budget Credibility

PI	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-1: Aggregate expenditure performance	A	B	**Performance diminished** due to revenue shortfalls relative to budgeting amounts leading to expenditure cutbacks imposed by MoF, and delays in implementing projects.
PI-2: Variance in expenditure composition (M1)	D *(under previous method.)*	D+ (i) D (ii) A	**The budget lacks credibility.** The reasons lie in the budget preparation system (over-budgeting in the development budget, under-budgeting in some areas of recurrent expenditure) and the budget execution system (cash rationing due to resource uncertainty, lack of commitment controls and insufficient access to excess liquidity in GoT bank accounts held in commercial banks). As a result expenditure arrears have been accumulating, which are paid out of budgets in following years at the expense of planned service delivery. The methodology for assessing this indicator has been revised, with effect from January 2011, so direct comparability with the 2010 assessment is not possible. However, applying the previous methodology to the data for 2009/10-2011/12 yields a D rating, indicating that budget credibility has not strengthened.
PI-3: Domestic revenue performance	B *(using revised method.) (C, as per previous method.)*	C	**Performance diminished:** Revenue outturns were 89%, 93% and 103% of budget estimates in 2009/10, 2010/11 and 2011/12 respectively. The scoring criterion for a C is that actual domestic revenue was between 92% and 116% of budgeted revenue in at least 2 of the last 3 years. The global financial crisis that started in 2008/09 hindered accurate revenue forecasting.
PI-4: Extent of expenditure arrears (M1)	C (i) C (ii) C	C ▲ (i) C (ii) C▲	**Performance unchanged in terms of rating, but the commencement in early 2010/11 of arrears reporting on an age profile basis is a step in the right direction.** (i) The end-year stock of expenditure arrears averaged 4.7% during 2010/11-2011/12 (5.6% and 3.7% respectively), the bulk of arrears being in the area of construction works under Ministry of Works. The

PI	Score 2010 PEFA	Score 2013 PEFA	Assessment
			stock of arrears jumped sharply during the first 9 months of 2012/13 to 8.5% of expenditure up to March. The bulk of arrears is more than 90 days old. (ii) The main reason for arrears is expenditure commitments being entered into outside IFMS and which exceed the cash available. The MoF collects data on arrears through a manual quarterly reporting system whereby MDAs report on their expenditure arrears. This system was established in the first half of 2010/11 as one of the conditionalities of the PSI programme supported by IMF. The reports include an age profile of arrears, unlike in previous reports. The comprehensiveness of the reports appears to be improving, but agencies under the parent MDA may not be reporting comprehensively.

3.2.1 PI-1: Aggregate expenditure out-turn compared to original budget; and PI-2: Expenditure composition variance and average contingency

Comparison of aggregate actual primary expenditure against the original budget shows negative deviations of 2 percent, 8.8 percent and 5.5 percent in 2009/10, 2010/11 and 2011/12 respectively. The deviations result from domestic revenue shortfalls in 2009/10-2010/11, projected revenue shortfalls for 2011/12 early on in the year, which led GoT to cut non-priority recurrent expenditures, and slower than expected implementation of development projects, partly because of delays in releases of funds (i.e. authority to spend) by MoF. Table 5 summarises.

The size of the deviations are larger than during the period covered by the 2010 PEFA assessment (2006/07-2008/09); deviations were -8.1 percent, -0.3 percent and -1.8 percent respectively, one reason being generally better revenue performance during that period. The global financial crisis that started in 2008/09 had a significant impact on revenues and the uncertainty generated by the crisis complicated revenue forecasting.

Table 5: Budget execution rate for total primary expenditures

TZS billions	**2009/10**	**2010/11**	**2011/12**
Original budgeted total primary expenditure	6,141	8,842	8,570
Actual primary expenditure	6,018	8,066	8,067
Difference between actual & original budgeted primary expenditure	-123	-776	-502
Difference as % of original budgeted primary	-2.0	-8.8	-5.9

Sources: Annual budget estimates and MoF estimates for actual expenditures in 2011/12

Note: Primary expenditures are defined as total expenditure less debt service payments less donor-funded projects/programmes, including those implemented through basket funds.

Table 6 indicates significant variation in the composition of the budget (PI-2). The variance amounted to 16.3 percent, 8 percent and 18.8 percent for 2009/10-2011/12 respectively. Some of the variance is due to unallocated and contingency items under the Treasury Vote (Vote 21) which are allocated to MDAs during the year. These items fall into three categories; (i) salary adjustments; an overall salary increase is budgeted for, but allocations to MDAs take place during the year; (ii) a contingencies item for unforeseen non-wage recurrent expenditures; and (iii) payment of arrears incurred during the previous year. The ratio of these items to total primary expenditure rose to 8.7 percent in 2011/12 from 6.2 percent in 2009/2010, the increase coming mainly under items (i) and (iii).[6]

The detailed tables appear in Appendix A. The column headed 'Deviation' indicates that some MDAs tended to spend more than would have been implied by an across-the-board budget cutback, indicating reallocations from other MDAs that spend less than implied by an across-the-board cutback. The Ministry of Works (previously known as Ministry of Infrastructure) spent more in all three years (particularly in 2009/10 and 2011/12). As indicated under PI-4, this probably reflects the payment of expenditure arrears arising from over-commitment (relative to the approved budget) under roads projects.[7] Other MDAs that appear to receive more than implied by an across-the-board budget adjustment are the Ministries of Education, Energy and Minerals, Health, and Defence.

Under the PEFA Framework methodology, PI-2 scores D, indicating a budget that is not fully credible. The degree of lack of credibility is overstated somewhat, however, due to the salary adjustment and contingency items noted above.

The methodology was revised with effect from January 2011. Applying the revised methodology to the equivalent data for 2006/07-2008/09 was not possible as the data were not available, and therefore direct comparability with the D rating under the 2010 assessment is not possible. Applying the previous methodology to the data for 2009/10-2011/12 still indicates a D rating, indicating little change in credibility.[8]

6 The information is contained in the 6 digit line item codes that do not appear in the budget estimates provided to Parliament: (i) 210107; (ii) 229930; and (iii) 290704. The salary adjustment item increased to TZS 394.1 billion in 2011/12 from TZS 68.5 billion in 2009/10. The contingency item increased to TZS 100 billion in 2011/12 from TZS 52 billion in 2009/10. The domestic arrears payment item increased to TZS 370 billion in 2010/11 from TZS 283 billion in 2009/11 and fell to TZS 314 billion in 2011/12.

7 As confirmed in the Budget Background and Medium Term Framework for 2011/12-2013/14, page 48, in relation to the roads sector: "The over-performance of the development budget (in 2010/11) was financed through the reallocation of funds from other Ministries to the Ministry for Infrastructure Development to finance accrued Interim Payments Certificates, contract debts and advance payments."

8 Compiling the tables in Annexes 1-3 was a time consuming process, as the recurrent and development budgets are shown separately in the budget documents, the contingency items can only be found in the very detailed budget documents that are not available to the public and then have to be subtracted out of the expenditure for each MDA, and the domestically--financed development budget has to be extracted from the overall development budget.

Table 6: PI-2: Expenditure Composition Variance & Average Contingency

FY	Average Contingency (% of budget) **1/**	Composition Variance**2/**
2009/11	0	16.3 %
2010/11	0	8 %
2011/12	0	18.8 %

1/: The rating is A if the contingency and other unallocated items are all allocated to line ministries.
2/: Defined as the sum of the absolute deviations for each MDA from the 'adjusted' budget, defined as the original budget for the MDA plus/minus the aggregate deviation (as assessed under the revised methodology for PI-2 that came into effect in January 2011).
Source: Budget documentation and MoF estimates for 2011/12.

3.2.1 PI-3: Aggregate revenue out-turn compared to original approved budget

Accurate forecasting of domestic revenue is a critical factor in determining budget performance, since budgeted expenditure allocations are based on that forecast. A comparison of budgeted and actual revenue provides an indication of the quality of revenue forecasting.

Revenue estimates are prepared by the Fiscal Analysis Section of the Policy Analysis Department (PAD) of MoF. The estimates are based on a macro-economic model (MACMOD) introduced a few years ago, and which is one of the inputs into the macro-fiscal framework (PI-12). The revenue estimates are discussed by the committee that oversees the macro-fiscal framework, the committee comprising representatives from MOF, Bank of Tanzania (BoT), Tanzania Revenue Authority (TRA) and the National Bureau of Statistics. Forecasts are made twice a year. The exercise is not entirely scientific as the forecasts may be adjusted somewhat to reflect budget needs. Table 7 summarises.

Table 7: Revenue Performance

	2009/10			**2010/11**			**2011/12**		
TZS mln.	**Budget**	**Actual**	**Perf. %**	**Budget**	**Actual**	**Perf. %**	**Budget**	**Actual**	**Perf. %**
Total Revenue	**5,234**	**4,662**	***89***	**6,176**	**5,736**	***93***	**7,004**	**7,200**	***103***
A. Tax Revenue	***4,841***	***4,428***	***91***	***5,639***	***5,293***	***94***	***6,443***	***6,655***	***103***
1. Import Duty	410	367	*90*	479	449	*94*	572	510	*89*
2. Excise Duty	975	838	*86*	1,027	1,052	*102*	1,114	1,029	*92*
3. VAT	1,474	1,390	*94*	1,862	1,531	*82*	2,217	2,073	*93*
4. Income Tax	1,428	1,334	*93*	1,650	1,660	*101*	1,911	2,311	*121*
5. Other Domestic Taxes & Charges	553	499	*90*	621	601	*97*	628	732	*117*
B. Non-Tax Revenue	***393***	***234***	***59***	***538***	***443***	***82***	***561***	***545***	***97***

Source: Policy Analysis Department, MoF

Revenue performance fell short of estimated revenues by 11 percent and 7 percent during 2009/10-2010/11, but exceeded estimates by 3 percent in 2011/12). Notwithstanding the revenue forecasting challenges posed by the global financial crisis (GFC) that started in 2008, the average forecasting error during 2009/10-2011/12 fell to 7 percent from 8.3 percent during the three previous fiscal years. Income tax revenue performance was significantly stronger than for the other main elements of revenue, overshooting estimates by more than a fifth in 2011/12 and overtaking VAT as the largest source of revenue, though VAT also performed well.

Other domestic taxes and charges collections in 2011/12 sharply exceeded the estimate and the collections the year before, the main reason being the step-up of activities in the minerals sub-sector. Reports under the Extractive Industries Transparency Initiative (EITI) [9] scheme confirm that mining-related revenues almost tripled between 2009 and 2010 to US$ 300 million. Nevertheless, as also alleged by CSOs, the Ministry of Energy and Minerals considers that current contracts between GoT agencies and mining companies do not favour revenue generation from mining activities.

According to TRA, revenue performance would have been stronger if the extent of tax exemptions had been lower. TRA/PAD attempt to take these into account in forecasting revenues, but, according to TRA, exemptions have reached significant levels and are "adversely affecting revenue collection"[10] against targets despite efforts to reduce the incidence of exemptions. The Controller and Auditor General (CAG) confirmed the increasing negative impact of exemptions in his report for FY 2011/12 (page 87). Exemptions fell from 3.5 percent of GDP and 23.6 percent of revenue collections in 2007/08 to 2.1 percent of GDP and 14.7 percent of revenue collections in 2009/10 but then rose sharply to 4.3 percent of GDP and 27 percent of revenue collections in 2011/12. This issue is discussed further under PI-13.

Non-tax revenues earned by ministries, although they have doubled over the last three years, remain at less than 10 percent of total revenues and consistently underperform. The reports of the CAG indicate that the retention scheme for Internally Generated Funds is not complied with in all cases and requires revamping and increased control (discussed under PI-7).

Revenue performance in relation to revenue administration performance: Table 2 in Section 2 indicates that revenue in terms of GDP rose to 17.5 % in 2011/12 from 16.2% in 2008/09 and the ratio would have been higher if it had not been for the high levels of tax exemptions. Yet the ratings for PIs 14 and PI-15 showed little change, which at first sight seems surprizing. The explanation is that many factors can affect revenue performance, not just the strength of revenue administration. A detailed assessment of the reasons for revenue performance would indicate more precisely the reasons underlying revenue performance. The boom in the exploitation of mineral resources is likely a significant reason; though mineral resource exploitation impacts on real GDP growth, the relationship is not necessarily one to one.

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9 Extractive Industry Transparency Initiative website for Tanzania http://eiti.org/Tanzania
10 TRA Annual Report 2011/2011, page 14.

3.2.3 PI-4: Stock and monitoring of expenditure payment arrears

Payments arrears can arise from financial resource inflow unpredictability, combined with problems with budgeting and budget execution systems. The arrears have to be paid off at some point (providing that the original commitments were legally entered into) out of future budgets, thereby reducing the resources available for financing the delivery of services in future years. In general, a persistent arrears problem reduces the credibility of the budget as a tool for providing for the public goods and services desired by society.

(i) Stock of expenditure payments arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock)

Tables 8-10 show the stock of expenditure payment arrears at the end of 2010/11, 2011/12 and March 2013.

Table 8: Expenditure arrears at end of March 2013

Categories	**Total Arrears (Tsh. bln)**	**< 30 days**	**30-59 days**	**60-89 days**	**>89 days**
Supplies of goods & services	133.4	1.5	1.3	1.9	128.7
Utilities	3.1	0.3	0.1	0.1	2.6
Office rent	2.9	0.1	0.1	0.0	2.7
Construction works	504.3	40.9	62.4	56.6	344.4
Staff	12.5	0.2	0.5	0.6	11.3
TOTAL	***656.2***	***43.0***	***64.4***	***59.2***	***489.6***
GoT Expenditure, July-March 1/	7715				
Arrears as % expenditure	*8.5*				
5 largest MDAs					
Works	492.6				
Health	72.9				
Defense & National Service	22.6				
Agriculture	20.3				
Education & Vocational Training	9.6				
TOTAL	***618.1***				

Source: Tables prepared by ACGEN (MoF) on the basis of reports submitted to it by MDAs at the request of ACGEN (also for Tables 8.2 and 8.3 below).

Table 9: Expenditure Arrears, June 30th, 2012

Categories	Total Arrears	< 30days	30-59 days	60-89 days	>89 days
	Tsh bln.				
Supplies goods & services	103.6	5.0	2.8	1.5	94.2
Utilities	3.8	0.4	0.3	0.5	2.6
Office rent	3.6	0.1	0.2	0.6	2.7
Construction works	161.1	58.4	0.7	24.1	77.9
Staff	23.1	0.7	1.2	1.1	20.1
TOTAL	***295.2***	***64.7***	***5.3***	***27.7***	***197.5***
GoT Expenditure, July-June	8067				
Arrears as % expenditure	*3.7*				
5 largest MDAs					
Works	155.2				
Health	65.2				
Defense & National Service	14.7				
Agriculture	11.7				
Education & Vocational Training	14.1				
TOTAL	***260.9***				

Table 10: Expenditure Arrears, June 30th, 2011

Categories	Total Arrears	< 30 days	30-59 days	60-89 days	>89 days
	Tsh bln.				
Supplies goods & services	19.7	0.5	1.0	7.5	10.7
Utilities	0.9	0.3	0.0	0.1	0.4
Office rent	0.4	0.0	0.0	0.1	0.4
Construction works	426.7	28.3	36.7	27.0	334.6
Staff	5.9	0.2	2.5	2.1	1.0
TOTAL	***453.6***	***29.4***	***40.3***	***36.8***	***347.2***
GoT Expenditure, July-June	8066				
Arrears as % expenditure	*5.6*				
5 largest MDAs					
Works	419.7				
Health	6.3				
Ministry of Water	7.7				
Judiciary	4.1				
Electoral Commission	2.8				
TOTAL	***440.5***				

The definition of payment arrears in Tanzania is any outstanding invoice after 30 days in the case of purchases of goods and services and the extent of debt service obligations, personnel emoluments and pensions that have not been paid after the stipulated payment date. In the case of purchases of goods and services, arrears arise from MDAs entering into expenditure commitments to suppliers outside EPICOR (the IT-based integrated financial management system (IFMS) used by GoT for controlling budget execution and for reporting and accounting purposes) and the cash not being available to pay the invoices for the associated goods and services that are delivered.

The 2010 PEFA assessment reported significant arrears as a percentage of total expenditure (excluding foreign-financed development expenditure): 5 percent, 9.1 percent and 9.5 percent in 2006/07, 2007/08 and 2008/09 respectively. The reported arrears did not include salary arrears. Debt service arrears were zero. Reasons stated were multi-year contracts entered into within the context of an annual budgeting system, non-completion of payment documents at the end of an accounting period, delays in paying non-discretionary expenditures such as utility bills, and supplementary legal claims associated with previous claims partly due to price escalations.

The situation appears to have changed little since the 2010 PEFA assessment. Payments arrears at the end of March 2013 amounted to TZS 656 billion, of which TZS 504 billion (77 percent) were for construction projects, and comprised 8.5 percent of expenditure up to the end of March. The bulk of arrears were incurred by the agencies/authorities (e.g. TanRoads) that fall under the Ministry of Works. Payments arrears at the end of 2011/12 amounted to TZS 295. 2 billion (3.7 percent of total expenditure), of which 55 percent were for construction projects. The amount was 65 percent sharply lower than the stock of arrears amounting to TZS 453.7 billion at the end of 2010/11 (5.6% of total expenditure), of which 93 percent were for construction projects.[11]

Underlying factors

Cash rationing system: Due to concerns over domestic and external resource inflow predictability (PI-3, D-1 and D2), and the possibility of unexpected expenditure pressures during the year (e.g. due to public enterprises experiencing financial difficulties, PI-9) that have to be accommodated through reallocations within the budget (PI-2 & PI-16), annual budgets continue to be executed through a monthly system of 'cash rationing'. Resource shortfalls cannot be offset through borrowing, due to macro-fiscal considerations, as formalized under the IMF-supported Policy Support Initiative (PSI). Payments are made according only to projected cash availability for the month ahead, thus invoices submitted for payment cannot exceed this amount. The system is under the direction of a Ceiling Committee (CC), chaired by the Permanent Secretary (PS) –Treasury, members comprising senior managers in MoF, TRA and Bank of Tanzania (BoT).

This is opposite to the situation of commitments being entered into according to a cash plan that provides for the availability of financial resources when required during the year

[11] Payments arrears in the roads sector are also referred to in the Budget Background and Medium Term Framework (BBMTF) for 2012/13-2014/15 in the context of a reduced budget allocation for 2012/13 in order to help pay off arrears.

to make payments consistent with the approved budget. A cash plan would be prepared by MoF following budget approval on the basis of month-by-month cash flow forecasts prepared by MDAs following budget approval (as discussed under PI-16), consistent with expenditure commitment projections.

MDAs in fact prepare such forecasts, but MoF does not follow these for the reasons mentioned above, and partly due to MDA forecasts tending to be front-loaded in an attempt to mitigate against expected cash rationing.

The IFMS blocks any attempt by MDAs to enter expenditure commitments higher than implied by the monthly expenditure ceiling. MDAs have an annual perspective in terms of planning for the execution of their approved budgets and therefore tend to need longer commitment horizons, particularly for capital expenditures and bulk recurrent expenditure items (e.g. drugs, school text books). Planned procurements therefore cannot be entered into IFMS, but they must go ahead if approved budgets are to be executed. Thus MDAs may enter into spending commitments outside IFMS in the hope that funds will eventually be available under the monthly cash limits to pay invoices. Payments arrears may eventually arise if the future monthly releases are not sufficient to pay off the invoices that arise from these commitments.

Multi-year projects: Construction projects tend to have a multi-year horizon, but budgets, and therefore expenditure commitments, have a one year horizon. Multi-year projects may be implemented faster than projected, as has happened in Tanzania, according to Accountant General's Office (ACGEN) and informal information sources. Payments arrears may therefore accumulate, as clearly demonstrated in Table 8, due to interim payments certificates being presented for payment, but which are not provided for by the approved budget. The situation can be mitigated if resources can be reallocated within MDA budgets or, if the projects are externally -financed, through extra financing via a Supplementary Appropriations Act.

Under-budgeting: Supplies of goods and services may be budgeted for, but payables may turn out to be higher than budgeted for. According to Ministry of Health, this may happen in the case of drugs purchases if insufficient funds have been budgeted for port clearance fees. This may also happen in the case of utility bills and rents, which turn out to be higher than budgeted for; Table 8 indicates, however, that utility and rent bill arrears are small relative to total arrears.

Under-budgeting may also reflect budget preparation issues in general, if the approved budget is not sufficient to fund minimum levels of service delivery. Expenditure ceilings established by MoF through the budget preparation process tend to be lower than budget requests, though to some extent these may reflect lack of realism on the part of MDAs. As a result, MDAs may run out of necessary supplies, which need to be replenished urgently (e.g. gasoline for motor vehicles, school meals, health care centre supplies if patient numbers are higher than forecast). MDAs may resort to informal credit arrangements, hoping that funding will become available later in the year. Reallocations from other budget lines may be difficult and therefore arrears accumulate if extra funding does not become available.

In-year reallocations between MDAs: The 2010 PEFA assessment indicated that in-year budget adjustments through re-allocations between MDAs are numerous *(PI-16).* They continue to be numerous, as indicated by the Statement of Reallocations issued each year by MoF, particularly under the Development Budget. Arrears will arise if funds are re-allocated from MDAs which have already entered into expenditure commitments outside IFMS. Some of the reallocations stemmed from unexpected expenditure pressures, for example, social costs arising from the global financial crisis and elections during the first half of 2010/11.

Arrears in personnel emoluments: Personnel emoluments as recorded in the HCMIS are generally paid on time. The information contained in HCMIS, which forms the basis for the monthly payroll, may not be accurate, however, due to delays in updating personnel records at MDA level. Such delays are more likely in the case of changes in the employment circumstances of service delivery employees (e.g. salary increases), who work in relatively remote areas of the country. Arrears may also arise through enforced cutbacks in personnel benefits such as vacation leave allowances in order to free up resources to address the pressures referred to above. As indicated under PI-18, salary arrears have become less of an issue due to the upgrading of the payroll control software, known as Lawson.

GoT's Pension Fund is underfunded in terms of provision for future pension payments, as indicated in the CAG reports and highlighted in recent press articles. Pension arrears have not being incurred so far.

VAT refund arrears. Although MoF does not officially classify delays in paying out VAT refunds as payments arrears, the delays increase the cost of doing business, in the same way that delays in payments to suppliers do. The Tanzanian Chamber of Commerce, met by the assessment team, indicated that delays in paying VAT refunds were an issue to businesses. Data on the stock of end-year overdue payments of refunds are not readily available, but indications are that they exist. Some of the delays may be due to all VAT revenue being paid into the Exchequer Fund in BoT and funds allocated to refunds being allocated to MDAs instead. A similar situation existed in Rwanda, the eventual solution being for Rwanda Revenue Authority to deposit a portion of VAT revenues into a VAT refund account under its control.

(ii) Availability of data for monitoring the stock of expenditure payment arrears

Each MDA indicates in its financial statement the total expenditure arrears outstanding at financial year end, including arrears incurred by the agencies whose budget is included in its budget. The arrears include both salary and non-salary arrears. The ACGEN requires quarterly reporting by MDAs on arrears, including the age profile (Circular 3 dated 2010); this became a requirement in 2010 under one of the conditionalities of the PSI. The reporting is outside the scope of IFMS, because it rejects commitments that exceed the monthly expenditure ceiling.

The reports submitted by MDAs include information on utility releases, expenditures and arrears. These enable ACGEN to prepare a specific utilities report that shows total government expenditure on utilities (electricity, water, telephone, etc.), payments made, arrears at the end of the quarter and their age profile. By their nature, utility and accommodation service supplies are contracted on a continual long term basis and non-payment might lead to disruptive cuts in supply. The stock of utility bill and rent-related arrears is therefore relatively small.

The comprehensiveness of the reporting is not guaranteed, with the exception of the utility arrears reports. The arrears report for 2010/11 does not mention arrears under the Ministries of Education and Agriculture, which were in the top five MDAs in terms of arrears in 2011/12 and up to March 31st 2012/13.

Invoices approved through IFMS are supported by cash and therefore payables are generally paid on time, except, from time to time, utility bills and rents, the delayed amounts of which are relatively small.

On-going and planned activities

The 5th Review by the IMF of the PSI, conducted in December 2012, indicated that the stock of arrears declined during 2011/12 in terms of GDP (as also indicated in Table 6), but that 'new unpaid claims were emerging, primarily because of inadequate commitment controls.' The Review notes the emerging arrears in the roads sector. Work was underway to develop a strategy to eliminate existing arrears and prevent their re-occurrence. Under paragraph 35 of the Memorandum of Economic and Financial Policies (MEFP) that forms the basis for the PSI (and which is an annex to the Review), GoT has undertaken to verify which payments claims are genuine and to compile a full inventory in time for their full clearance by the end of 2012/13. As indicated under Table 6, however, this may be quite an undertaking given the large stock of arrears outstanding. Further efforts to reduce arrears would include strengthening the financing plans for projects, including multi-year ones, and to process all proposed commitments through IFMS.

3.3 Comprehensiveness and transparency

The indicators in the Comprehensiveness and Transparency dimension of PFM assess to what extent the budget and fiscal risk oversight are comprehensive, as well as to what extent fiscal and budget information is accessible to the public. The matrix below summarises the assessment of indicators under this dimension.

Assessment of Performance Indicators for Comprehensiveness and Transparency

PI	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-5: Budget classification	C	B	*Improvement in performance through the introduction of GFS 2001 in 2009/10 and the preparation of a bridging table linking budget classification codes to COFOG in 2011/2012.* In principle, budget formulation and execution and reporting can be consistent with COFOG. The actual classification used in the reports referred to in the narrative varies considerably, implying scope for providing greater uniformity in the presentation of expenditure in the reports.
PI-6: Budget documentation	A	B	*Performance unchanged. Five of the 9 elements were met in terms of the situation at the end of 2011/12 when the budget for 2012/13 was presented to Parliament.* Some of the elements assessed as 'Yes' in the 2010 assessment, should have been rated 'No'; A score of B would have been more appropriate. The information could be presented more clearly, rather than in different ways across a number of documents.
PI-7 (M1): Extent of un-reported government operations	C	D+	*No change in performance.* The extent of unreported domestic EBOs remains significant. Dimension (i) in the 2010 PEFA assessment may have been underscored.
PI-8 (M2) Transparency of inter-governmental relations	C	C+▲	*No change in performance: The ratings for dimensions (i) and (ii) in the 2010 assessment appear to be too low and the rating for (iii) too high.* The adoption by LGAs of the same chart of accounts as for central government, beginning in 2012/13, will facilitate the preparation of consolidated government sector-

PI	Score 2010 PEFA	Score 2013 PEFA	Assessment
			wide expenditure performance statements.
PI-9 (M1): Oversight of aggregate fiscal risk	D *(changed from NR)*	C	*Performance has improved* under both dimensions, but neither the TR or PMORALG are yet preparing consolidated fiscal risk reports covering PA&OBs and LGAs.
PI-10: Public access to fiscal information	B	B	*No change in performance.* 4 out of the 6 types of information are available to the public, though only partly so.

3.3.1 PI-5: Classification of the budget

This indicator assesses the extent to which the budget classification system enables the tracking of budgeted expenditure on an administrative, functional and economic classification basis.

The budget classification system is not contained in one single document, while the various budget-related documents show the budget classification system in different degrees of detail. Outsider understanding of the budget classification system would be easier if it could be contained in a stand-alone single document, or in a uniform way in the various budget-related documents prepared by MoF and the Planning Commission.

As elaborated on under PI-11, annual budgets are prepared according to the annual Planning and Budgeting Guidelines with explicit coded linkage to MKUKUTA and the Five Year Development Plan for 2011/12-2015/16. The linkages flow from MDA, to Sub-Vote under each MDA, to objectives, to targets, to activities and then to the costs of these activities on a detailed line item basis. The coding structure is therefore very long, extending to 28 digits. As a result of the recent upgrade of EPICOR to EPICOR 9 from EPICOR 7, the line item classification has become even more detailed, the number of digits extending to 76.

The size of the budget documentation that would be required if the full costed activities-based budget was to be reflected would be colossal and no such document is prepared. The recurrent budget documents (Volume 2) submitted to Parliament are prepared on a Vote, Programme, Sub-Vote and economic classification basis. The Programmes are aggregations of Sub-Votes roughly according to function (e.g. under Programme 10 for all MDAs is Administration, Programmes 20-70 cover the different elements of service delivery programmes, for example Programme 30 under Ministry of Education and Vocational Training is Primary Education). The economic classification goes down to four digit level, consistent with GFS 2001 that was introduced in 2009/10 (so capital expenditure in the recurrent budget is explicitly identified). The full classification is at 6 digit level. MoF prepares a much larger document at 6 digit level, but this is not presented to Parliament by virtue of its bulk.

The Development Budget that is presented to Parliament (Volume 4) is shown under each MDA Sub-Vote on a project-by-project basis only (plus source of financing, domestic or external, grant or loan), with no economic classification provided (an item code is shown, but the meaning of this is not defined). Unlike for the recurrent budget, no differentiation is made between recurrent expenditure and capital expenditure. It is known that the development budget contains a significant and non-transparent recurrent expenditure component, the non-transparency complicating the preparation of the recurrent budget, even more so since the Planning Commission re-exerted its authority over the development budget, starting in 2011/12.

No narrative is provided in either the recurrent budget or the development budget that would briefly explain the purpose of expenditure. No summary tables are provided in the on-line versions. The summary tables in the hard copy versions lump 'other charges' and transfers together, even though the budget classification codes permit differentiation.

Other budget-related documents contain expenditure classification according to function or sector and the development budget according to economic classification:

- *Budget Speech for 2012/13:* Budget Frame Table 2a shows economic classification of the recurrent budget in highly summarised form and does not show the economic classification of the development budget (i.e. construction, equipment purchases). The budget does not contain a table showing expenditure by function or sector, though the narrative indicates allocations to sectors (infrastructure, agriculture, industry, human resources and social development, tourism and financial services).
- *Background to the Budget and Medium Term Framework, 2011/13*-2014/15: This is published after the budget has been approved. The annexes: (i) show expenditure according to strategic allocation (MKUKUTA and non-MKUKUTA, and including/excluding transfers to LGAs), (ii) major sectors (Education, Health, Water, Agriculture, Roads, Judiciary, Energy and Others); (iii) broad functions (administration, debt service, defence and security, economic services, production services and social services, and (iv) broad economic classification under each major sector, both for recurrent and capital expenditure (indicating that, in line with GFS 2001, recurrent expenditures exclude capital expenditure elements, and capital expenditures exclude recurrent expenditure elements).
- Economic Survey for (prepared by Planning Commission) 2011, including a section on government finance for 2011/12 (up to March): Table 26 presents expenditure by purpose according, approximately, to the UN's Classification of Functions of Government (COFOG) and according to recurrent and development expenditure under each function and sub-function. A bridging table prepared by MoF enabled the mapping of the budget classification codes to COFOG. With budgets being prepared on an activities basis with explicit linkage to policy objectives, preparation of such a table was quite feasible.
- Quarterly budget execution reports: The tables show recurrent expenditure according to broad economic classification (but not distinguishing between 'other charges' and transfers), and development expenditure, but not according to economic classification.

On-going and planned activities

With assistance from East AFRITAC/IMF, GoT has prepared a Road Map for the introduction of formal programme-based budgeting within a medium term framework. Introduction implies the need for a considerable simplification of the budget classification system so that programme managers have the flexibility to manage their inputs effectively in support of meeting programme objectives. Such flexibility is difficult under the current classification system. According to the Budget Department in MoF, reallocation of resources during the year, even within the same line item code, requires prior MoF approval if resources are to be reallocated from another activity (even if the target and objective are the same).

PI	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-5: Budget classification	C	B	**Improvement in performance:** Introduction of GFS 2001 in 2009 and the preparation of a bridging table linking budget classification codes to COFOG in 2012 mean that, in principle, budget formulation and execution and reporting can be consistent with COFOG. The actual classification used in the reports referred to in the narrative above varies considerably, implying scope for providing greater uniformity in the presentation of expenditure in the reports. For example, the draft recurrent and development budgets presented to Parliament are still shown mainly on an administrative and economic classification basis for the recurrent budget, while the development budget is still shown on a project-by-project basis under each MDA sub-vote, with no economic classification provided.

3.3.2 PI-6: Comprehensiveness of information included in budget

Annual budget documentation should inform the executive, the legislative, and the general public and assist in informed budget decision making and transparency and accountability. In addition to the detailed information on revenues and expenditures, the annual budget documentation should include information on the elements in Table 11. The assessment is based on the last budget presented to the legislature, which was for FY 2012/13.

The Guidelines for the Preparation of the Annual Plan and Budget for FY 2012/13 in the Implementation of the Five Year Development Plan 2011/12-2015/16 ('Planning and Budgeting Guidelines', abbreviated to PBG) were presented to Parliament in February 2012, as in previous years. The PBG included a review of Plan and budget implementation for FY2010/11 and the first half of 2011/12, a macro-economic outlook for the next budget year and over the medium term, and a Resource Envelope and Expenditure Framework covering 2012/13-2015/16. In effect, this part of the PBG constitute a 'Pre-Budget Paper' or 'Budget Strategy Paper', similar in concept to the practice of having a strategic phase and estimation phase during the budget preparation cycle that is common in many countries, including in Africa.

The budget documentation provided to the Parliament in June 2012 (as in previous years) were the detailed Budget Estimates in four volumes, and the Budget Speech, presented by the Minister of Finance. Volume 1 of the Budget Estimates covers revenue measures and estimates, Volume 2 covers the detailed recurrent budget estimates of central government MDAs, Volume 3 covers the detailed recurrent budget estimates of the regional offices of the central government, and Volume 4 covers the detailed development budget estimates of central government MDAs. Also provided to the Parliament was the Economic Survey for 2011, prepared by the Planning Commission. The Survey is backward-looking only and contains budget-related information for 2011/12 up to March 2012.

A 'Background to the Budget and Medium Term Plan' (BBMTP)' is presented to Parliament after the new budget is approved (typically presented in October or November). It contains much useful analysis and information but does not inform Parliamentary review of the draft budget.

Another document presented to Parliament in June 2012 was a speech delivered by the Minister of State in the President's Office on "The State of the Economy in 2011 and the National Development Plan for 2012/13. This speech does not provide information additional to what is contained in the Budget Speech.

Table 11 summarises the main elements of the budget and their availability in the budget information.

Table 11: Information Provided in the Budget Documentation

No.	Budget documentation benchmarks	Availability 2010 PEFA	Availability 2013 PEFA	Notes
1.	*Macro-economic assumptions*, incl. at least estimates of aggregate growth, inflation and exchange rate	Yes	Yes.	Contained in the PBG and Budget Speech, both for the next year's budget and over the medium term.
2.	*Fiscal surplus or deficit* is defined according to GFS or another internationally recognised standard	Yes	No.	The PBG and Budget Speech indicate a target for the fiscal deficit after grants in terms of GDP. The target deficit is not shown in the Budget Frame table, which appears in both documents. This table shows resource inflows by item, including borrowing, and expenditure projections, but does not explicitly state the fiscal balance target according to GFS. Table 25 of the Economic Survey for 2011 (referred to under PI-5) contains a GFS-consistent table showing Trends in Government Finance. It shows performance up to March 31, 2012 and the likely outturn for 2011/12.

No.	Budget documentation benchmarks	Availability 2010 PEFA	Availability 2013 PEFA	Notes
				It would be straightforward to meet this element by providing a summary fiscal table in the Budget Speech and PBG in the GFS format shown in the Economic Survey.
3.	*Deficit financing*, describing anticipated composition	Yes	Yes	The Budget Frame tables in the PBG and Budget Speech indicate planned borrowing disaggregated according to type (e.g. non-concessional external borrowing) on the Resources side, and, in the PBG but not the Budget Speech, debt amortisation on the expenditure side. The net deficit financing target is not provided, but the reader can calculate it from the table in the PBG, though not from the Budget Speech. The Economic Survey for 2011 shows the composition of deficit financing in GFS format in terms of performance to date. Taken together, this element is met, but the presentation could be improved in the Budget Speech by showing debt amortisation separately for external and domestic debt.
4.	*Debt stock*, incl. details at least for the beginning of the current year	Yes	Yes	The beginning of year debt stock is not shown in tabular terms in the 2012/13 PBG or the Budget Speech for the 2012/13 budget. It is described in narrative terms in the Budget Speech for total domestic debt and total external debt, but in TZS terms only, and without reference to sustainability indicators, such as the Debt/GDP ratio. The debt stock was shown in tabular form, however, in the Budget Speech for the 2009/10 budget (and also for 2008/09) for total external debt and total domestic debt, but only in TZS terms and without reference to sustainability indicators. The element is met, though the presentation could be improved through providing tables, as per earlier Budget Speeches, and including debt sustainability indicators.
5.	*Financial assets*, incl. details at least for the beginning of the current year	Yes	No	Information on the stock of GoT's financial assets (mainly bank balances) was not provided in the PBG or the Budget Speech or the Economic Survey, 2011. The information is available in the audited annual financial statements of GoT, as noted in the 2010 PEFA assessment, but these are not part of budget documentation. This element should have been rated No in the 2010 PEFA assessment. Including these figures in the Budget Speech (e.g. the Budget Frame) would be relatively

No.	Budget documentation benchmarks	Availability 2010 PEFA	Availability 2013 PEFA	Notes
				straightforward.
6.	*Prior year's Budget out-turn*, presented in the same format as the proposed Budget	Yes	Yes.	Volumes 2-4 of the budget documentation for FY 2012/13 show actual expenditures in 2010/11 in the same detail as the budget estimates for 2012/13. This element is therefore met on the expenditure side. It would be useful to also show the budget estimates for alongside the actual expenditures. Revenue outturns for the previous year and the approved budget for the current year are shown in the same format as for next year's revenue estimates at broad dis-aggregated level in Volume 1 of the budget documentation, and at a highly aggregated level in Table 2A of the Budget Speech. This element is therefore met, though a big improvement could be made by showing TRA-related revenue at broad disaggregated level in Table 2A.
7.	*Current year's Budget* (revised budget or estimated out-turn), presented in the same format as the proposed Budget	Yes	No	Volumes 2-4 of the budget estimates show only the approved budget for the current year, and only for expenditures. They do not show estimated outturn. The PBG, Budget Speech and Economic Survey show the likely revenue and expenditure outturn for the current year, but only in aggregated format and not by MDA. Budget Department claims it is not easy to estimate expenditure and revenue outturns for the current year, and the proposed budgets for the next year are based mainly on the actual outturns for the previous year. This element should have been rated No in the 2010 PEFA assessment.

No.	Budget documentation benchmarks	Availability 2010 PEFA	Availability 2013 PEFA	Notes
8.	*Summarised Budget data for both revenue and expenditure* according to the main heads of the classification used, incl. data for current and previous year	Yes	No	The hard copy version of Volumes 2-4 of the 2012/13 budget include a one page summary sheet of expenditures by main head for the current year, but only for the approved budget, and the actual expenditures for the previous year. A summary page for revenues is not shown. The PBG and Budget Speech show a summary of expenditures for the current year (budget and likely outturn), the previous year, and next year, but only by broad economic classification, and shows total domestic revenue with no disaggregation. The Economic Survey (Table 25) shows revenue, disaggregated by main head: approved budget and likely outturn for the current year, and actual for the previous year. Table 26 in the Survey shows expenditure by COFOG function for the previous year and the current year, but according to the approved budget only. Combining the above-mentioned sources of information still does not provide a complete picture, though providing this should be reasonably straightforward as the information is available. This element should have been rated No in the 2010 PEFA assessment.
9.	*Explanation of Budget implications of new policy initiatives,* with estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs	No	Yes.	The Budget Speech shows the budgetary impacts of revenue policy changes and of new/revised expenditure priorities. The methodology for estimating the impacts is unclear, and, in terms of expenditure, it is unclear whether the announced priorities for 'new' expenditure are in fact 'new' or are for expenditure already committed to. Nevertheless, some explanation is provided. There is no obvious difference between the situation at the time of the 2010 PEFA assessment and at the time of the current assessment. So, element 9 should have been rated as Yes in the 2010 assessment.

PI	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-6: Budget documentation	A	B	**Performance unchanged.** Five of the 9 elements were met in terms of the situation at the end of 2011/12 when the budget for 2012/13 was presented to Parliament. Some of the elements assessed as 'Yes' in the 2010 assessment, should have been rated 'No';. a score of B would have been more appropriate. The information could be presented more clearly, rather than in different ways across a number of documents. The format of the Budget Frame, shown in Table 2 A of the Budget Speech, could be presented in GFS format (as per Table 25 in the Economic Survey) and showing i) domestic revenue on a broadly dis-aggregated basis; (ii) as a sub-table, recurrent and development expenditure according to sector and MDA. The summary tables in Volumes 2-4 of the budget estimates provided to Parliament could be improved (and included in the on-line versions). Some explanatory narrative could be provided. In fact, MoF provides explanatory notes to MPs, explaining the budget codes and numbers ('Memorandum', as shown to the assessment team), but the public would also benefit. The Background to the Budget and Medium Term Plan provides some good analysis, but is released after the budget is approved, thereby limiting its usefulness to MPs.

3.3.3 PI-7: Extent of unreported government operations

Annual budget estimates, in-year execution reports, year-end financial statements and other fiscal reports for the public should cover all budgetary and extra-budgetary activities of governments to allow a complete picture of government revenue, expenditures and financing.

This indicator assesses the level of unreported extra-budgetary operations (EBOs) at the central Government level as defined by IMF GFS[12]. Reporting of EBOs should cover planned/budgeted expenditure, actual expenditure, and annual financial statements either through consolidation with other central government expenditure, or shown in a separate

[12] In GFS terminology, central government comprises all units at central level carrying out government policies including not only MDAs, but also non-market non-profit institutions that are controlled by and mainly financed by government (statutory funds, trust funds, special funds, social security funds and other autonomous agencies) but excluding local authorities and public business enterprises.

document presented to the legislature. The spending by MDAs of own-source revenues also potentially represents an EBO, if they are allowed to retain the revenue for spending, rather than surrendering it to MoF. The assessment covers 2011/12 (the last completed fiscal year)
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(i) Level of extra-budgetary expenditure (other than donor-funded projects), which is unreported, i.e. not included in fiscal reports

Operations of Public Bodies

As noted in the 2010 PEFA assessment, the budgets and accounts of public bodies that receive funding from the central government (the bodies comprising executive agencies, public authorities, institutions, commissions, boards and other bodies) are not shown in GoT budget documentation, budget performance reports and annual financial statements. Only the budgeted transfers from the GoT budget are shown in budget documentation and only as one- line items under sub-votes.[13] The summary of the transfers is not shown anywhere, the total being absorbed into Other Charges, contrary to GFS, which identify transfers separately. The total budgeted and actual transfers can only be found in the financial statements of the central government, as audited by NAOT.

The revenues and expenditures of these bodies are not reported on in other documentation, and therefore their operations constitute un-reported extra-budgetary operations. According to the Office of Treasury Registrar (TR), there are 213 active public bodies, many of which are non-commercial in nature, and therefore fall within the scope of this indicator (commercial bodies that do not receive transfers from GoT are covered under PI-9 in terms of the fiscal risk they may present).

Table 12 shows budgeted and actual transfers to public bodies, as indicated in the annual financial statements for 2010/11 and 2011/12 (the public bodies are referred to as public enterprises). The transfers are a proxy for the minimum level of the expenditures for these bodies.

Table 12: Transfers from GoT to public bodies

Types of Transfers: TZS blns.	2010/11 Budget	2010/11 Actual	2011/12 Budget	2011/12 Actual
Non-Financial Public Enterprises	374	330	461	374
Financial Public Enterprises	22	423	17	14
Departmental Enterprises	522	22	971	486
Other Enterprises	570	69	629	505
Total transfers	*1689*	*844*	*2,078*	*1,379*
Total GoT Expenditures (as per PI-1)	*9,490*	*8,066*	*9,278*	*8067*
% transfer/annual expenditure	**17.8**	**9.1**	**22.4**	**17.1**

Source: Report of the CAG on the Consolidated Financial Statements of GoT for FY10/11 and FY11/12*Internally Generated Funds (IGF)*

13 The respective economic classification codes at four digit level are: 270300, transfers to academic institutes; 270400, transfers to authorities; 270500, transfers to boards; 270600, transfers to agencies; 270700, transfers to Commissions; 270800, other transfers to non-financial units; and 270900; transfers to financial public units. Transfers disaggregated at 6 digit level are shown in the more detailed budget documentation, which is not presented to Parliament.

Less than full disclosure of IGF and the spending thereof may lead to un-reported EBOs. MDAs are authorised to retain IGF, according to stipulated retention formulae; the whole amount of IGF is supposed to be surrendered first to MoF, which then sends back the retention proportion. IGF estimates are shown in annual budgets, along with the proportion for retention. The CAG's reports, however, express concerns that disclosure of IGF may not be 100 percent through less than full compliance with receipting systems, notwithstanding the reporting and accounting requirements stipulated under Circular 3/2010. The Internal Audit Unit of the Ministry of Energy and Minerals (MEM) indicates in its reports unpaid rents on mining licenses and non-adherence to reporting procedures. These observations are despite GoT being EITI compliant, having already disclosed two years of reconciled reports[14] showing an independent assurance on the collection of revenues by MEM.

(ii) Income/expenditure information on donor-funded projects which is included in fiscal reports

The Development Budget incorporates the bulk of donor-funded programmes and projects (other than aid-in-kind, which is not covered by this dimension). The Aid Management Platform (AMP), developed in 2008 by the Development Gateway Foundation with the support of UNDP and managed by External Finance Department (EFD) in MoF, has been a useful tool for donors to provide information on their planned and actual disbursements. Expenditures of funds provided by donors through GoT-sanctioned bank accounts systems are required to be reported on in IFMS through a "dummy voucher" mechanism wherein the required Exchequer release is obtained.[15] The assessment team was provided with a copy of a report on AMP prepared earlier in 2013 that analyses the development assistance portfolio for 2010/11 and 2011/12.

The data inputted by donors into the AMP may not cover all projects (approximately 2,500 projects at the time of the assessment) and may not be completely accurate due to fiscal year differences and data entry errors. Furthermore, as noted in the AMP report, although most planned spending is captured by AMP, not all actual spending under donor projects may be recorded if donor agencies provide funding directly to programmes/projects rather than through MDAs (an issue also in some other countries in the region), Records of actual expenditures financed by Basket Funds tend to be more accurate than project funds; basket funds comprised 20%--30% percent of total Basket and Project Funds disbursements in 2010/11-2011/12., as indicated in Table 13 (Table 3.3. (a) of AMP report)).

Table 13: Donor aid commitments and disbursements (excl. budget support)

Modality	Commitments	Disbursements	Commitments	Disbursements
	2010/11 (US$ mlns.)		2011/12 (US$ mlns.)	
Basket Funds	366.4	381.1	430	292.2
Projects	1478.8	878.4	1284.2	865.3
Total	***1845.2***	***1259.5***	***1714.2***	***1157.5***

14 See the Extractive Industry Transparency Initiative website for Tanzania http://eiti.org/Tanzania

15 The mechanism for channeling donor project funds through the Exchequer systems is described in Annex 3 of the AMP report.

The bulk of planned and actual spending under USAID-funded programmes is not reflected in budget documentation and expenditure reports. US Government institutions have been inputting information into AMP since 2010/11, but most of the information relates to Millennium Development Corporation and Centre for Disease Control. [16] The USAID website indicates spending of $215 million in Tanzania in 2011 spread over several projects, most of which are not indicated in the AMP report. If added to the total donor commitments for projects/programme aid indicated in AMP, USAID funding would comprise about 12 percent of the total, though some may be at LGA level or be in the form of support to NGOs/CSOs that have no connection to GoT operations (these are substantial, amounting to $504.4 million and $744.8 million in 2010/11 and 2011/12 respectively).

According to the AMP report, some other DPs – OPEC, Abu Dhabi, Brazil, India, China and Korea – do not record information in the AMP database on a regular basis. The bulk of this assistance is aid-in-kind.

Table 5 of the AMP report shows actual disbursements by agency and whether loan or grant financed. The World Bank, AfDB and Japan are the only lenders, the World Bank comprising over 80 percent, and all operations are reported on. All Basket Fund grants are reported on. The exact extent of under-reporting of actual expenditures funded by project-related grants is difficult to determine, but even if only half of these expenditures are reported on and all of USAID aid is at central government level, then just over 50% of the total expenditure financed by grants is reported on.

On-going and planned activities

USAID has recently started to input data into AMP.

PI (M1)	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-7	**C+**	**D+**	**No change in performance. The extent of unreported domestic EBOs remains significant. Dimension (i) in the 2010 PEFA assessment may have been over-scored.**
(i)	C	D	**No change in performance.** It is difficult to estimate the total magnitude of unreported EBOs as the extent of un-reported IGF and the spending thereof is not known. Nevertheless, the extent of non-reporting of the budgets and actual expenditures of public bodies can be quantified, and it is clear that it amounts to significantly more than 10 % of public expenditure. This was probably also the case during the period covered by the 2010 PEFA assessment.
(ii)	B	B	**No change in performance:** Information on most planned

[16] Information provided by USAID shortly after the August 29th workshop shows: USG assistance amounting to $325 milllion in 2011/12 and recorded in AMP consisted of: $84.7 million from MCC, 2.8 million from USAID, $19.6 million from Department of Defence and $18.7 million from Department of Defence.

PI (M1)	Score 2010 PEFA	Score 2013 PEFA	Assessment
			(committed) donor aid is included in Development Budget documentation, with the exception of USAID-funded projects (USAID has recently started reporting, however) and a few other agencies, whose aid is mainly provided in kind. Actual spending may be significantly under-reported in the case of donor project operations, which comprise about three-quarters of all aid. As mentioned in the AMP report, donor project aid tends to be disbursed directly to the projects rather than through GoT-held bank accounts. Nevertheless, at least 50% of the spending of grant-funded aid provided in cash form is reported on. Loans in the form of cash (rather than aid-in-kind) are provided by only 3 lenders, and the expenditure out of these is fully reported on.

3.3.4 PI-8: Transparency of Inter-Governmental Fiscal Relations

This indicator assesses the transparency of transfers from central government to sub-national governments (SNG) for the use of these funds during the last completed FY (2011/12).

Local Government Authorities comprise 133 city, municipal, town and district councils. Local government authority (LGA) expenditure comprises about 20 percent of total government expenditure in Tanzania. The bulk (about 90 percent) of expenditure is financed by grants from the central government; own source revenues finance the remainder. Responsibility for overseeing Regional Administrations and LGAs falls upon the Prime Minister's Office (PMORALG). The PMORALG maintains a useful website, which amongst other things, contains information on the budgets of each LGA.

(i) Transparency and objectivity in the horizontal allocation of fiscal transfers among Sub-national governments

The bulk of transfers from the Central Government to LGAs is in the form of conditional sector-based block grants for recurrent expenditure, the two largest of which are for education and health. Other grants for recurrent expenditure are the General Purpose Grant (established in 2004 to compensate LGAs for GoT taking over some of their tax revenues) and grants from Basket Funds. A Local Government Development Grant (LGDG) finances development expenditures. The block grants comprise about 80 percent of transfers for recurrent expenditure and about 75 percent of total transfers.

The horizontal allocation formulae are described in the Planning and Budgeting Guidelines disseminated to MDAs and LGAs at the start of each budget preparation season. The formulae apply to "Other Charges" (non-wage recurrent expenditures) and development expenditure, the allocation of transfers for Personnel Emoluments being based on approved establishments. Conditionalities that apply to each grant are specified in the PBG:

Education block grant: Capitation grant: TZS 10,000 for primary level school age children, TZS 20,000 for secondary level enrolments (figures from PBG for 2011/12).

Health Services grants: The allocation formula for the Health Block Grant (HBG) is 70% population; 10% poverty ratio; 10% District Medical Vehicle Route, reflecting a distance factor; and 10% Under-Five Mortality Rate. The spending of HBG is allocated according to the Comprehensive Council Health Plan Guidelines based on cost centres and types of expenditure. The HBG is supplemented by the Health Sector Basket Fund according to the same formula. The Council Multilateral HIV and AIDS Grant, applicable from 2011/12-2015/16, are allocated according to the same formula, except that the HIV and AIDS prevalence rates replace the infant mortality rate.

Agriculture Extension Services Block Grants: The allocation formulae for the Agriculture Block and Livestock Block Grant are: 80% Number of villages; 10% Rural population; and 10% Rainfall Index. User conditionalities are based on District Agriculture Development Plans.

Water Services Block Grant: The allocation formula is based on the number of un-served residents (90%) and equal shares (10%). Conditions for the use of the grant relate to community water schemes based on the Water Sector Development Programme.

Road Maintenance Block Grant: The allocation formula is based on the Road Network Length (75%), Cropped Land Area (15%) and Number of Poor Residents (10%).

General Purpose Grant: The allocation formula is: Population (50%); Number of Rural Residents (30%); total Number of Villages (10%) and a fixed amount (10%). The funds are to be used to finance basic council administration costs.

LGDP: Development Funds are allocated discretionally through Council Development Grants (CDG), Capacity Development Grants and sector-specific development grants for agriculture and water infrastructure. LGAs are assessed according to nine performance criteria (based on the 2010 Assessment Manual), and, depending on the score, receive 25%-100% of their entitlements. The CDG entitlements are allocated to LGAs according to population (70%), land area (10%) and the number of poor residents (20%). Capacity weaknesses are addressed through Capacity Development Grants.

Apart from LGDP, a number of LGAs receive up to eight other development grants with various conditions attached (e.g. Tanzania Social Action Fund, Local Government Transport Programme). According to the PBGs, the number of development funds, all with their own allocation formulae and user conditions, has tended to 'confuse LGAs to the extent of overburdening them' and 'impinging on good governance and accountability'.

The formulae themselves may be transparent, but, according to Budget Department in MoF, LGAs may, and do, challenge the accuracy of the underlying data (e.g. the number of poor residents), although the National Bureau of Statistics is in a good position to counter queries, particularly as 2012 Census data are now available. Some LGAs also query the specification of formulae. For example, the price of gasoline varies considerably across the country, causing significant price differences in terms of transported materials such as cement, but cost differentials are not included in any of the formula. Another example cited by Budget Department in MoF is the building standards specified by the Tanzania Building Standards Agency. These are specified on a country-wide basis, but which may not be appropriate in some areas of the country, causing construction costs to be higher than necessary.

The PEFA assessment team visited the Kinondoni Municipal Council, located in Dar es Salaam. The representatives met had no problems with the transparency of the fiscal transfer formulae.

To address formula transparency issues, PMORALG commissioned Mzumbe University in 2012 to review the fiscal transfers formulae. In some countries, for example South Africa, periodic reviews of fiscal transfer formulae are mandatory; in South Africa, an impartial Fiscal Commission is in charge of the review.

(ii) Timeliness of reliable information on fiscal transfer allocations to LGAs

The LGAs prepare budget submissions using the same PBGs that MDAs use, and submit to PMORALG, following approval by the Finance Committees of their Councils. LGA representatives then attend ‘scrutinisation’ meetings with MoF, PMORALG and POPC (the last mentioned, since 2010/11). LGA negotiating powers have strengthened in recent years, through sector departments playing an integral role in terms of budget preparation (as required under the PBG) and through LGA delegations including Heads of sector departments as well as finance staff. Once agreement is reached on a ceiling and detailed estimates prepared, Finance Committee approval is again required.

Once LGA budgets have been agreed upon, usually by April, the only way in which they may later have to be adjusted is if the Parliament demands amendment of the draft national budget presented to it by the Minister of Finance. Such amendment may possibly result in the need to adjust the level of transfers to LGAs and LGAs to adjust their budgets accordingly. This has not happened, however, for several years. The very recent (during the PEFA assessment mission) rejection by Parliament of the water sector budget presented to it indicates, however, that adjustment may be required very late in the day.

(iii) Extent of consolidation of fiscal data for general government according to sectoral categories

As was also reported in the 2010 PEFA assessment, the PMORALG website (www.pmoralg.go.tz) contains a number of public finance- related reports on each LGA, for example: annual/quarterly budget performance reports; monthly/quarterly central government transfers to LGAs by type of transfer; quarterly ‘Other Charges’ expenditure according to primary education, secondary education, HIV spending and general spending; and quarterly expenditure according to sector (e.g. primary education) by broad economic classification (personnel emoluments, other charges, development spending) and type of grant. The annual financial statements prepared by LGAs also show expenditure on a sector basis.

Preparation of consolidated general government sector-based expenditure performance reports (i.e. central and LGA expenditure combined) has not been possible, due to one-third of LGAs using an outdated 19-digit chart of accounts that could not be reconciled with the newer 28-digit chart of accounts used by the central government. Since the beginning of 2012/13, all LGAs have been using the 28-digit chart of accounts, so it should now be possible to prepare government-wide sector-based expenditure reports. For this reason, the annual Background to the Budget and Medium Term Framework (BBMTF) prepared by MoF since 2008/09 includes budgeted government-wide sector expenditure, but not actual expenditure.

The National Accounts, prepared by National Bureau of Statistics, are shown on a production basis as well as on an expenditure and income basis, and show the production of education and health services. The latest report covers the years up to 2011. The methodology for estimating production is unclear, and services are likely to include those provided by the private sector.

On-going and planned activities

PMORALG has commissioned a review of the fiscal transfer formulae.

PI (M2)	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-8	**C**	**C+▲**	**Performance is unchanged.** The ratings for dimensions (i) and (ii) in the 2010 assessment appear to be too low and the rating for (iii) too high. The adoption by LGAs of the same chart of accounts as for central government, beginning in 2012/13, will facilitate the preparation of consolidated government sector-wide expenditure performance statements.
(i)	C	B	**No change in performance:** The several formulae used to determine the horizontal allocation of fiscal transfers from GoT are clearly stated in the PBGs that LGAs use to prepare their budget submissions. LGAs may sometimes challenge the specification of the formulae and the transparency and accuracy of some of the data that underpin the formulae. PMORALG has commissioned a study to review the formulae. A rating of C was provided in the 2010 PEFA assessment on the basis of the conditional nature of the block grants, but the rationale for the rating is not clear, as the conditionalities are clearly stated in the PBG.
(ii)	C	B	**No change in performance:** LGAs follow the same budget preparation procedures as at central level (PI-11). Following 'scrutinisation' meetings with GoT officials, agreements on ceilings and transfer levels are usually reached and LGAs can then prepare detailed estimates. LGA Councils are required to approve any

PI (M2)	Score 2010 PEFA	Score 2013 PEFA	Assessment
			agreements reached with GoT officials. If they disagree, then further discussions are required with GoT officials, resulting in delays in finalizing the budget. In principle, delays may also ensue if the Parliament does not approve the draft GoT budget, but this has not happened in the previous fiscal years. The rating in the 2010 assessment appears to be too low.
(iii)	C	D▲	**No change in in performance:** LGAs prepare in-year and end-year expenditure performance reports on a timely basis and submit these to PMORALG, which posts them on its website. Some of the reports are on a sector basis, using the same sector classification as at GoT level. Preparation of consolidated government sector expenditure performance reports is therefore possible in principle, but has been hampered by: (i) one third of LGAs using a chart of accounts that is different from the one used by central government; and (ii) doubts about the quality of the reports. The annual Background to the Budget and Medium Term Frameworks reports prepared by MoF following approval of the new budget by Parliament show consolidated sector budgets but not actual expenditures of the previous year. With LGAs using the same chart of accounts as for central government since the beginning of 2012/13, preparation of sector-wide expenditure performance reports is now feasible. The rating for the 2010 assessment appears to be too high.

3.3.5 PI-9: Oversight of aggregate fiscal risk from other public sector entities

This indicator assesses the extent to which central government monitors and manages fiscal risks with national implications arising from activities of autonomous government agencies (AGAs), public enterprises (PEs) and activities at SNG level. Fiscal risk can take the form of debt service defaulting (with or without government guarantee), operational losses caused by quasi-fiscal operations, expenditure payment arrears and unfunded pension obligations. The assessment is based on the last completed FY (2011/12).

(i) Extent of central government monitoring of autonomous government agencies and public enterprises

CAP 370 (2002, revised in 2010) and the Public Corporations Act 1992 (revised 2010) established the Office of the Treasury Registrar (TR) and conferred on it the powers and responsibilities to oversee all GoT investments in public enterprises and commercial entities (referred to in Tanzania as Public Authorities and Other Bodies (PA&OBs)). The TR has the power to: (i) supervise the governance of PA&OBs and their compliance with laws and regulations; (ii) supervise the remittance of own-source revenues of PA&OBs to GoT; and (iii) invest in, and dispose of, assets of PA&OBs. Some of the PA&OBs (37) are Executing Agencies rather than statutory corporations and therefore come under the purview of their parent ministries and the PO-PSM (the latter in terms of human resource management) rather than the TR.

Although the legal framework was revised in 2010 to reinforce the powers of TR and to avoid conflict with other laws, it is still insufficient to ensure that TR has sufficient resources to supervise all entities and monitor fiscal risks. The framework does not require TR to prepare a consolidated budget and annual financial statements for all PA&OBs, to report on performance and to prepare an annual consolidated statement of fiscal risks.

The TR oversees the overall performance of 234 PA&OBs, of which 21 entities are in the process of being privatised or liquidated. The PA&OBs are required to report quarterly (financial and physical performance) and annually and to have their annual accounts audited by the National Audit Office. About 30 percent of the PA&OBs do not comply with these reporting requirements[17], although compliance has been improving since the revision of the legal framework in 2010.

As part of its governance supervision responsibilities, the TR may supervise procurement, staff appointments, contracts and borrowing that may that have a bearing on GoT's fiscal position and borrowing. It does not, however, have full access to all contracts related to mineral resource development (Mining Development Agreements) and the hydrocarbon development projects that fall under the Tanzania Petroleum Development Corporation (TPDC), which is one of the major PA&OBs.[18]

The TR exercises its oversight responsibilities also through conducting performance assessments ('audits') of a sample of PA&OBs, such assessments in principle act as an early warning system. TR performed 12 such assessments in 2011/12 and has conducted 8 in 2012/13, the small sample demonstrating its limited resources. The monitoring mainly examines the extent of possible exposure to GoT, but doesn't provide a rigorous and consolidated risk analysis associated with financial exposure (e.g. the probability of a government guarantee being called).

The TR prepares an annual report on the basis of the reports and audited accounts submitted to it and the performance assessments that it conducts. As noted above, this does not present a consolidated risk analysis but provides some elements including:

1. A statement of investments
2. A statement of revenue: as of the end of 2010/11 and 2011/12, 70 percent of revenue collectable was outstanding (TZS 100 billion)
3. A statement of outstanding GoT loans to PA&OBS, indicating those entities that were in arrears in debt service payments.
4. A statement of loan guarantees, indicating those entities that were not meeting their debt service requirements.

17 This is a rough estimate provided by TR.

18 For example, the MOU signed between GoT through TPDC and China Petroleum Technology & Development Corporation (CPTDC) in September 2011 for construction of a natural gas pipeline from Mtwara and Songo Songo to Dar es Salaam.

5. In addition, several schedules provide additional information such as the percentage of shares held by GOT, the nature of shareholding, revenues collected by PA&OBs, and loans incurred by them.

The Controller and Auditor General (CAG) is charged with auditing (or appointing independent auditors) all PA&OBs in which GoT is a majority shareholder (176 out of 213 in 2011/12). For all others, the Boards of Director assign independent auditors. The PA&OBs have to pay the audit fees to the NAO, failure of doing so leading to the CAG declaring their financial statements as not completed. The CAG annual audit reports on the PA&OBs (published in the form of an overall report, not individual reports, as it is up to PA&OBs to publish these, which they tend not to do) indicate serious instances of non-compliance with the law and note lack of adequate records and supporting documentation. Such a situation limits the effectiveness of TR's control and supervision. TANESCO, one of the major PA&OBs, is a subject of particular concern given the non-clarity of its accounts and financial statements, including the reporting of transfers to TANESCO.

A formal Public Private Partnership (PPP) programme is not yet in effect, but the framework has been established: through a policy paper issued in 2009, the 2010 Act on PPPs and the 2011 PPP regulations. The Act places responsibility for due process on the line ministries wishing to enter into PPP agreements, with supervision to be provided by the PPP unit at MOF. A guideline is in draft form. The TPDC and Ministry of Energy and Minerals have entered into an arrangement, which constitutes a PPP under the 2010 PPP Act, but MOF has not been consulted.

Historic PPP agreements (e.g. in the form of concessions and joint ventures) are not covered by the PPP Act and its regulations though they are classified as PPPs (e.g. SONGAS Ltd, IPTL Ltd, ARTUMAS, TRL Ltd, ATCL Ltd, Kiwira Coal Mines, City Water and TICTS, Tanzania Railways Ltd; Netgroup Solutions, Dawasco). These agreements are not covered in the Loans and Guarantees Act 2004 either. These agreements are reported on in the TR annual statements.

The CAG report for 2011/12 on the PA&OBs indicates failures of reporting and supervision of risks involved in PPPs and the granting of guarantees in non- compliance with the Loans and Guarantee Act (pages 31-32). The risk is not easy to quantity, but the risk is mounting as PPPs are being encouraged by GoT as a means for increasing investment in infrastructure.

The IMF, through the PSI program, has formulated recommendations to address fiscal risk issues by strengthening TR and the PPU unit in MOF, and disclosing liabilities (explicit and contingent) in budget documents.[19]

[19] Advancing Public Financial Management Reforms, IMF, FAD, October 2012

(ii) Extent of central government monitoring of SN governments' fiscal position

The Local Government Authorities (LGAs), which number 134, are allowed to borrow under the Loans, Grants and Guarantees Act of 2004 as they are legally autonomous bodies, but MoF permission is required via PMORALG, which is rarely granted. The public debt section of ACGEN in MoF does not maintain records on formal debt liabilities held by LGAs. LGAs report quarterly to PMORALG on their budget execution (as noted under PI-8) and submit annual financial statements to it. The CAG audits the statements annually and publishes an overall report.

The annual financial statements of LGAs are not yet consolidated by PMORALG into an annual fiscal report, but, as indicated under PI-8 and below, the recent adoption of EPICOR 9.5 will change this situation. The annual audit reports prepared by CAG on LGAs provide many insights on the quality of public finance management. Quality appears to be improving, based on the increasing proportion of audit opinions which are unqualified: the proportion increased to 78 percent in 2011/12 from 54 percent, while the proportion of qualified opinions declined to 21 percent from 46 percent over the same period. The incidence of adverse opinions or disclaimer of opinions is very low: no adverse opinions in 2011/12 and one disclaimer of opinion.

The CAG report for 2011/12 indicates a number of reasons for the increased incidence of unqualified opinions: previous CAG recommendations being followed up on, partly due to MPs taking a greater interest, partly due to a number of special audits that had been conducted; Councillors playing a stronger oversight role; local citizens being more pro-active in demanding accountability; investigative organs such as the Directorate of Public Prosecution playing a stronger role; and improvement in disclosures in the annual financial statements brought about by the requirements of IPSAS accrual.

Nevertheless, the CAG report indicates some significant internal control weaknesses that needed to be addressed: the financial statements of 67 Councils containing various irregularities, mainly in the form of errors and omissions, mainly reflecting competency constraints; the use of manual procedures to compile accounts rather than IFMS; weaknesses in own source revenue management (e.g. missing receipt books), ; bank reconciliation control weaknesses; outstanding imprests; weaknesses in expenditure management (e.g. payments made without supporting documents); weaknesses in human resource management and payroll control; and low compliance with procurement laws and regulations. Many of these irregularities are recurring.

On-going and planned activities

(i) The IMF report referred to above and the CAG audit reports call for an improvement of the TR's capacity to supervise the PA&OBs. Recent amendments made to the Public Audit Act and to the working of the Parliamentary Oversight Committees imply that the Oversight Committee in charge of scrutinizing PA&OBs has been disbanded, and is to be integrated into the Public Accounts Committee (PAC). The functioning and timetable of the PAC has also been changed by the amendment, which is likely to create delays in the submission of the CAG's reports to the PAC, and thereby reduce Parliament's scrutiny of PA&OBs (PI-28).

(ii) 133 LGAs are now connected to EPICOR's central server (v9.05). The use of the system should facilitate automatic preparation and consolidation of their financial statements, thereby facilitating the monitoring by central government of fiscal risk. This is projected by the end of FY2013/14.

PI (M 1)	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-9	**D** *(change from NR)*	**C**	**Performance has improved under both dimensions, but neither the TR nor PMORALG are yet preparing consolidated fiscal risk reports covering PA&OBs and LGAs.**
(i)	D *(change from NR)*	C	**Performance has improved.** Significant improvements have been made since 2008 in GoT's capacity to monitor PA&OBs through the strengthening of governance requirements. Most PA&OBs report quarterly and annually to TR and the CAG audits them. The TR prepares annual reports on the financial situation of PA&OBs but does not yet prepare a consolidated fiscal risk analysis, although it has most of the information necessary to prepare one. The non-submission of reports by 30% of PA&OBs reduces the scope of its reports. A legal and regulatory framework has been developed for PPPs but it does not cover existing ones and is not yet being enforced. This dimension was not rated in the 2010 PEFA assessment, but the evidence provided indicates a D rating.
(ii)	D	C	**Performance has improved**. The LGAs submit budget execution reports (PI-8) and annual financial statements to PMORALG (PI-8), which does not consolidate into an annual fiscal report. The MoF has to authorise borrowing by LGAs proposed to PMORALG, but rarely does so. MoF does not monitor LGA debt. The CAG audits LGAs annually, and publishes an overall report each year; the last report (for 2011/12) showing significant improvements in quality, but indicating significant remaining issues. Improvements in quality facilitate monitoring. The new version of EPICOR will enable the automatic preparation and consolidation of annual financial statements of LGAs, starting by end-2013/14. .

3.3.6 PI-10: Public access to key fiscal information

This indicator assesses the extent to which information on the budget and its execution by the government is easily accessible to the general public or at least the relevant interest groups. Transparency requires that the Government makes relevant information widely available in a comprehensive, understandable and timely fashion.

Table 14 summarises the availability of the six elements of information stipulated under the PEFA methodology.

Table 14: Fiscal information available to the public

Elements of information for public access	Availability	Assessment
Annual budget documentation when submitted to the legislature	Yes	Available to the public are Volumes 1-4 of the draft budget documentation provided to Parliament and the Budget Speech. Volume 1 contains revenue estimates. Volumes 2-4 comprise the recurrent expenditure estimates for central government MDAs, the Regional Secretariats and the development budgets for MDAs respectively. The information contained in these documents lack transparency. The soft copies available on MoF's website contain detailed tables only, with zero explanatory narrative provided (in marked contrast, for example, to the budget estimates prepared by the National Treasury in South Africa). Historical perspective provided is minimal (e.g. actual expenditures in the previous year, but not budgeted estimates). The hard copy of Volume 2 contains a one page summary of budgeted expenditure per MDA, but not the soft copy. The Budget Speech provides some useful summary tables and charts, but it would be useful to have these also in the detailed budget documents. The domestic revenue estimates do not provide any breakdown by type of revenue. The Citizens' Guide to the Budget was prepared for the first time for the 2011/12 budget (some 10 years behind Uganda). This is very useful, yet it appears not to be provided at the time of submission of the draft budget to Parliament (or shortly afterwards). The Background to the Budget and Medium Term Framework is a useful document, but is only available to the public after the draft budget is approved by Parliament. MoF is planning to issue it at roughly the same time as the submission of the budget documentation to Parliament.
In-year budget execution reports within one month of their completion	Yes	MoF posts a Quarterly Economic Review and Budget Execution Report on its website one month after the end of the quarter. The Budget Execution Report is only at aggregate and broad economic classification level and not at MDA level, which would be useful to the reader.
Year-end	No	The audited annual financial statements are tabled in

Elements of information for public access	Availability	Assessment
financial statements within 6 months of completed audit		Parliament, but are not available on the National Audit Office's (NAO) website, though a summary of the audit findings is presented in the Annual General Report of the Controller and Auditor General, the last of which covers FY 2011/12. This element was rated Yes in the 2010 PEFA assessment report on the basis of the tabling in the National Assembly of the 2007/08 statements, but such tabling doesn't represent ready public access.
External audit reports within 6 months of completed audit	Yes	The general reports of the Controller and Auditor General are required to be tabled in the National Assembly by 9 months after the end of the fiscal year. The reports posted on 31 March 2013 for FY 2011/12 are the General Report noted above, and the reports on public bodies, local authorities and donor-funded projects. The individual audit reports are not available to the public.
Contract awards (app. USD 100,000 equivalent) published at least quarterly	Yes	Contract awards are posted on PPRA's website but these are not necessarily complete.
Resources available to primary service unit at least annually	No	Reports are not yet routinely prepared, though, as mentioned under PI-23, some studies, such as Public Expenditure Tracking Studies, have been conducted.

PI	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-10	B	B	**No change in performance.** 4 out of the 6 types of information are available to the public, though only partly so. The 2010 PEFA report indicated that the audited financial statements are available to the public after they are tabled in Parliament, but they are not posted on the NAO website.

Open Budget Index: The Open Budget Index, compiled annually by the International Budgeting Partnership, rates the budget transparency of 100 countries, the highest possible score being 100. The subject areas have some similarities to those covered under PI-10. Tanzania scored 47 in the OBI 2012 report, slightly higher than the average score of 43 and was one of the 'Some Information' group of 38 countries. New Zealand scored highest at

93. Qatar, Myanmar and Equatorial Guinea scored the lowest, at 0 (Saudi Arabia scored the second lowest at 1, indicating that the level of transparency is not positively related to per capita incomes (Myanmar is an outlier, due to its political circumstances). The 2012 report mentions that Tanzania started publishing the Citizen's Guide to the Budget in 2011/12. Tanzania is one of the almost two-thirds of countries with strong external audit offices.

Neighboring countries scored 65 (Uganda), 49 (Kenya) and 8 (Rwanda). Transparency has improved in Tanzania, its OBI ratings having increased from 36 percent in 2008 to 45 percent in 2010 and then to 47 percent in 2012.

3.4 Policy based budgeting

The indicators in this group assess to what extent the central budget is prepared with due regard to government policy. The table below summarises the assessment.

Assessment of Performance Indicators for Policy Based Budgeting

PI	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-11: Budget preparation	C+	B	*Improvement in performance due to the Cabinet approving the expenditure ceilings proposed for each MDA by MoF and POPC prior to their dissemination to MDAs and the lessening of the time taken to approve the budget.*
PI-12: Medium term perspective in budgeting	C	C+	*Performance has improved through) MoF conducting its own Debt Sustainability Analysis.*

3.4.1 PI-11: Orderliness and participation in the annual budget process

This indicator assesses the organisation, clarity and comprehensiveness of the annual budget preparation process.

Each year the MoF prepares Planning and Budget Guidelines (PBG) for preparing the following year's budget and estimates over the medium term. The PBG are endorsed by GoT (Cabinet) prior to their distribution. Starting with the 2011/12 budget preparation season the time horizon increased to five years from three years, reflecting the 5 Year Development Plan for 2011/12-2015/16 that was prepared under the auspices of the Planning Commission, which falls under the Office of the President. Moreover, the timeline was fixed at five years, representing the duration of the Plan; the previous three year horizon was on a rolling basis, that is, shifted one year forward each year.

Until the 2013/14 budget preparation season the PBG were divided into Volumes 1 and 2 and tended to amount to over 200 pages. Volume 1 comprised:

- Chapters 1-2: Review of Macroeconomic Developments; and Review of MKUKUTA Implementation (replaced, starting in 2011/12, by 5 year Plan Formulation Framework and Five Year Development Plan Objectives and Focus);
- Chapters 3-5: Specific Issues for Regions and Local Government; Implementation of Public Sector Reforms; the Public Enterprises (Chapters 4-5 replaced, starting in 2011/12 by Human Resource Planning and Management, and Resource Envelope and Expenditure Framework of the 5 year Plan);
- Chapters 6-10: Medium Term Public Investment Plan; Medium Term Objectives and Focus; Resource Envelope and Expenditure Framework over the following 3 years. Starting with the 2011/12 budget, 'Performance Monitoring, Evaluation and Reporting; and Institutional Responsibilities' comprised Chapters 6-7 of the PBG.

Volume 2 consisted of numerous forms and templates, reflecting the very detailed bottom-up activities-based costing nature of the Medium Term Expenditure Framework (MTEF) that was introduced to Tanzania many years ago. Activities are based on targets, which are based on objectives, and are costed on the basis of units of inputs and the unit costs of these.

Arguably, this type of MTEF is too complex and arbitrary due to the difficulties associated with linking hundreds of activities to policy objectives and allocating costs between these. The end product is a massive document in which the big picture tends to be lost amid a thicket of detail. Moreover, this approach is inconsistent with the programme budgeting framework that GoT is planning to introduce and under which programme managers would have flexibility in allocating inputs towards meeting objectives.[20]

The submissions prepared by MDAs in response to the PBGs have been similarly large (the team was provided with the submissions prepared by the Ministries of Agriculture, Works and Water).

Recognising the bulkiness of the PBG, the Volume 1 of the Guidelines for the 2013/14 budget preparation season were considerably shortened to only 18 pages.

MDAs and Regional Secretariats (RS) use the Microsoft Access-based Strategic Budget Allocation System SBAS 5 to prepare their budget submissions; MDAs indicated to the team that use of SBAS is straightforward; a copy of the manual was provided. The first step is to enter the Vote and objectives under the Vote (based on MKUKUTA goals - now the FYDP goals). The second step is to enter targets, activities, activity-input budgets, personnel emoluments (PEs) requests and Parastatal budget requests under each sub-vote (see PI-5 for the budget classification structure). Clicking on a target indicates the activities under that target and the linkages to MKUKUTA. Each activity is then costed according to type of expenditure ('Other Charges' – and Development – local and foreign financed), unit cost and quantity for the upcoming fiscal year and the following four years. The

[20] This type of MTEF was used by the Ghanaian Government for several years but was dropped a few years ago in favour of a simpler and more strategically focused MTEF. The FAD paper, noted above, points out 'the obsessive focus on detail in the preparation of MDA budgets'.

starting off point is the approved budget for the current year. PEs are costed according to the existing number of employees. MDAs can prepare different scenarios: baseline (projections of spending under existing conditions) and proposed new spending. Each MDA prepares a budget request for each public body falling under it.

The exercise, once aggregated, results in a budget request. The MoF then reviews the requests and establishes ceilings for each MDA and RS, following which MDAs and RS prepare detailed budget estimates. The Cabinet reviews the ceilings prior to their distribution through consideration of a Cabinet Paper drafted for its review (for example, Cabinet Paper No. 20 (WBL Na. 20 DSM) on Revenue and Expenditure of 2013/14)). The MoF then sends a letter to each MDA informing it of its ceiling.

(i) Existence of and adherence to a fixed budget calendar

As indicated in the BPGs, the calendar is clear and provides MDAs plenty of time (up to 8 weeks) to prepare their budget submissions. The calendar is generally adhered to; line ministries met by the assessment team indicated had no problems with the amount of time provided for the preparation of budget submissions.

The calendar was brought forward by two months for the preparation of the 2013/14 budget, so that the draft budget can be approved by Parliament before the end of 2012/13. The BPGs were therefore sent out in December 2012 instead of February 2013, with submissions to be presented to MoF and POPC by the end of February, 2013.

(ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions

As indicated above, MDAs prepare budget submissions on the basis of the PBGs distributed by MoF and the Planning Commission (POPC), as approved by Cabinet. The MoF and POPC then scrutinise the submissions and prepare ceilings for each MDA for the detailed estimation of the recurrent and development budgets. The ceilings are discussed by the Cabinet prior to their circulation to the MDAs.

(iii) Timely budget approval by the legislature or similarly mandated body

<u>Draft budgets in the past have been submitted to Parliament in mid-June, in common with the traditional anglo-phone country system of budget preparation (e.g. Kenya and Uganda have the same systems), with approval during July-September. Table 15 indicates date of approval.</u>

Table 15 : Dates of approval of the draft budget

Fiscal Year	Date Passed/Presidential Assent
2009/2010	21st August 2009
2010/2011	28th July 2010
2011/2012	8th September 2011

On-going and planned activities

A new budget preparation calendar is in effect for the preparation of the 2013/14 budget. The process has been brought forward by 2 months, with a view to budget approval by the end of the fiscal year.

With support from IMF/East AFRITAC, MoF is planning to introduce a programme budgeting framework in support of a strengthened MTEF process.

PI (M2)	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-11	**C+**	**B+**	**Performance improved in terms of Cabinet involvement of preparation of ceilings (dim ii) and date of budget approval (iii).**
(i)	B	A	**No change in performance.** The 2010 PEFA assessment provided a B rating on the basis of the Parliament approving the budget after the end of the fiscal year. This, however, appears to have been a misunderstanding of the scoring criterion, which concerns the preparation of the budget estimates, not when these are submitted to Parliament (and, in any case, submission in mid-June, is consistent with the calendar).
(ii)	B	A	**Performance has improved** as the Cabinet approves the spending ceilings proposed by MoF and POPC for each MDA following scrutiny of the budget submissions prepared by MDAs on the basis of the PBGs. The PBGs are clear and comprehensive and indicate a linkage to policy objectives within a medium-perspective. The 2010 PEFA assessment notes that the spending ceilings were not always approved by Cabinet prior to their dissemination.
(iii)	D	C	**Improvement in performance.** Draft budgets have not been presented to Parliament until mid-June, just prior to the end of the FY. The Parliament approved the Appropriations Acts for the last 3 years on 21st August, 2009 for 2009/10 budget; 28th July 2010 for the 2010/11 budget, and on 8th September, 2012 for the 2011/12 budget. Two of the budgets were approved within 2 months after the start of the fiscal year.

3.4.2. PI-12: Multi-year perspective in fiscal planning, expenditure policy and budgeting

This indicator considers the link between budgeting and policy priorities in the medium-term perspective and the extent to which costing of the implications of policy initiatives is integrated into the budget formulation process.

(i) Preparation of multi -year fiscal forecasts and functional allocations

The BPGs contain a "Budget Frame" that shows projections of resources by type and expenditures according to broad economic classification over the medium term (five years ahead under the 5 Year National Development Plan, starting with the BPGs for 2011/12-2015/6, 3 years ahead previously on a rolling basis). The Budget Frame is estimated on the basis of a macroeconomic forecasting model (MACMOD) used to forecast real GDP growth and a Financial Programming Model (FPM) used to project the overall spending ceiling over the medium term on the basis of forecasts of real GDP growth and targets for inflation, international reserves coverage of imports and borrowing consistent with debt sustainability. The PAD received TA from IMF and MEFMI in the use of these models, but has been self-reliant since 2008.[21]The 'Background to the Budget and Medium Term Framework', issued after the budget is approved, also shows the Budget Frame

The Policy Analysis Department (PAD) is responsible for the Budget Frame, which is shown in the PBG and Budget Speeches. It indicated that the second year of the Budget Frame does not as yet indicate the starting off point for preparing next year's budget, partly due to uncertainty of resource projections, including those related to assistance from development partners. The cash rationing system used to execute the annual budget (PI-16) is symptomatic of such uncertainty, even during the year, let alone over the medium term. The annual BPGs do not explain the differences between the projections made now for the next few years and the projections made for the same years one year from now.

The budget documentation does not show medium term spending projections on an MDA by MDA basis or on a functional basis, although MDAs make such projections as part of their budget submissions. The Ministry of Education indicated that it does not take the second year of its MTEF (prepared through the PBG) seriously under the cash-constrained environment and the related high incidence of expenditure arrears (PI-4). As indicated under PI-11, the projections are at objectives-linked activity level and therefore could in principle (after some simplification) be used as a basis for introducing a robust Medium Term Expenditure Framework (MTEF).

The introduction of the Five Year National Plan in 2011/12 complicates the strengthening of the MTEF. The three year rolling MTEF previously in place, facilitated, albeit imperfectly, re-calibration each year (i.e. re-prioritisation of existing spending, introduction of new spending, fiscal space permitting). The FYNP is fixed, however, implying an improbable accurate knowledge of overall fiscal resources available near to the end of the FYNP, that objectives and priorities will remain unchanged, and that the medium-term perspective will diminish towards zero. .[22]

21 The PAD provided the assessment team with a copy of a report prepared by the Financial Programming Working Group during January-February, 2013 to review economic developments during the first half of 2012/13 and to revise the forecasts and targets for 2013/14-2016/17. The exercise drew participants from MoF, POPC, BoT, National Bureau of Statistics, TRA and IMF Resident Office.

22 As noted in a paper prepared by the Fiscal Affairs Department (FAD) of IMF in April 2011 – "Improving Preparation, Execution and Reporting of the Budget".

(ii) Scope and frequency of debt sustainability analysis

Aided by assistance through PFMRP 3, PAD has strengthened its capacity to conduct debt sustainability analysis (DSA). It prepared its first and second DSAs in 2010 and 2012 respectively, the first of which was used as input to GoT's Medium Term Debt Strategy, dated June 2011 (PI-17). The DSAs cover both external and domestic debt. Prior to 2010, DSA was conducted only by IMF/World Bank within the context of the IMF's Article IV consultation reports and the Policy Support Initiative (PSI), also supported by IMF. The PAD's DSA is taken into account in the dialogue between IMF and GoT on the parameters underpinning the PSI. The planned integration of all debt management responsibilities under one office (PI-17) should support the continuation of DSAs and the strengthening of their robustness.

(iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditure

Sector strategies have been prepared, *inter alia,* by the Ministries of Education, Health, and Infrastructure Development (now called Works), covering both central and local government. The largest sectors are Education, Roads, Health, Agriculture, Energy and Water respectively, the budgeted expenditures of which comprise 19.5%, 12.7%, 8.5%, 7.2%, 4.8% and 4% respectively, and, in total, 57 percent of total government expenditure (i.e. combined central and local).[23]

Apart from the Health Sector Strategic Plan (2010-2015, replacing the previous one for 2006-10), the strategies are not costed. The Health plan is costed, representing 8.5% of total government expenditure. but is not necessarily fiscally realistic, as it shows a sizeable resource gap under the expectation that this will be filled. Moreover, the Health plan may not take into account the extent of donor activity in the health sector, as some of this activity is off-budget (e.g. USAID projects) and not reflected in budget documentation. Global Fund activities – significant in terms of financial magnitude -- however, are now on budget. None of the plans indicate any sense of prioritization and logical sequencing of activities, taking into account capacity constraints.

Full *ex-ante* costing of sector strategies is difficult in a decentralized environment, particularly in the case of the education and health sectors, where a significant proportion of expenditure is at local authority level: 60% for education, 46% health. Nevertheless, fiscally realistic costing of strategies takes place through the annual budget process, as the budget submissions prepared by MDAs (PI-11), contain medium term expenditure projections, which, through the costed activities, are explicitly linked to the policy objectives embodied in the strategies. In this sense, the submissions in effect represent the fiscally realistic costing of the strategies. The future recurrent costs implied by committed capital investments are not necessarily fully taken into account, however. According to the Budget Department in MoF, some MDAs are more diligent than others in projecting such

[23] BBMTF for 2013/14-2015/16, Annex 2.

recurrent costs, though, on the other hand, politicians tend to accord higher priority to development budgets rather than recurrent budgets.

iv) Linkages between investment budgets and forward expenditure estimates

The annual budget is divided into a recurrent budget and development budget. The latter appears in the budget documentation on a project by project basis and contains a significant element of DP funding, a significant amount of which covers recurrent expenditure (as noted in the 2010 assessment). Since 2011/12, the Planning Commission, situated in the Office of the President, has been re-exerting its authority over the preparation of the development budget, thereby potentially increasing the degree of separation between the two budgets. The Planning Commission's authority mainly rests, however, in the choice of projects to be included in the Development Budget, which is still prepared simultaneously with the Recurrent Budget under the guidance of the annual Planning and Budgeting Guidelines (PBG).

Selection of projects during the budget preparation process tends to be based on sector strategic plans, though, as these plans are not costed and prioritised, the linkages tend not to be tightly defined.

As indicated under dimension (i), the budget preparation process generates forward expenditure estimates through the use of the PBG templates. The methodology does not require the recurrent cost implications of committed/completed investment projects to be explicitly identified in the templates. They may be identified, however, through the 'units' column (i.e. units, for example, the number of teachers to be recruited is likely to increase, due to new schools being built). According to Budget Department, some ministries are better at doing this than others, particularly in the case where donors are funding a capital project and require that the associated operating costs should be included in the development budget (particularly the case for the Ministries of Health and Education, both major ministries). The preferable situation would be for GoT to finance these costs directly through the recurrent budget, but budget constraints have tended to preclude this. Even so, the implications may not be fully taken into account in the case of GoT-funded capital projects.

PI (M2)	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-12	C	**C+**	**Performance has improved in terms of debt sustainability analysis (ii)**
(i)	C	C	**No change in performance.** The Budget Frame provides projections over the medium term (5 years starting with the 2011/12 budget) for resources and spending on an aggregated and broad disaggregated basis and only at an economic classification level in terms of expenditure. Differences between second year of this year's Frame and the first year of the next year's Frame are not explained.
(ii)	B	B	**Performance has improved through MoF undertaking its first Debt Sustainability Analysis (DSA) in 2010 and its**

PI (M2)	Score 2010 PEFA	Score 2013 PEFA	Assessment
			second in February 2012. Previous to this, DSAs were conducted by IMF/World Bank with little Government ownership of the process. Thus the 2010 assessment rated this dimension too high.
(iii)	C	C	**No change in performance.** Sector strategies have been prepared for several years for at least the 6 largest sectors, the expenditures of which comprise about 55% of combined central and local authority expenditure. The strategies tend to be un-costed or not consistent with fiscal realities. The costings are generated in large part, however, through the completion of the forms used by MDAs to prepare their annual budget submissions; costings are based on planned activities, themselves derived from objectives consistent with the strategies. The process is the same as during the period covered by the 2010 assessment. The 2010 assessment scored C on the basis of strategies being fully costed for most sectors, but not being consistent with fiscal forecasts. The first part of this sentence seems incorrect, as the strategies appear not to have been fully costed. Nevertheless, performance appears unchanged.
(iv)	D	C	**Performance is unchanged.** Development projects tend to be selected on the basis of sector strategies, which themselves tend to be consistent with overall national plans. Though the process is far from perfect, some ministries (e.g. Health, one of the major ministries) are more diligent than others in incorporating the recurrent cost implications of committed development projects into the forward estimates that they prepare each year through the PBG. Budget constraints have led, through GoT-DP agreements, to these estimates being included in the development budget rather than the recurrent budget. The situation has not changed since the 2010 assessment. The PBG forms for preparing forward estimates are unchanged, and these forms allow the recurrent cost implications of committed development projects to be included. The D rating in the 2010 assessment appears to be too low; the PBG process is not even mentioned.

3.5 Predictability and control in budget execution

This set of indicators reviews the predictability of funds for budget execution and the internal controls and measures in place to ensure that the budget is executed in an accountable manner. The set is divided into three sub-components: Revenue administration, budget execution and cash/debt management, and internal control systems.

3.5.1 Revenue Administration (PIs 13-15)

PI	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-13:Transparency (M2)	B+ *(revised from NR)*	B+	***Overall performance has strengthened*** *due to measures taken to increase transparency in the granting of tax exemptions, and TRA actively promoting taxpayers' compliance through education campaigns and the use of technology. Dimension (i) was rated too high in the 2010 assessment.*
PI-14: Controls (M2)	C+	C▲	***No change in performance, but strengthening is in process.*** *The TIN still provides only a limited tool for taxpayers' registration. Penalties for non-compliance with tax registration requirements are not effective to bring in non-compliant economic operators. Tax audits are planned but risk assessment remains rudimentary. The on-going audit module development warrants an arrow. The 2010 rating was too high as risk profiling was limited.*
PI-15: Collection and Accounting (M1)	B+ *(revised from NR)*	B+▲	***No change in performance,*** *but strengthening is in process through the Revenue Gateway project, which will streamline the flow of revenues into GoT's Exchequer Account in BoT.*

3.5.1.1 PI-13: Transparency of taxpayer obligations and liabilities

This indicator assesses the level of clarity and comprehensiveness of major tax legislation and regulations; access of taxpayers to this information; and the existence and functioning of the tax appeals mechanism.

Background

The Tanzanian Revenue Authority (TRA), in operation since 1996 under the TRA Act, is responsible for collecting all taxes under the mandate of twelve tax laws, the most important of which are the Income Tax Act,(2004) and the Value Added Tax Act, 1997. The East African Community Customs Management Act, 2004, is supported by the protocol on the Establishment of the East African Customs Union rather than on domestic tax law. A new Tax Administration Law is being drafted, the purpose of which is to harmonise the existing tax laws. The VAT Act is being amended to allow for advance rulings. The TRA sits on the Cash Control Committee (alongside representatives from MoF and BoT) where it provides inputs on revenue forecasts.

TRA has a large taxpayer unit that focuses on less than 50 payees representing more than 70 percent of collections. TRA has operated an online tax administration system (ITAX) for the past ten years, which performs well, but is now in need of upgrading, and is also operating ASYCUDA ++, an on-line customs administration system, which permits traders to post documents on line.

(i) Clarity and comprehensiveness of tax liabilities

The tax laws are comprehensive and clear. The tax laws enable the Minister of Finance to waive taxes due and any penalties and interest. The General Commissioner of TRA can delegate his officials to waive penalties and interest, but not principal. The procedures oblige TRA to inform the CAG and the Legislature of any waivers of principal and to gazette the waiver decisions. There is no specific manual to guide the application of the penalties. Table.16 summarises the waivers/exemption system.

Table 16 : Waivers/exemptions system.

Authority/Type of Waivers/exemptions	Principal	Interests / Penalties	Controls	Publication
MoF (Minister)	Yes	Yes	CAG + Parliament	Gazetted
TRA	No	Yes	Annual Audit	Gazetted
Other Ministers &d Corporations	Not allowed according to GN 2010 but authorised by other Acts	Unknown	No access for CAG to Mining contracts	Confidential

The Government Notice (GN) issued by the Chief Secretary of the President's Office (PO) in 2010 clarified that tax exemptions and other incentives are the prerogative of the Minister of Finance and prohibited all other authorities from issuing any. Tax exemptions already granted by the Minister for Energy and Minerals under the auspices of the Mining Act for specific contracts for natural resource extraction were allowed to remain in place until they expire.[24] These exemptions were reported in the CAG annual general report for FY 2011/12 with references to Ministry of Energy and Minerals (MEM) and the Tanzanian Petroleum Development Corporation (TPDC). In addition, exemptions that used to be granted under the Special Economic Zones (SEZ) and Export Processing Zones (EPZ) outside the tax laws have been mainstreamed into the tax laws since July 2012.

Table 17 shows the extent of tax exemptions granted in recent years. The incidence fell sharply between 2007/08 and 2009/10 to 2.1% of GDP from 3.5%, but increased sharply to 4.3% in 2011/12. The CAG's report for FY 2011/12 indicates concern over the sharp increase, though increase does not necessarily imply an increased level of discretion in granting exemptions.

24 Although the GN issued by the Chief Secretary in 2010 prohibited this practice, the Mining Act authorises the Minister of Mines to grant exemptions. In the cases of both MEM and TPDC the CAG did not have access to the contracts, thereby limiting its jurisdiction over the application of the laws and regulations.

Table 17: Tax exemptions

FY	As % of GDP	As % of Revenue Collections
2007/08	3.5	23.6
2008/09	2.7	18
2009/10	2.1	14.7
2010/2011	2.9	19
2011/2012	4.3	27

Source: CAG Report, 2011/12

In the case of customs duties, private sector organisations met by the assessment team indicated that TRA officers may miscode the items imported and thereby increase the values of imported goods, disregarding the supporting documentation provided. It was not possible to verify the extent of such malpractices, but they indicate a possible significant element of discretion in the application of the tax laws.

According to TRA, however, the valuation system is based on the Agreement on Customs Valuation (ACV) while classification of goods is based on the Standard Tariff Code. The degree for discretion outside the requirement of the ACV valuation is limited. The various methods used to establish values for taxation purposes are in line with the ACV stages. Miscoding is contestable and is not a common practice.

(ii) Taxpayer access to information on tax liabilities and administrative procedures

In order to increase voluntary compliance and thereby free-up resources to address non-compliance, TRA has strengthened taxpayer access to information on tax liabilities and administrative procedures through taxpayer education programmes, the establishment of a fully-fledged Call Centre in May 2012 and the modernisation of its web-site. The website now provides step-by-step explanations and access to calculations, forms and laws. It remains to be translated into Ki-Swahili, but the likelihood is that most people who use the internet are conversant in English. As in Kenya, advancements in IT, including developments in cellular phone technology, have played an important role. As indicated in the 2010 assessment, TRA already had developed some comprehensive taxpayer education material, in both English and Ki-Swahili and had an active taxpayer education programme across the country, involving communications in newspapers, the radio and billboard advertising. The main strengthening since then has been through IT advancement.

(iii) Existence and functioning of a tax appeals mechanism

As referred to in the 2010 PEFA assessment, the Tax Revenue Appeals Act of 2000 established the Appeals Board and Tribunal. Appointees to the Board must have the requisite professional qualifications.

The Appeals process is a two-stage administrative and one stage judicial process, before a taxpayer can file in a Court of Appeal. The process starts as an objection to TRA's assessment, filed with the General Commissioner on the basis of misapplied law, incorrect factual findings, abused powers and biased decisions. The taxpayer has 30 days to file an objection, following which TRA has 7 days to accept and request evidence. If unsatisfied, the taxpayer can then appeal to the Tax Appeals Board. This process is also time bound and the conditions are more restrictive in order to deter frivolous appeals. If still unsatisfied, the taxpayer may then choose to appeal to a Tax Tribunal. All decisions of the Appeal Board and the Tribunal are published. Both Board and Tribunal decisions are binding on TRA. Tables 18 and 19 provide summary data on objections and appeals.

Table 18: Summary data on objections

	2009/10	2010/11	2011/12
Revenues collected, TZS bln.	4,638	5,550	6,703
Outstanding objections at end of FY, TZS bln.	50.6	99.5	101.5
% of collection	***1.1%***	***1.8%***	***1.5%***
Outstanding Files, end FY	***310***	***396***	***405***

Source: TRA

Not all objections are reviewed within 12 months due to taxpayers not submitting the required documentation or disappearing after the objection, but objections are usually settled within 6 months. The overall volume of objections is low though it has increased.

Table 19: Summary data on appeals

	2009/10		2010/11	
	Number	Amount (TZS bln.)	Number	Amount (TZS bln.)
Handled Cases	122	96.4	314	3,885.2
New Cases	36	64.3		
Finalized Cases	67	53.1	103	219.5
Cases Finalized in favour of TRA	42	19.2	57	138.3
Cases Finalized Against TRA	25	33.9	33	60.9

Appeals may remain open for a longer period of time than for objections as they may be unresolved by the Board, pending documentation, and other proceedings. Private sector organisations report that their members appeal assessments of income tax, VAT and customs, and consider that the process works fairly well.

On-going and planned activities

A Tax Ombudsman is to be created with support from DFID to reinforce the independence of the appeals mechanism. The VAT Act is expected to be amended due to the numerous exemptions from it (zero-rated, exemptions, special relief) that impact on the tax base and reduce its efficiency while making it more distortive. Further, TRA seeks to harmonise all penalties applicable for non-registration and non-filing. A new Tax Administration Law is being drafted, the purpose of which is to harmonise the existing tax laws. A manual will be designed to provide clear guidance. TRA's CP4 document, presented to donors who were impressed with it, indicates how TRA is planning to strengthen tax administration over the next few years.

PI (M2)	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-13	**B+** *(revised from NR)*	**B+**	**Overall performance has strengthened due to measures taken to increase transparency in the granting of tax exemptions, and TRA actively promoting taxpayers' compliance through education campaigns and the use of technology. Dimension (i) was rated too high in the 2010 assessment.**
(i)	B	C	**Performance has strengthened somewhat due to the Government Notice issued in 2010 that states that only the Minister of Finance can approve tax exemptions and due to the mainstreaming of SEZ and EPZ exemptions into the tax laws since July 2012.** Nevertheless, as commented on extensively in the CAG report for 2011/12, the granting of tax exemptions still suggests a significant degree of non-transparency in the granting of exemptions. The rating in the 2010 assessment should have been D due to the lack of transparency in granting tax exemptions. The GN notice of 2010 followed by the mainstreaming of SEZ and EPZ exemptions into the tax laws since July 2012 indicate some improvement in the situation, though lack of transparency is still significant.
(ii)	B	A	**Performance has strengthened.** Continuing taxpayer education campaigns, the establishment of a Call Centre, modernising of TRA's website and improvements in technology that facilitate the use of mobile telephony to pay taxes and obtain information have all contributed.
(iii)	A *(revised from NR)*	A	**No change in performance.** The tax appeal mechanism is an administrative two-stage process that can lead to a judicial process. The Appeals Board is independent. The process is clear, accessible and its proceedings are documented and decisions published. The tax appeal mechanism has not changed since 2010; should data have been available, it is probable that a score of A would have been given.

3.5.1.2 PI-14: Effectiveness of measures for taxpayer registration and tax assessment

(i) Controls in the taxpayer registration system

A Tax Payer Identification Number (TIN) is required (Section 132 of the Income Tax Act) for any self-employed person or corporate body, including its directors within 15 days of establishing a business. Checkpoints include customs clearance, vehicle registration and the Business License Agency; no TIN, then no customs clearance/business license/vehicle registration. The database of the Business License Agency is not linked to TRA, so TRA can't check that licenced businesses do in fact have TINs. The TIN allows the integrating of data on importers and vehicle registration under a single database.

Tax Compliance Certificates (TCC) have not been required by GoT since 2003 for businesses transacting with GoT even though the TCCs would help TRA to enforce compliance. The reason is the complaints from business people about the nuisance factor involved. Only a TIN is required, thereby directly lowering the incentive to comply with declaration requirements. MDAs provide TRA with copies of some contracts they enter into (excluding those below the open tender threshold) though TRA does not know the share of contracts that these represent.

Until very recently (January 2013), Tanzania did not have a National Identification Card system, the unique numbers of which serve as the TIN in some countries and is thus a good system for control. A TIN is not required for employees or for obtaining a passport, thus representing missed opportunities for control (though employees pay income tax anyway through PAYE (Pay as You Earn)). Commercial banks may request TINs from people/companies wanting to open bank accounts, but they have no legal basis for doing so. TRA cannot obtain information from the banking institutions or require them to make it compulsory to ensure that new clients have TINs.

The CAG noted in its latest general report (for 2011/12) that ministries such as MEM and Ministry of Natural Resources and Tourism were not following the law adequately and were collecting revenues (e.g. licence fees) from companies without requiring that they had TINs, thereby undermining controls in taxpayer registration and collection of taxes.

TRA and MOF report low compliance with registration requirements in general despite promoting voluntary compliance. As noted under dimension (ii), penalties for such non-compliance lack effectiveness. A study conducted by TRA confirmed a large informal sector that is not captured in the tax base (not even in the VAT tax base due to the significant number of VAT exemptions and special relief). Private sector organisations report significant tax evasion, compounded by corruption, contributing to the entry of substandard and counterfeit goods on the local market. A study conducted several years ago estimated resultant foregone revenue of TZS 1.2 billion.

(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations

The penalties for non-compliance with declaration obligations are meaningful. Penalties are levied according to the specific tax laws. The penalty for income tax is 2.5 percent a month, compounding over time. The penalty for late VAT returns is 1 percent per month of the VAT due (or TZS 50,000, whichever the greater), increasing by an additional one percent a month (or TZS 100,000, whichever is greater) for each month of delay. TRA also charges interest for late declaration at the rate that Bank of Tanzania (BOT) establishes for commercial bank lending. Both penalties and interest charges are well beyond the current annual inflation rate of 9 – 10 percent. The law empowers TRA to collect due taxes, penalties and interest from any entity holding assets on behalf of the payee.

The VAT Law provides for penalties for non-registration for VAT. Section 104 of the Income Tax Act provides penalties for non-compliance with the Act, including non-compliance with registration requirements: (i) a fine of TZS 100,000-500,000 (€40-€200) if the tax evaded exceeds TZS 500,000; (ii) a fine of TZS 25,000-100,000 (€10-€40) for other cases. For businesses, these penalties appear not to be steep enough to deter non-compliance with registration requirements. The penalties appear steep enough in the case of the large informal sector, but they are difficult to enforce due to the largely rural-based nature of informal sector activity (including smuggling) and the only partial use of banking systems; use of physical cash makes it harder for TRA to check for compliance registration and declaration requirements. Rigorous checking for compliance requires assessment of peoples' consumption patterns, but this is only possible though advanced risk profiling, database linkages and supporting laws.

(iii) Planning and monitoring of tax audit and fraud investigation programmes

Even though TRA has developed a risk management framework for its own operations as an organisation, it does not use this for tax audit planning except at a simple level. It classifies 10 percent of Large Taxpayers as complex cases and targets the number of cases on that basis. It does not compile other information such as economic sector, tax types, and transactions with other audited firms, that would allow it to address specific risks. For example, the audit plan for domestic revenue is a selection of districts with targets for corporate and non-corporate entities. This provides a useful basis for developing risk profiles but is not sufficient to actually identify risk.

The Customs Department uses a certified business operators' scheme as a means for monitoring international and EAC importers in terms of risk. Only a few operators are certified in the EAC region. The scheme has contributed to the adoption of a risk-based scanning and inspection process. Risk in the EAC area is assessed in terms of products rather than operators (outside the EAC area risk tends to be assessed in terms of operators). Some products are considered high risk, and will automatically be inspected.
The audit module in ITAX is being strengthened to allow for risk profiling, which in turn should improve the effectiveness of the tax audit function.

On-going and planned activities

TRA is planning a project to link company registries with it and thus help to inform risk-based audit planning. As mentioned under PI-13, TRA is drafting a harmonised tax law that would simplify the penalties system.

PI (M2)	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-14	**C+**	**C▲**	**No change in performance, but strengthening is underway. The TIN still provides only a limited tool for taxpayers' registration. Penalties for non-compliance with tax registration requirements are not effective to bring in non-compliant economic operators. Tax audits are planned but risk assessment remains rudimentary. The on-going audit module development warrants an arrow.** The 2010 rating was too high as risk profiling was limited.
(i)	C	C	**No change in performance.** The TIN database design in principle allows for the integrating of all taxpayers into a single database but it does not capture all income earners. Efforts to capture them are impeded by lack of linkages to other databases. Opening of bank accounts and company registrations are not yet linked to TINs. Ministries collecting taxes on specific mining and forestry-related activities do not request TINs from the companies involved, in breach of the law. Enforcement of the requirement to have TINs is limited
(ii)	C	C	**No change in performance.** Penalties exist and are set at effective levels for non-compliance with tax declaration obligations, but not for non-compliance with tax registration obligations, thereby contributing to non-compliance and the large size of a cash-based informal sector. Use of physical cash in transactions makes it harder for TRA to check the probity of declarations.
(iii)	B	C▲	**No change in performance, but strengthening is underway.** A continuous program of tax audits and fraud investigations is in place, but audit programs are not based on clear risk assessment criteria, as was the case at the time of the last assessment. The score assigned for this was too high as risk profiling was limited. TRA is developing a risk-based auditing framework, hence the arrow.

3.5.1.3 PI-15: Effectiveness in collection of tax payments

This indicator assesses the effectiveness of the tax administration authorities to control the level of tax arrears and collect them when they occur, to transfer tax collection to the Treasury on a timely basis and to undertake reconciliation exercises to ensure that the collection system works as intended. This indicator analyzes the last two completed fiscal years for the first dimension and the situation at the time of this assessment (May 2013) for the other two dimensions.

(i) Collection ratio for gross tax arrears

TRA maintains records on tax arrears stocks, flows and collection. However it is not possible to use ITAX to keep track of the age profile of arrears and this has to be done manually. Arrears reported are low (below 2 percent of tax collections for the last three completed fiscal years). Collection ratios are low, however. TRA's target is a 65 percent collection rate, but the actual collection rate was significantly lower in two of the last 3 fiscal years, as indicated in Table 20. According to TRA, some arrears are more than a year old, and cannot be collected. The write-off policy implies a long process that eventually requires Parliamentary approval. Thus arrears continue to accumulate (including interest and penalties) until write offs can be made

Table 20: Tax arrears stock and collection, FY 2009/10- to FY 2011/12

TZS millions	**2009/10**	**2010/11**	**2011/12**
Total collection	4,427,834	5,293,277	6,654,891
Tax arrears at the beginning of the year	48,978	40,593	40,398
Arrears as % of collections	**1.1%**	**0.8%**	**0.6%**
Collection of beginning-year balance	35,749	20,233	21,037
% arrears collected	**73.0%**	**49.9%**	**52.08%**

Source: TRA

TRA indicates that no arrears can be generated in the case of customs, as cargo cannot leave bond stations until payment has been made and verified.

(ii) Effectiveness of transfer of tax collections to MoF

Taxes are paid directly to MoF's account in BoT for the 5 percent of taxpayers that represent 70 percent of collections. The remaining 95 percent of taxpayers pay to commercial banks, which transfer to the BoT account within 48 hours. Some negligible amounts are collected in cash, for example, Stamp Duty.

(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by MoF

For the monthly Directors' Board meeting, TRA prepares a report, reviewed by the team on-site, that includes monthly reconciliation between tax assessed and collection, thus showing monthly the arrears outstanding, and between collections and transfers to the Treasury. The report includes all tax refunds. The report is prepared monthly on the basis of the previous month's data.

On-going and planned activities

The Revenue Gateway Project being implemented by TRA and BoT is aimed at enabling 'real time' revenue reporting and monitoring through improving tax payment flows and facilitating daily transfers of all revenues to MoF's Exchequer account in BoT.

PI (M1)	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-15	**B+ *(revised from NR)***	**B+▲**	**No change in performance, but strengthening is in process.** The Revenue Gateway project currently being implemented will streamline the flow of revenues into GoT's Exchequer Account in BoT.
(i)	A *(revised from NR)*	A	**No change in performance.** Data on the stock of tax arrears for the last three years indicate a ratio to tax collections of below 2% and an average debt collection ratio of 65 percent. Conversations with TRA officials and data reported for 2008/09 in the 2010 PEFA assessment indicate that the stock of arrears/tax collection ratio and tax debt collection ratio were probably similar.
(ii)	B	B▲	**No change in performance, but strengthening is in process.** Revenues are paid by Large Taxpayers directly to the Exchequer Account held at BoT. Other revenues are paid into commercial bank accounts and then transferred to the Exchequer Account 48 hours later. The Revenue Gateway project currently being implemented will streamline the flow of revenues into the Exchequer Account..
(iii)	A	A	**No change in performance.** Reconciliations between assessments and collections are conducted monthly on the basis of the previous month's data.

3.5.2 Budget Execution and Cash/Debt Management (PIs 16-17)

Summary of assessment of indicators for PIs 16-17

PI	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-16: Budget execution	C	C	***No change in performance***
PI-17: Cash/Debt management	C	C▲	***Performance is improving under dimension (i)*** *through the consolidation in January 2010 of the external debt data base maintained by Bank of Tanzania (BoT) into the debt data base maintained in ACGEN (CS-DRMS). Not all debt is routinely reconciled monthly and some data issues remain.*

3.5.2.1 PI-16: Predictability in the availability of funds for the commitment of expenditures

Effective execution of the budget in accordance with work plans requires that spending ministries and agencies receive reliable information on the availability of funds within which they can commit expenditure.

(i) Extent to which cash flows are forecast and monitored

The 2010 PEFA assessment noted that the cash management system was still nascent, providing a rating of C; the situation has changed little since. MDAs prepare monthly cash flow forecasts after the budget is approved. The exercise appears to have improved in quality (based on some cash flow forecasts provided to the team), with diminishing recourse to simply dividing by 12 rather than taking into account seasonal and other factors. The exercise is still partly mechanical, however, as the cash rationing system implemented by MoF partly nullifies its usefulness, the monthly cash expenditure limits mainly based on cash availability and the previous monthly budget implementation reports of MDAs. MDAs still tend to front-load their forecasts, seemingly to improve the probability of obtaining the resources, but this is self-defeating if they all do this. A major deficiency is that MDAs' procurement plans only show the names of projects and the likely dates for tender issuance, with little information provided on the amounts and dates of commitments and ensuing payables. The cash rationing system does not apply to DP-funded projects/programmes.

A Cash Management Unit (CMU) was established in ACGEN in 2007. Its role has been mainly one of co-ordinating the gathering of information on resource inflows and expenditures and projecting these for the next month/quarter, taking into account outstanding exchequer releases, obligatory expenditures (e.g. personnel emoluments, debt service payments), commitments and the priority of known large invoices (e.g. interim payments certificates under major contracts). It then sends the information to the high level Ceiling Committee (CC), consisting of senior management representatives from MoF, BoT, PPRA and TRA, which then allocates the projected monthly resources between the competing claims for resources. The CMU has yet to transmorph into a CMU that can prepare a cash plan for the year, based on revenue and expenditure (cash flow) forecasts, that provides an estimate of financial resources that will be needed for each MDA for each month, consistent with its approved budget.[25]

(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment

Under the cash rationing system, proposed expenditure commitments (through LPOs and contracts) can only be processed through EPICOR if cash is available under the one month limit (i.e. if the monthly cash expenditure ceiling is 1 million TZS for an MDA, an LPO for more than that would be rejected by EPICOR). In practice, MDAs negotiate

25 As also noted in IMF's Fiscal Affairs Department (FAD) report on 'Improving Preparation, Reporting, and Execution of the Budget' prepared by Abdul Khan, John Gardner and Andrew Bird, April 2011.

contracts/LPOs outside IFMIS and then present invoices/interim payments certificates in EPICOR once the cash limits are known and MoF has issued exchequer releases (authorisation to spend) for the items in question. A quarterly budget allocation system for commitments (i.e. commitments could have a 3 month time horizon) used to be in effect, which included monthly limitations for actual payments. But, since 2011/12, only the monthly cash limit system has been in effect.

Cash rationing is very useful for ensuring budget discipline in support of macro-fiscal stability, but impacts on service delivery if funding is not provided on time and in sufficient amounts.

(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs

In addition to thousands of adjustments to budget allocations made during the year within MDAs (the large quantity reflecting the very detailed line item coding system), several reallocations between MDAs take place each year and which require the approval of the Minister of Finance. Prior approval of Parliament is not required for these. The reallocations are documented and published each year under 'Reallocation Warrants No. 1' (Virements between Votes; Warrant No. 2 covers virements within votes). Most of the adjustments represent use of reserve and contingency items that are contained under Vote 21 (Treasury Department in MoF) for which the distribution between MDAs had not been determined at the time of the budget preparation. The salary adjustment item, for example, represents distribution of increases in wages and salaries agreed upon at the beginning of the year, but which was not yet allocated.

Reallocation Warrant No. 1 for 2011/12 contains hundreds of adjustments at Vote level to line items (e.g. air travel tickets), with no explanation provided. Reallocations from the salary adjustment reserve item (code 210107) probably do not need much explanation, but reallocations from Contingencies (code 229930) and Domestic Debt (code 290704) would warrant some explanation. Reallocations from the Domestic Debt reserve item would warrant some explanation in particular, as this is used to help pay off expenditure arrears. Paying these arrears, representing over spending in the previous year is at the expense of public services that would otherwise have been funded this year.

Prior Parliamentary approval is required for Supplementary Budgets. These are only prepared in the event of a desire to increase overall expenditure, perhaps reflecting higher revenues than expected. Only one Supplementary Appropriations Bill has been enacted during the last 3 years.

PI (M1)	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-16	C	C	**No change in performance.**
(i)	C	C	**No change in performance:** The quality of cash flow forecasts prepared by MDAs is improving, but they tend not to take procurement plans into account, thus limiting their usefulness. The usefulness of the forecasts is limited anyway as the MoF continues to implement its monthly cash rationing regime, which tends not to correspond closely with the forecasts.
(ii)	C	C	**No change in performance.** Under the cash rationing system, exchequer releases (authorisations so spend) are issued on a one month basis only according to the monthly cash limit. In effect, proposed commitments entered into EPICOR cannot exceed the monthly limit. What tends to actually happen is that commitments are made outside EPICOR and then, following receipt of invoice, are entered into EPICOR up to the limit of the exchequer release, and then any remaining balances paid off monthly.
(iii)	C	C	**No change in performance.** Reallocations between MDAs decided above the level of MDA are frequent, and consolidated under Reallocation Warrant No. 1 each year. Prior Parliamentary approval is not required. Many of the reallocations are from reserve and contingency items contained in Treasury Vote 21. Explanations are not provided, even for reallocations from the Domestic Debt reserve item, which is used to help pay off expenditure arrears from the previous year, at the expense of public services that could have been delivered this year if the arrears had not been incurred.

3.5.2.2 PI-17: Recording and management of cash balances, debt and guarantees

Efficient management of debt and debt guarantees is an essential component of fiscal management. Poor management of debt and debt guarantees can create unnecessarily high debt service costs. With regard to efficient cash management, an important requirement for avoiding unnecessary borrowing and interest costs is that balances in all government held bank accounts are identified and consolidated (including those for extra-budgetary funds and government controlled donor-funded project accounts).

(i) Quality of Debt Recording and Management

As of March 31st, 2013, public external debt amounted to US$ 9.5 billion, of which US$ 5.9 billion was due to 10 multilateral agencies, US$ 3.2 billion to 19 bilateral agencies, and US$

1.4 billion to 8 commercial banks (including Exim Banks of China, India and Korea).[26] Publicly-guaranteed private sector external debt was very small, about $8 million. Public domestic debt amounted to about US$ 2 billion. External loans are contracted in different currencies, representing a complicating factor for debt management due to exchange rate fluctuations. Contingent liabilities are excluded from the debt stock.

The main institutional change since the 2010 PEFA assessment was the consolidation in January 2010 of the external debt data base maintained by Bank of Tanzania (BoT) through CS-DRMS into the external debt data base maintained in ACGEN, also through CS-DRMS. Maintaining all external debt data in one database reduces the extent of inaccuracies in debt recording (e.g. double entries) and increases the timeliness of preparation of debt management reports. The BoT still has a major role in managing GoT's domestic debt, through its issuance of treasury bills on behalf of GoT, but domestic debt data are inputted into the CSDRMS in ACGEN. All public corporation debt has been moved to MoF from BoT.

The 2010 PEFA assessment stated that reconciliation with creditor records took place monthly. This may have been overstated. The ACGEN has online access to the World Bank's debt management system, so reconciliation is straightforward and timely. It does not, however, have access to the African Development Bank's (AfDB) system, and has to request information from AfDB in order to reconcile. It also does not have access to the systems in other creditors and also has to request information from them or await periodic statements and orders to pay. Many, but not necessarily all, of these in fact arrive monthly, thereby enabling reconciliation.[27]

The ACGEN routinely prepares monthly (for IMF under the PSI facility), and quarterly (for World Bank) debt reports, mainly for management purposes, examples of which were provided to the assessment team (for March, 2013 to IMF, for December 2012 to World Bank). For statistical purposes it publishes the very comprehensive Annual Public Debt Bulletin and a Quarterly Public Debt Newsletter; the team was provided with a copy of the former for end-2010/11 and a copy of March 2012 edition of the latter, which has been published for the last 6 years. Data are generally of high integrity, though some issues remain, as pointed out in the Debt Management Performance Assessment (DEMPA) report prepared in 2010.

(ii) Extent of consolidation of the government's cash balances

Section 15 of the Public Finance Act 2001 mandates the Accountant General to authorise the opening of all public and official bank accounts. Officials say this is strictly complied with as all banks (public and private) have officially been notified not to open any bank account without an authority letter from the Accountant General.

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[26] *Source*: Monthly external debt stock report to IMF. March 2013.

[27] Other creditors include: OPEC, EIB, BADEA, Kuwait Fund, Saudi Fund, IFAD, Belgium, Norway (Nordic Development Fund - NDF), China, Russia, Austria, AFD, Stanbic Bank and HSBC. ACGEN showed the assessment team examples of statements provided by NDF, ADB, EIB, OPEC, and BADEA..

The GoT's holds six bank accounts in BoT: revenue account, the expenditure account, the deposit account, special account, exchequer (consolidated fund) account and the basket fund account. The ACGEN has daily access to the balance on these accounts through internet banking. A Treasury Single Account (TSA) at BoT level is not yet in place, as restrictions apply to transfers into the Exchequer accounts (from which all payments are made through the Central Payments Office) from the other five GOT accounts held in BoT.

The 2010 PEFA assessment indicated that GoT held 36,269 accounts in commercial banks, the balances in which it had no knowledge of, except every quarter through the receipt of bank account statements as a monitoring mechanism for screening dormant accounts to be closed. The time lag meant that estimation of a consolidated cash position was not possible at any point in time. Moreover, the statements did not indicate netting out of transfers between GoT bank accounts held in BoT and those held in commercial banks. Many of these accounts (19,173) were for donor-funded projects and programmes, at the request of donors. Apart from basket funds, no bank accounts for development partners were held in BoT. [28]

This situation impeded efficient cash management, as GoT had no access to the balances held in commercial bank accounts. Access to these would permit GoT to offset temporary shortfalls in financial resources during the year and therefore facilitate orderly budget execution rather than budget execution through the cash rationing system..

The balances of the 213 public bodies (PI-7) in Tanzania are not monitored by ACGEN. The size of these must be substantial. [29]

The 2010 PEFA assessment indicated that GoT recognised the issue and was in the process of closing accounts and transferring balances to its accounts in BoT. In June 2009, the Accountant General issued three separate letters instructing BoT to direct commercial banks to close down all dormant accounts (both GoT and DP-held. Out of 43,406 accounts identified at June 2009, 31,441 accounts were to be closed by June, 2010 and the balances transferred to GoT's accounts in BoT. 24,910 dormant bank accounts held by the National Microfinance Bank (NMB; 95 percent of GoT's accounts in commercial banks are held here) were closed between 2009/2010 and 2011/2012 resulting in the transfer of TZS12 billion to GoT's exchequer fund account in BoT *(*Table 21). The aggregate bank balances in these commercial bank accounts nevertheless stood at TZS.832.8 billion as at 31st December 2012 to the financial benefit (large interest earnings) of commercial banks, which were able to lend on the basis of these balances.

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28 This dimension covers only central government and does not cover the numerous bank accounts held at local government level. The number of these was reduced to 6 per local government from 35 (mainly related to donor projects/programmes) during the first half of 2013.

29 A break-through was made in this area in Rwanda in 2011, when development partners agreed to allow balances held in programme/project accounts to be part of the Treasury Single Account (TSA) system. The IMF/East AFRITAC provided assistance in setting up the procedural arrangements. See "Extending Treasury Single Account Coverage in Rwanda to Include Development Partners' Project Accounts", in IMF's PFM Blog Spot, April 27, 2012, written by Patrick Shyaka (Accountant General, Ministry of Finance and Economic Planning), Caleb Rwamuganza (Deputy Accountant General) and Michael Schaeffer (IMF PFM Advisor, East AFRITAC).

Table 21: Closure of GoT Dormant Bank Accounts with Commercial Banks

Bank	Letter Reference and Date	Number of Dormant Bank Accounts closed	Bank Balance Transferred to BoT
NMB	EA/AG/V.23/FMGT/CMU/VOL. II/96 dated 20th October 2010	13,238	TZS4,705,247,925.69
NMB	EA/AG/V.23/FMGT/CMU/VOL.II/122 dated 15th November 2011	3,524	TZS1,784,672,311.02
NMB	EA/AG/V.23/FMGT/CMU/VOL. II/263 dated 20th November 2012	8,148	TZS5,567,988,904.78
Total		24,910	TZS12,057,909,141.49

Table 22 shows the status of GoT bank accounts held with commercial banks. As of April 13th, 2013 the number held was 29,022, indicating that bank accounts continue to be opened, mainly at the request of development partners. If no new bank accounts had been opened, the number would have fallen to 18.478. No progress has been made in terms of the frequency of calculation and consolidation of GoT bank balances. Commercial banks have benefitted financially through GoT holding bank accounts there through associated banking fees and charges.

Table 22: Status of Government Bank Accounts with Commercial Banks

Name of Bank	Number of Accounts	Bank Balance as at 31/12/2012 (TZS)
Stanbic Bank	39	20,525,977,027.25
NMB	26,806	602,835,942,176.61
Citi Bank	57	11,552,091,621.00
NBC bank Ltd	707	52,305,817,554.48
CRDB Bank Ltd	905	25,188,595,179.38
International Commercial Bank	11	11,374,572,889.00
Standard chartered Bank	52	15,282,426,105.00
Dar es Salaam Community Bank	274	144,324,228.74
Bank of Africa(BOA)	24	24,702,974,813.40
Exim Bank Ltd	22	4,017,556,467.88
Habibu African Bank	1	25,301,554,74
Barclays Bank (T) LTD	14	12,648,840,950.95
Access Bank	5	6,300,000,000.00
Bank of Baroda	2	1,025,836,126.24
Bank of India	7	1,100,000,000.00
Bank M	18	321,373,926.92
Commercial Bank of Africa	18	7,352,909,885.46

Name of Bank	Number of Accounts	Bank Balance as at 31/12/2012 (TZS)
ECO Bank	7	5,828,282,707.31
Equity Bank	4	4,000,000,000.00
First National Bank	3	3,500,000,000.00
Kenya Commercial Bank	11	153,212,895.71
I&M Bank	24	14,652,208,875.00
United Bank of Africa	11	7,988,602,419.71
Total	**29,022**	832,826,847,404.78

(iii) Systems for contracting loans and issuance of guarantees

The Government Loans, Guarantees and Grants Act (GLGGA) of 1974 (revised 2004) provides the legal basis for public debt management in Tanzania. The Act empowers ACGEN to compile and issue statements of amounts outstanding each year and empowers the Minister of Finance to raise foreign and local loans respectively on behalf of GoT.

A National Debt Management Strategy (NDMS) has been in place since August 2002, based on the GLGGA. It originally covered a 3 year period, but is still in effect. The Strategy outlines comprehensive procedures for contracting and guaranteeing loans and stipulates limits (e.g. the Debt/GDP ratio should not exceed 70 percent of GDP, floating rate domestic debt should not exceed 25 percent of total domestic debt). It puts forward various options for managing debt in a sustainable way. A National Debt Management Committee (article 16 of GLGGA) advises the Minister of Finance on the contracting of debt based on an evaluation against set criteria, including viability and sustainability.

GoT has had a policy of not guaranteeing any external borrowing, but of considering selective guarantees for domestic borrowing, mostly by public enterprises.

In practice, debt policy since 2010 has fallen under the framework of the IMF-supported PSI, which started in 2010, and which sets ceilings on the contracting and guaranteeing of non-concessional external debt and net domestic financing.[30] Ambiguity remains, however, on the criteria for guaranteeing domestic debt of public bodies (as noted under PI-9, this is a major fiscal risk) and on the criteria to be used for entering into PPP arrangements and the role of MoF); a law on PPPs came into effect in 2010, but it is likely to be strengthened, while the LGPPA also requires revising in this regard.

On-going and planned activities

- Debt management is currently divided into Back Office (Public Debt Section, in ACGEN, as referred to under dimension (i), Middle Office (Policy Analysis Department) in terms of contracting loans, and considering PPPs; (iii) Front Office

30 See Fifth Review of PSI, December 20, 2012.

(External Finance Department) in terms of negotiations with creditors (as stipulated under Part III of the Regulations under the GLGGA). These different functions are in the process of being integrated into a Debt Management Office (DMO) in MoF in order to increase efficiency, but with firewalls between the three functions. Establishment of the DMO is a structural benchmark under the PSI (it was originally suggested in the National Debt Strategy in 2002).

- A detailed diagnostics study of the debt management framework (DEMPA: Debt Management Performance Assessment) was prepared in 2010, though it is not yet published.
- A Medium Term Debt Strategy (MTDS) in June 2011, based on the NMDS, but is yet to come into force. It considers various options with focus on risk. It guides the Government's borrowing pattern so as to safeguard debt sustainability. The rationale underlying the MTDS was that a quantitative debt management strategy was not in place, which contained an analysis of cost and risk trade-offs. One of the concerns of MTDS was that the current debt portfolio had significant foreign exchange risk. In presenting different options, risks are analysed in terms of output risks, balance of payments risks, fiscal risks, and monetary risks, and ways of mitigating against those risks are recommended. Annual borrowing plans would be prepared on the basis of the MTDS.
- MoF is planning to update the NMDS itself.
- The World Bank prepared a Public Debt Management Reform Programme in February 2012, as a follow-up to the DEMPA. The report re-emphasises the need to bring all aspects of debt management under one roof through the establishment of a DMO.
- Submission of the revised GLGGA is expected by the end of 2013. The Act forbids GoT guarantees of private companies and thus creates problems in terms of Public Private Partnerships (PPPs) that are likely to be established over the next few years. .

PI (M2)	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-17	**C**	**C▲**	**Performance is improving under dimension (i)** through the consolidation in January 2010 of the external debt data base maintained by Bank of Tanzania (BoT) into the debt data base maintained in ACGEN (CS-DRMS).
(i)	B	B▲	**Performance has improved, though not yet by enough to warrant an A rating.** The improvement is due to the consolidation in January 2010 of the external debt data base maintained by Bank of Tanzania (BoT) through CS-DRMS into the external debt data base maintained in ACGEN, also through CS-DRMS. Maintaining all external debt data in one database reduces the extent of inaccuracies in debt recording (e.g. double entries), facilitates faster reconciliation, and increases the timeliness of preparation of debt management reports. Nevertheless, full monthly reconciliation has not yet been achieved, and some data quality issues remain, as noted in the 2010 DEMPA report.
(ii)	D	D	**No change in performance.** Though thousands of dormant

PI (M2)	Score 2010 PEFA	Score 2013 PEFA	Assessment
			accounts in commercial banks have been closed and the balances transferred to GoT's accounts in BoT, thousands of accounts remain. New accounts continue to be opened in commercial banks, mainly at the request of donors. The ACGEN still does not have regular and systemic knowledge of the balances held in these accounts.
(iii)	C	C	**No change in performance.** Notwithstanding the establishment of the National Debt Management Strategy in 2002, associated amendments to the GLGGA in 2003, and the preparation of DSAs by GoT since 2010, the policies on loan guarantees and for entering into PPP arrangements are still not formally in place. The IMF-supported PSI, which expires June 30, 2013, provides ceilings on domestic debt and external non-concessionary debt and guaranteed external debt, but these are not explicitly linked to MTDS. Criteria for guaranteeing domestic borrowing by public corporations and entering into PPP arrangements are being developed and will be reflected through a revised GLGGA and PPP Act..

3.5.3 Internal control systems

Summary of assessment

PI	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-18: Payroll control (M1)	C+/D+ *(revised from NR)*	B▲	***Performance has improved, due to the up-grading of the Lawson payroll control system, the strengthening of the payroll audit function and a comprehensive payroll cleansing exercise. The strengthening is continuing.*** *The rating in the 2010 assessment should probably have been D+. Dimensions (i) and (iii) appear to have been over-scored.*
PI-19: Procurement controls (M2)	NR *(under revised method.)*	NR	*This indicator was revised in 2011 and is not comparable with the previous framework. However, given that the recent changes in the legal and regulatory framework are not yet effective, dimensions (i) and (iv) would have received the same score in 2010. The format of the data collected by PPRA for its APERs, although very useful and shows increasing compliance by procuring entities with the PPA and its regulations, does not allow the scoring of dimensions (ii) and (iii).*
PI-20: Non-salary expenditure controls (M1)	C+	D+▲	***No change in performance but controls are beginning to strengthen.*** *Expenditure commitment control systems are not effective, as evidenced by a large increase in payments arrears in recent years. The situation may be worse due to the large nature of contracts in recent years. Non-compliance with internal control systems is still widespread. However, helped by an improving internal audit function and political leadership,*

			compliance is beginning to improve.
PI-21: Internal audit (M1)	C	B▲	***Performance has improved in terms of the regularity and distribution of reports and follow-up by MDAs on audit recommendations.*** *The pace of strengthening is constrained by insufficient capacity and budget.*

3.5.3.1 PI-18: Effectiveness of payroll controls

As a major component of expenditure, effective control of the payroll is an important indicator of sound financial management.

Background

The overall civil service is estimated at 478,000 staff comprising all MDAs, Executing Agencies, Local Government Authorities (LGA), and the Police Forces; the armed forces are not included. The Office of the Treasury Registrar performs the same function as PO-PSM in relation to Executing Agencies.

The Public Service Act makes all public sector employers (i.e. MDAs) responsible for the management of their payroll under the overall oversight of the Public Service Management Division of the Office of the President (PO-PSM). The payroll is controlled through a computerised database known as the Human Capital Management Information System (HCMIS, commonly known as "Lawson", the name of the US-based company that owns the software), located in PO-PSM. The HCMIS includes all staff names and associated relevant data (e.g. birthdays), positions held by staff, salaries, and changes in employee circumstances (e.g. salary changes, promotions). Lawson, originally introduced in 2001, was substantially upgraded (to Lawson 9) in 2011, leading to a significant increase in the strength of payroll controls.

Facilitated by the upgrading of Lawson, payroll management was decentralised to MDAs during 2011-12, the MDAs inputting changes in personnel records into HCMIS directly rather than providing the data manually to PO-PSM for entry into HCMIS. The purpose was to sharply increase the timeliness and accuracy of incorporation of changes (e.g. recruitments) in personnel data into HCMIS. Management of LGA human resources was fully decentralised to LGA level in November 2011 in terms of independence from PO-PSM, though the PO retained authority to hire.

The Chief Secretary of the PO controls the establishment list in terms of the numbers and definitions of positions and in terms of hiring and firing. Any request by an MDA to fill a vacant position, terminate a staff member's employment, increase/decrease the number of positions or for promotions/relocations/leave has to be approved by the Chief Secretary and, if approved, budgeted for through the annual budget preparation exercise and reflected in the personnel and payroll records of MDAs, and then in HCMIS.

Reports prepared by the Internal Auditor General (IAG) during 2011/12 on the payroll of the Health, Education and Agriculture sectors in the pre-Lawson 9 period indicated delays by MDAs, Regional Secretariats and LGAs in adjusting their personnel records to reflect dismissals, absconders, retirements and deaths as representing significant payroll control issues in the form of 'ghosts'. Payroll cleansing exercises over the last 2 years arising from these reports and facilitated by the HCMIS upgrade have resulted in a sharp reduction in ghosts. PO-PSM considers that HCMIS is now 90 percent clean. The annual reports of the CAG also note delays in updating personnel records resulting in ineligible salary payments, but the amount of such payments decreased sharply in recent years (TZS 1.8 billion in 2009/10, TZS 142.7 million in 2010/11 and TZS 55.7 million in 2011/12.

(i) Degree of integration and reconciliation between personnel records and payroll [31]

The upgrading of Lawson has sharply enhanced the consistency of the payroll with personnel records and has enabled routine and frequent reconciliation. The establishment list[32], which is under the control of PO-PSM used to be entirely outside HCMIS, thereby requiring manual checking whether online entries made by MDAs/LGAs into HCMIS were consistent with the establishment list and approved budget; i.e. to check that each name corresponded to only one post and only one payment against that name; the Chief Secretary of PO authorised the checks. Under the upgraded system, the establishment list is now included in HCMIS, so that changes inputted by MDAs into HCMIS can be automatically cross-checked with the list. The process of placing people on the establishment list is still manual, but PO-PSM is in the process of fully integrating this process into HCMIS.

The payroll (list of people to be paid) is maintained by the Computer Services Department in MoF. Since November 2011, it has been part of HCMIS. Changes in the personnel database controlled by PO-PMS in HCMIS are reflected straightaway in the payroll component of HCMIS (through running the PA 100 function in HCMIS). These two components of HCMIS are segregated from each other, so that changes made in PO-PMS' portion of HCMIS cannot be altered by MoF. Thus, reconciliation is immediate, though MDAs can check that the monthly payroll just made was consistent with the inputs they have made in HCMIS, as approved in the system by PO-PSM. The Budget Department has read-only access to HCMIS, so that it can know the amount of payroll to be paid and then request MDAs to input into IFMS their requests for payroll payment, which are then processed by the Central Payments Office in ACGEN.

Prior to the move to Lawson 9, the process of linking the payroll to HCMIS was not automatic and relied on manual data transfers, which were potentially prone to errors. Contrary to what was stated in the 2010 PEFA assessment, the Computer Services Department in MoF did not control a specific payroll database directly linked to the

[31] The reconciliation exercise means: checking that (i) all civil servants who are being paid (i.e. the payroll) are included in the personnel data base (HCMIS); and (ii) the positions of all civil servants listed in the personnel data base match those in the establishment list. In countries which do not have a centralized personnel database system, the checking under (i) is directly between the payroll and the personnel database of each MDA.

[32] The PEFA team was not shown the establishment list, but documentation such as the Public Service Act, the report of the Internal Auditor General on the personnel database of the health sector in 2008/09, and the annual reports of the CAG indicate that it exists.

HCMIS database, whereby changes to the latter would directly generate corresponding changes in the former. Instead, the PO-PSM manually extracted from HCMIS the list of people to be paid each month and then prepared a request for budget release for payroll payments for submission to Budget Department for approval.

(ii) Timeliness of changes to personnel records and the payroll

The PO-PSM office shared data on annual records of changes entered into HCMIS by MDAs, including new hires, terminations, changes of salary scale, name change, status change, and promotion within and across votes. The upgrading of Lawson in November 2011 combined with a large –still on-going – payroll cleansing exercise has sharply improved the timeliness of changes to personnel records. Prior to the upgrade, it could several months for a change to personnel records to be reflected in the payroll. The payroll cleansing exercise that started in 2012 was partly based on audits of the education, health and agriculture sectors conducted by the Internal Auditor General, referred to in the Background above. The situation now, according to PO-PMS – as demonstrated by staff to the assessment team on HCMIS – is that changes in personnel records are quickly reflected in PO-PSM's component of HCMIS, and, in turn, quickly reflected in the payroll. [33]

Cost savings have been realised through a sharp reduction in the number of 'ghost' workers (14, 000 ghosts were removed in 2012 alone), while efficiency gains result from recruitments, promotions, and reallocations being quickly reflected in the payroll and by a sharp fall in salary arrears.

PO-PSM provided the team with the following supporting evidence demonstrating significantly improved timeliness since the adoption of Lawson 9 in November 2011:

- Out of 374,387 HR data entered into HCMIS by various employers between October, 2011 and mid-July 2013, 88% (329,882) had been validated and approved by PO-PSM. Much of the pending data were those entered in early July, 2013[34]. PO-PSM projects that personnel records will be 100 percent correct by September 2013.
- Benefits registered so far are as follows:
  - 3-6 months delay in effecting salary for new hires reduced to one month;
  - 3-12 months delay in effecting salary changes (including for promoted employees) reduced to one month;
  - 3-12 months delay in effecting transfers reduced to one month.
  - Delays eliminated in removing employees from payroll (delays lead to the existence of ghost workers);
  - MDAs are conducting a personnel data cleaning exercise through eliminating incorrect information and updating personnel information in personnel files. PO-

33 PO-PSM indicated that the numbers of complaints submitted to it about delays in being paid had plummeted over the last year.

34 PO-PSM provided a Personnel Action Status Report to the team for October 2011 to July 2013.. In tabular format, the Report shows the types of changes (new hire approvals, name change approvals, promotion approvals between and within Votes, salary changes, status changes, termination and transfers) according to total requested changes (374,837), approved changes (329,882), approvals pending (26,460), and corrections pending (15,825).

PMS has identified problem areas and provided attachments to the HCMIS portal to facilitate the exercise.
- Backlog of papers waiting approvals by PO-PSM has been eliminated. Offices are now almost paperless.
- Human resource management (HRM) functions have been strengthened through the introduction of 1,041 Human Resource Officers (HRO) to manage HR and payroll matters over the whole public service. Until now, these functions have been carried out by salary clerks, accountants, hospital secretaries, and record management assistants, none of whom have specific human resource management functions.

The Joint Assessment of the PSRP in March 2013 acknowledged that delays in salary payments even in remote areas were no longer an issue.

(iii) Internal controls of changes to personnel records and the payroll

The 2010 PEFA assessment pointed to weaknesses in internal controls. At MDA level, operators of HCMIS worked in close proximity to beneficiaries, raising the risk of data manipulation. Audit reports had mentioned deficiencies in internal control systems. At PO-PMS, the HCMIS was accessible to several users (operators and systems analysts), thereby posing challenges in preventing the payroll information from being lost, read, changed (intentionally or accidentally) or modified by people not authorised to do so. System controls were not sufficient to prevent entries by unauthorised operators.

The controls have strengthened sharply, mainly as a result of the up-graded HCMIS and the findings of the audits conducted by IAG on the health, education and agriculture sectors, as referred to in the Background above. Only specifically authorized staff in MDAs can make changes to personnel records and enter them into HCMIS; they generate a clear electronic trail in doing so. All changes are "confirmed" by the PO-PSM in the system prior to the change becoming "live" in the system; PO-PSM demonstrated the controls, including the audit trails generated by changes. Changes are only confirmed if sufficient supporting documentation has been provided. The Staff Inspection Department in PO-PSM checks for errors. Other improvements that have been made since the establishment of Lawson 9, include, starting in 2012, more personal identification information provided on each staff person in order to reduce the risk of multiple payments and payments to staff younger than 18 and older than 60 years.[35]

Furthermore, the accountability framework for ensuring that controls are rigorously applied has been strengthened through the Chief Secretary of PO-PSM emphasizing that disciplinary measures will be imposed, for example, on Accounting Officers, whose staff delay entering terminations of officers into HMCIS. The Public Finance (Surcharge and

[35] The IAG reports prepared during 2012 on the education, health and agriculture sectors covering the period prior to the Lawson upgrade indicated outstanding control issues: (i) staff younger than 18 years and older than 60 (and therefore not allowed to be on the payroll); (ii) 6,500 duplicate names and over 2,700 suspected triplicate names, and thus a risk of staff members being paid more than one salary; (iii) staff on the wrong salary scale or not even on a salary scale; and (iv) double or triple payment of salaries arrears in the case of more than 2500 staff.

Penalties) Regulations, 2005 under the Public Finance Act (2001) provides for penalties on Accounting Officers for 'gross negligence in performance of their duties' (Section 6).

(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers

Payroll audits prepared by the Internal Auditor General (IAG) during 2011/12 and 2012/13 on the health, education and agriculture sectors indicate unreported changes and mismatches between payroll and staff working on site, all requiring significant retro-active adjustments; these reports, however, cover FYs 2010/11, 2008/09 and 2007/08 and thus relate to the period prior to the Lawson upgrade. The audit reports noted the same type of issues in each year, pointing to significant internal control deficiencies and lack of appropriate corrective measures. The PO-PSM has responded to these reports by requesting MDAs to comply with rules and take corrective measures.

As a result, of these audits, the PO-PSM, MDAs and LGAs initiated a payroll cleansing exercise that eliminated more than 9,700 non-existent workers from the payroll (700 in MDAs and more than 9,000 in LGAs). PO-PSM considers that 90 percent of the data is now clean (as of end-August, 2013).

The IAG conducted a comprehensive payroll audit during January-March, 2013 and finalised a report on this in April 2013. It showed the report to the assessment team. The audits included head counts. The audit indicated payroll-related errors averaging about 7 percent for MDAs and Regions, and substantially higher error rates for public bodies (e.g. 54 percent for National Construction Council), the main reason being that these were hooked up to HCMIS much later than for MDAs and the controls they exerted were less robust than for MDAs. More such audits are planned.

Internal audit units in MDAs have not yet started to prepare payroll audits. The CAG has not conducted payroll-specific audits, but mentions payroll control issues in its annual reports, the main issue being delays by some MDAs in adjusting personnel records in response to terminations, absconders, retirements and deaths (i.e. in relation to dimension (ii)).

On-going and planned activities

- Linking of the establishment list to HCMIS.
- Finalisation of the payroll cleansing exercise, with 100 percent expected by the end of September, 2013, by order of the Chief Secretary of PO-PSM.
- Roll out of a national identity card system.
- The IAG is planning to prepare another comprehensive payroll audit in 2014 at the request of the Chief Secretary of PO-PSM

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PI (M1)	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-18	***C+/D+*** ***(revised from NR)***	**B▲**	**Performance has strengthened sharply, and continues to strengthen, as a result of the up-grading of the Lawson payroll control system, the strengthening of the payroll audit function and the implementing of a comprehensive payroll cleansing exercise.** The rating in the 2010 assessment should probably have been D+. Dimensions (i) and (iii) appear to have been overscored.
(i)	A	B▲	**Performance has improved through the advent of Lawson 9 in November 2011, which has led to full integration between the payroll and the personnel database and the automatic cross-checking of the personnel database with the establishment list.** Changes to the latter by PO-PSM are still made outside HCMIS, but the list is in the process of being computerised within HCMIS. In effect, however, changes in the list are quickly reflected in HCMIS, as the PO, headed by the Chief Secretary, is in charge of both. The 2010 PEFA assessment incorrectly rated this dimension as A; this could not have been the case, as Lawson 9 had not yet been adopted.
(ii)	C/D *(revised from NR)*	B▲	**Performance has improved as the result of the Lawson upgrade in November 2011 and an extensive payroll cleansing exercise.** Most new recruits now receive their first salary payment by the following month at the latest, and most other changes entered by MDAs are now effective within a month. Payroll cleansing has led to a large decrease in the number of ghosts, the HCMIS now being about 90 percent clean (as of the end of August, 2013).The 2010 PEFA assessment did not rate this dimension due to lack of data, but the narrative implies a C or D rating.
(iii)	C	B	**Performance has improved.** Controls over changes to personnel records and HCMIS have strengthened considerably since the upgrading of Lawson, which facilitates much quicker and streamlined changes to personnel records and less risk of unauthorised changes. The payroll cleansing exercise and the associated addition of more staff member identifying characteristics (in addition to name and salary) have also strengthened controls. An accountability framework makes Accounting Officers responsible for ensuring that changes in personnel circumstances are quickly reflected in HCMIS. The CAG reports indicate some instances of non-compliance with financial regulations with regard to personnel, although such instances are declining. The text in the 2010 PEFA assessment indicates that a D, rather than a C, rating was appropriate.
(iv)	C	B▲	**Performance has strengthened. The IAG conducted payroll audits on the health, education and agriculture sectors during 2011/12 and 2012/13 and conducted a comprehensive payroll audit in 2012 covering all MDAs,** at the request of the Chief Secretary of PO-PSM. A further comprehensive payroll audit is planned for 2014. The internal audit function in MDAs is strengthening.

3.5.3.2 PI-19: Competition, value for money and controls in procurement

Significant public spending takes place through the public procurement system. A well-functioning procurement system ensures that money is used effectively for achieving efficiency in acquiring inputs for, and value for money in, delivery of programs and services by the government.

The dimensions for this indicator changed in January 2011 and are not comparable with the 2010 PEFA assessment ratings. It is possible, however, to apply the revised methodology to the situation in 2010.

Background

The current public procurement set-up is based on devolution of procuring authority to the procuring entities, i.e. MDAs, LGAs and PA&OBs in the 2000s. The Public Procurement Regulatory Authority (PPRA) was established (2005) under the Public Procurement Act (PPA), 2004 and its Public Procurement Regulations (PPR), 2005 as a regulatory and supervisory agency. It has the power to audit procurement proceedings and report on them. Its annual performance evaluation (APER), which uses a compliance index to assess the procurement performance of each entity, is submitted to the Minister for Finance who has three months to table it before the Parliament where the Public Accounts Committee (PAC) usually examines it.

The PPA was amended in November 2011 to address concerns of the media, PPRA and the the CAG that it did not secure maximum value for money.[36] The main changes are provisions for the establishment of a Procurement Policy Department in MoF and for the streamlining of the appeals process. The PPA has not yet been gazetted, as the PPR have not yet been revised.

The Public Procurement Appeals Authority (PPAA) was established by the PPA 2004 (Section 77 and the Third Schedule) and its rules were gazetted in 2005. The Third Schedule provides for the Composition, Appointment and Procedures of the Authority. The Board should consist of eight members, two of whom should be drawn from the private sector.

Dimension (i) Transparency, comprehensiveness and competition in the legal and regulatory framework.

Table 23 indicates the extent that the legal and regulatory framework meets minimum requirements as established in the PEFA framework[37].

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[36] Interview with Ramadhan Mlinga, CEO of PPRA, published in The Citizen, dated 22nd April 2013

[37] This indicator is also contained in OECD DAC's National Procurement Assessment Framework.

Table 23 : Legal and regulatory framework for procurement

Minimum Requirements (M2)	Meet requirements? (Yes/No)	Explanation
(i) Be organized hierarchically and precedence is clearly established;	Yes	The Public Procurement Policy Department (PPPD) of the MoF was created in 2009 and has taken over some of the policy making responsibilities assigned to the PPRA in the 2004 Act. Sections 5-6 of the 2011 PPA explicitly provide for it, but it is not yet effective as the revised PPR have not yet been gazetted. In principle, only a standing arrangement therefore segregates the responsibilities of MOF/PPPD and the PPRA. In practice, however, a Presidential Instruction provides for the operations of PPPD, which is in fact functioning.
(ii) Be freely and easily accessible to the public through appropriate means;	Yes	The Act itself is only in English, but PPRA has had its standard bidding documents translated into Swahili and all procuring entities can easily access these documents and other translated operational guidelines through PPRA's website (e.g. guidelines for responding to Requests for Quotations).
(iii) Apply to all procurement undertaken using government funds;	Yes	All users of public funds have to apply the PPA 2004 (and soon the PPA 2011). This includes the Defence Forces and the PPPs (also regulated by a PPP Act).
(iv) Make open competitive procurement the default method of procurement and define clearly the situations in which other methods can be used and how this is to be justified;	Yes	While the Act does not explicitly state that open tender is the default method, it specifies the principles of public procurement as maximising competition, economy, efficiency and Value for Money (Article 58 (2)). It stipulates that other methods can be used under certain conditions defined, where justified and make it the responsibility of the AO to provide justification: this includes emergency, which is strictly defined. Future regulations are expected to clarify proceedings in such cases.
(v) Provide for public access to all of the	No	Although procurement plans have to

	Minimum Requirements (M2)	Meet requirements? (Yes/No)	Explanation
	following procurement information: government procurement plans, bidding opportunities, contract awards, and data on resolution of procurement complaints;		be prepared and approved by the AO, it is not compulsory to publish them (though some MDAs do). All bidding opportunities that are beyond the threshold of Request for Quotation (RfQ) or that do not allow using the Government Procurement Service Agency (GPSA) for Common User items framework contracts have to be published. It is the PPRA responsibility to ensure this is done either on the Procuring Entity's website or its own website. An SMS alert mechanism has been established. All contract awards (above the RfQ threshold, i.e. TZS 10 million) have to be published (see website and newsletters of PPRA) The Act and Regulations do not require the resolution of Appeals to be published (though PPAA does it as a good practice).
(vi)	Provide for an independent administrative procurement review process for handling procurement complaints by participants prior to contract signature.	No	Section 77 and Schedule 3 of the PPA 2004 provides for the PPPA, as noted under the Background above. The complaints mechanism consists initially of two administrative stages that are not fully independent of the procurement process and thus not fully impartial. The first stage is the lodging of complaints to the AO of the relevant MDA, who can reject the complaint, following which the complainant can appeal to PPRA, which, though legally independent from procuring entities, is not necessarily fully impartial, as it provides advisory services to procuring entities. If PPRA rejects the appeal the complainant can then lodge an appeal with the PPAA, which is both legally independent and impartial.

Minimum Requirements (M2)	Meet requirements? (Yes/No)	Explanation
		The 2011 PPA, once effective, improves the legal framework for complaints and appeals: Section 96 provides for the AO to establish an independent review panel within or outside the procurement entity in the event of a complaint. Section 97 provides for a complaint to appeal directly to PPAA (thus by-passing PPRA) if he/she is not satisfied with the outcome of the complaints process under Section 96. This element would become 'Yes'.

(ii) Use of competitive procurement methods

This dimension is rated according to the degree to which appropriate justification is provided for awarding contracts using methods other than open competition, above the threshold for open competition.

In order to measure public procurement performance, the PPRA established an annual performance evaluation index in the mid-2000s (referred to in the 2010 PEFA assessment) and has published APERs since. The index contains 13 compliance indicators, none of which can be used to assess dimension (ii). [38]

The indicators can usefully be used, however, as proxies to assess how well procurement methods are chosen, justified and applied, as indicated in Table 24 below. Compliance indicator 9 comes closest in reliance for this dimension. It indicates that the use of appropriate procurement methods (including open competitive methods) in relation to the procurement thresholds stipulated in the PPA and PPR increased in percentage terms to 89 percent from 77 percent. The reports do not show compliance for each type of procurement method. Moreover, the compliance tests cover only a sample of procurement records, and extrapolation to all procurement proceedings is subject to statistical error.

The tables show a generally increasing level of compliance. In overall terms, APER showed a compliance rating of 77 percent for MDAs for 2011/12 (page 69 of main report) in terms of all the 13 compliance indicators. The 2010 PEFA assessment report showed an overall compliance rating of 55 percent for MDAs for 2007/08, indicating that compliance has

[38] Rating this dimension is difficult in countries where procurement responsibility is decentralized to line ministries and procurement monitoring systems use other robust methods for assessing compliance with the legal and regulatory framework for procurement, as is the case in Tanzania and other countries. Furthermore the specification of the dimension implies a 100% sample, which may be impractical in decentralized procurement systems. The specification can also produce anomalous results. For example, 99 percent of the value of contracts for procurements higher than the open competition threshold may be awarded through use of open competition methods, and 1 percent may be awarded through sole sourcing methods without sufficient justification. This would result in a D rating. .

sharply improved. In terms of compliance indicator 9, which assesses the appropriate use of procurement method, the degree of compliance increased to 89 percent in 2011/12 from 79 percent in 2009/10. According to the 2010 PEFA assessment, compliance under CI 9 was a low 33 percent in 2007/09, indicating significant progress.

Table 24: % compliance of MDAs as measured by PPRA for selected compliance indicators

CI		2009/10	2010/11	2011/12
5	Complying to compulsory approvals	67	61	82
8	Adequate time for preparation of bids	76	72	95
9	Use of appropriate methods of procurement	77	83	89
10	Use of standard bidding documents	68	79	89
11	Proper keeping of procurement records	29	56	68

Source: PPRA, APERs

Compulsory approval (CI 5) is a control for ensuring that an adequate method of procurement is chosen given procurement requirement specifications. Inadequate time provided for bid preparation (CI 8) and use of non- standard bidding document (CI-10) may reduce competition.

(iii) Public access to complete, reliable and timely procurement information

For reporting on this indicator, here again we use the APER. As under dimension (ii), the compliance indicator is constructed on the basis of the number of files audited. Given the small sample sizes, extrapolating to the population as a whole implies significant statistical error. Table 25 indicates that compliance has increased.

Table 25: Performance (%) of MDAs for 'openness' specific compliance indicators

	2009/10	2010/11	2011/12
Procurement plans	46	56	68
Advertising of bid opportunities	64	89	90
Publication of awards	35	42	65

Source: PPRA, Annual Performance Evaluation Reports (APER)

Line ministries are increasingly publicising procurement plans, some publishing all plans for procurement above the open-competition threshold. However this practice is not spread across all MDAs. Furthermore, it was not possible to verify the practices of the public bodies (agencies, authorities, institutions), although, under the current institutional structure of GoT they have a significant role in terms of budget execution. The APERs indicate that less than 75 percent of MDAs publish procurement plans.
Bidding Opportunities and Contract Awards:

MDAs are supposed to advertise bidding opportunities above the RfQ threshold (TZS 10 million) and to publish contract awards. Performance has greatly improved in terms of bidding opportunities but awards publication remains a challenge.

The APERs do not cover complaints resolution.. Data on complaints resolution are available on the PPAA website. Specific data pertaining to each MDA when the Accounting Officer manages and resolves the first level of complaint are not available. Line ministries met indicate that there are usually no complaints.

(iv) Existence of an independent administrative procurement complaints system

The Public Procurement Act 2004 established the PPAA (Section 77 and the Third Schedule) and lays the rules and stages for complaint and appeals. The first referral authority is the Accounting Officer of the procuring entity (Article 80). The complainant has 28 days to submit an application for a review to the procuring entity (PE) after 'becoming aware of the circumstances giving rise to the complaint'. This formulation makes the appellant responsible for becoming aware. Furthermore, Article 79 limits the scope for review, including on the adequacy of procurement methods and rejection of an expression of interest for providing services. Finally, Article 84 only requires the suspension of procurement proceedings for up to 7 days provided that the complaint contains a declaration that the complainant will suffer irreparable injury in the absence of a suspension and that a suspension would not cause disproportionate harm to the PE or to the prospective suppliers. These provisos are somewhat constraining and subjective.

Records of appeals since the inception of PPAA are 146 appeals lodged at PPPA, 143 settled and 3 on-going. These numbers seem small after seven years of operations. PPAA does not have data on the first two stages of the complaints/appeal process. It may be the case that bidders prefer not to complain due to the restrictive conditions noted above and perhaps the risk of being blacklisted. Private sector organisations met confirm that their members complain but seldom appeal if the complaint is rejected. They also mention that lack of awareness and ability to prove their allegations is a limitation.

The complaints/appeals mechanism is assessed according to the following criteria.

Complaints are reviewed by a body which:	Justification
(i) Is comprised of experienced professionals, familiar with the legal framework for procurement, and includes members drawn from the private sector and civil society as well as government.	*Yes*, in terms of appeals only. The PPAA (third Schedule of the PPA Act 2004), provides that at least 2 members be appointed from the private sector with relevant professional knowledge and experience and have no direct vested interest in public procurement. Members are appointed for a maximum 6 years by the President (chair) and Minister (others).
(ii) is not involved in any capacity in	*No*, in terms of the complaints process.

procurement transactions or in the process leading to contract award decisions;	The Accounting Officer whose entity is procuring is the first authority for review of a complaint. The PPRA is the second authority. As it oversees the performance of the entities and provides advice and training, it is also not independent of the procurement transaction. Only the PPAA is independent of the procurement transactions.
(iii) does not charge fees that prohibit access by concerned parties;	*Yes*. Although PPPA charges a fee of 20,000 TZS (approx. US$ 12), it does not appear prohibitively high.
(iv) follows processes for submission and resolution of complaints that are clearly defined and publicly available;	*Yes* the law is explicit in terms of PPPA's processes and is accessible on PPRA's website, as are the forms and the Appeals Rules (2005).
(v) exercises the authority to suspend the procurement process;	*Yes*, in terms of complaints. Section 84 of the PPA allows the Accounting Officer of the Procuring Entity to suspend the proceedings if a complaint is accepted though the conditions for suspension are very subjective
(vi) issues decisions within the timeframe specified in the rules/regulations;	*Yes*, as indicated in the APERs (main text and details in the Annexes).
(vii) issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority).	*Yes*, with regard to appeals (section 85 of PPA 2004)
Number of criteria met out of the 7 specified	**6**

On-going and planned activities

A new Public Procurement Act was enacted in 2011. Once its regulations are approved, it will become effective. The new Act includes new provisions on the appeals process: appellants will be able to appeal to the PPAA immediately if dissatisfied with the decision of the Accounting Officer of the PE at which the appellant lodged a complaint. It also provides for an impartial complaints review mechanism at PE level.

PI (M2)	Score 2010 PEFA 1/	Score 2013 PEFA	Assessment
PI-19 (M-2)	NR *(according to revised method.*	NR	*This indicator was revised in 2011 and is not comparable with the previous framework. However, given that the recent changes in the legal and regulatory framework are not yet effective, dimensions (i) and (iv) would have received the same score in 2010. The format of the data collected by PPRA for its APERs, although very useful and indicates strengthening compliance by procuring entities with the PPA and its regulations, does not allow the scoring of dimensions (ii) and (iii).*
(i)	B *(according to revised method.)*	B▲	**No change in performance.** The current legal and regulatory framework for public procurement in Tanzania meets four of the six listed benchmarks, but will meet more once the regulations under the 2011 PPA have been gazetted. As the current framework hasn't changed since the last PEFA assessment, the rating would have also been B.
(ii) & (iii)	NR *(according to revised method.)*	NR	Data are not available in the required format to rate these two dimensions. The PPRA's annual APER provides a strong and useful basis, however, for reporting performance and improvement in procurement practice. The compliance indicators shown in Tables 22 & 23 show that performance has improved. The situation would have been the same at the time of the 2010 PEFA assessment.
(iv)	D *(according to revised method.)*	D	The procurement complaint/appeals mechanism meets criterion (i) – appeals system is independent – but not criterion (ii) – complaints system prior to appeals system is not independent. Both criteria have to be met in order to score higher than D, even though the other criteria are all met. The situation was the same at the time of the 2010 PEFA assessment. All of the 5 other criteria are met.

1/ The rating in the 2010 assessment under the previous methodology was *B*: (i) Extent of use of open competition for contract values above the minimum threshold for use of open competition: *B*; (ii) Justification for use of less competitive methods: *B*; (iii) Existence and operation of a procurement complaints mechanism: *B*. The specification for (iii) was less demanding than the specification for (iv) under the revised indicator, as an independent complaints mechanism was not required, except for scoring an A.

3.5.3.3 PI-20: Effectiveness of internal controls for non-salary expenditure

Controls concerning payroll, debt and revenue management have been discussed under PIs 14-15, and PIs 17-18.

(i) Effectiveness of expenditure commitment controls

Commitment control has been an issue in Tanzania for a long time due to the insufficiency of it and the resultant incurring of payment arrears (IMF reports and PI-4 in PEFA assessments). The introduction of IFMIS attempted to solve this problem. However a number of factors still impede effective commitment control:

MDAs, as indicated by line ministries visited by the assessment team and by ACGEN, operate under significant cash constraints arising from the monthly cash rationing system in place, which tends not to be consistent with the amount of the approved budget (which itself may be lower than what is needed, as indicated in their budget submissions) and their monthly needs in terms of implementing their action plans, including their procurement plans. This is most critical for the development budget with releases lower by 41 percent compared to voted amounts in 2010/11 and 21 percent in 2011/12[39] in aggregate (although insufficient implementation capacity is also a reason).

Thus, in order to operate, MDAs commit (contracts, LPOs) to procuring goods, works and services outside the control of IFMS, thus potentially leading to arrears Many projects are on a multi- month basis, including more than 12 months and thus the signing of contracts has to be outside IFMIS, which is not yet configured to accept project-related commitments with a horizon of longer than one month, and to handle multi-year projects (the budgeting system is on an annual basis only). Payments arrears therefore arise when interim payment certificates are presented for payment during the year and can't be paid straightaway (or can only be paid in instalments over time) due to cash constraints. The situation is exacerbated if projects are implemented faster than planned, resulting in budgets being exceeded. What is entered into IFMS is a portion of commitments (particularly for contracts) under the monthly cash limit systems once MDAs are informed of their monthly cash allocations.

Commitments made outside IFMIS and the informal practices that come with these weaken the control environment. Another example of informal practice and non-compliance with commitment control is the encoding of advances as direct expenditures (allowances for travel) up to about 2009/2010. As no accounting code was available, imprest accounts were opened in a manual register while cash was obtained by posting a direct expenditure. This posed significant problems in clearing imprest accounts

[39] See CAG report FY11/12, pages 55.

(ii) Comprehensiveness, relevance and understanding of other internal control rules/procedures

The Public Finance Act and its Regulations are comprehensive and provide for processes and internal controls. None of the MDAs visited reported being overburdened by them, although the payroll processing appears cumbersome. Laws and regulations appear comprehensive, relevant and adequate with two main exceptions: (i) The monitoring and consolidation of fiscal risks arising from PA&OBs and Local Authorities; and (ii) the provisions for entering and managing Public Private Partnerships

In general, the officers in MoF and MDAs are well acquainted with internal controls and processes. New staff hired usually received an induction course. For example, the ACGEN provided both induction training and the Accounting Manual and Staff Regulations to its 70 new recruits in 2012. Similarly, through its annual performance assessment and report, PPRA provides an opportunity for learning and improving on the application of regulations. The PO-PSM has also this mandate with regards to human resources management. The Internal Auditor General's Department, through regular reporting to senior management and its quarterly reports, provides an opportunity to verify that laws and regulations are correctly understood and that controls put in place are relevant.

(iii) Degree of compliance with rules for processing and recording transactions

The IAG and CAG both note in their reports regular and continued breach of laws and regulations, and neglect of internal control systems. The PPRA also notes that though the overall level of compliance is improving, it remains below target (PI-19). It further notes that its reports only cover what could be audited (for lack of funds) as procurement proceedings are not all documented. The report of the CAG for 2011/12 confirms that corrective measures in response to audit findings are not adequately taken to circumscribe non-compliance (also see PI-28). Non-compliance relates to accounting practices and standards (e.g. MDAs having liabilities at the end of the year, imprests being treated as expenditures, not advances), cash management and banking, supporting documentation and adequate record keeping (for stores and fixed assets), procurement and payroll. He also reports limits to his jurisdiction in accessing all records.

Non-compliance is not necessarily deliberate. The CAG reports indicate inadequate record keeping (thus inability to provide supporting documentation to CAG) and capacity and financial constraints as factors hindering compliance.

The CAG reports would benefit from the addition of a table that summarises the financial magnitude of non-compliance by category (e.g. insufficient supporting documentation, goods paid for but not delivered, payments charged to wrong codes, questionable costs, liabilities outstanding at the end of the year, imprests accounted for as expenditures, not advances, insufficient recording of fixed assets and stores).

Overall, the combined actions of the CAG, IAG and PPRA through their audits and public reporting have revealed the extent of non-compliance to laws and regulations. The acceptance of informal practices weakens the overall control framework and compliance to it. As indicated in PI-21, political leadership (through the President's Office) is putting pressure on MDAs to place more emphasis on implementing the recommendations of CAG and internal audit reports. The internal audit function is strengthening in terms of MDA non-compliance increasingly being detected and MDAs increasingly implementing the recommendations of audit reports. Table 28 under PI-26 (on external audit) indicates some progress in implementing recommendations of CAG and the Public Accounts Committee (PAC). .

PI (M1)	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-20	C+	D+▲	**No change in performance, but compliance with internal controls is beginning to strengthen due to political leadership and a strengthening internal audit function.** Expenditure commitment control systems are not effective, as evidenced by a large increase in payments arrears in recent years. The situation may be worse due to the large nature of contracts in recent years. Non-compliance with internal control systems is still widespread.
(i)	B	D	**No change in performance.** IFMIS does not serve as a commitment control mechanism for a significant share of expenditure. The budget execution plans of MDAs consistent with their approved budgets tend not to be consistent with the cash rationing system. In order to operate, MDAs enter into commitments informally outside IFMIS, leading to expenditure arrears if sufficient cash is eventually not available. This dimension appears to have been over-scored in the 2010 PEFA assessment, though performance may have declined also, reflecting major commitment control issues concerning large roads projects. The 2010 assessment team did not have the access to data on expenditure arrears that were available to the 2013 assessment team, and may have had a more favourable view of the commitment control system as a result..
(ii)	C	B	**No change in performance.** Other controls and processes are generally relevant, comprehensive and understood. They may involve excessive and non-effective processes. The difference between a B and a C is not so obvious under this dimension. The current situation appears to be little different from the one at the time of the 2010 assessment.
(iii)	C	D▲	**No change in performance, but strengthening is taking place.** The breaches of rules reported by CAG, IAG and PPRA remain at a significant level and widespread

PI (M1)	Score 2010 PEFA	Score 2013 PEFA	Assessment
			throughout GoT. Transactions are routinely made outside internal control systems and documentation is often missing. The number of unqualified audit opinions of the CAG is rising, but non-compliance is still high. The situation appears to be little changed from the 2010 PEFA assessment. The increasing political emphasis on the need for MDAs to comply more fully with financial regulations and the strengthening of the internal audit function has, however, increased the likelihood of non-compliance being detected and addressed.

3.5.3.4 PI-21: Effectiveness of internal audit

The Internal Audit function was established in 1961 by the Exchequer and Audit Ordinance Act of that year and the Financial Order Part 2. In 2001, the functions and organization structure of the Ministry of Finance and Economic Affairs were reviewed and the Internal Audit Section was established under the ACGEN's supervision (as a unit). The Internal Auditor General (IAG)'s function was established in 2010 following the amendment of the Public Finance Act (PFA), 2001. The former set-up posed difficulties to auditing due to a lack of independence and was limited to MDAs. The PFA 2010, Part V, details the role of the Office of the IAG, which became fully operational in 2011. The IAG's capacity has strengthened through its cooperation with the Institute of Internal Auditors (IIA), which provides training for internal auditors on an ad-hoc basis.

(i) Coverage and quality of the internal audit function

Prior to the enactment of the PFA 2010, the internal audit unit under ACGEN had only 5 staff, whose main responsibility consisted of training the internal auditors of MDAs and LGAs. They did not have the capacity, however, to carry out any meaningful supervision. Currently the IAG's division has a staff of 40 comprising mainly accountants, civil engineers, Quantity Surveyors, IT specialists and procurement specialists. It oversees 900 internal auditors in all MDAs, LGAs and Regional Secretariats (RS). In spite of this number, the IAG reports on capacity needs, and MDAs have indicated shortages of internal auditors relative to their establishment size.

All MDAs, LGAs and RSs have established Internal Audit Units (IAU) with at least two staff, most having already been established by the time of the 2010 assessment. System-focused audit functions are mainly carried out. In July 2011, as part of efforts to improve systems audit, the Office of IAG adopted the use of IPPF (International Professional Practices Framework) standards, and between January and March, 2013 about 471 Internal Auditors were trained in this respect. In performing audit works, Internal Auditors have always been guided by an audit manual.

Reports prepared by IAG to-date indicate proficiency in identifying systemic issues, which include non- banking of cash, unsupported vouchers, non- compliance with procurement regulations, unsupported transactions, mismatch between payroll and staff working, non-remittance of cash balance at year-end to Treasury, no records keeping, etc.

The IAG issued a circular in November 2011 instructing IAUs to prepare audit plans and submit them to the audit committee and management, with a copy to IAG. [40] Audit plans were to focus on risk analysis and system audit. A five year strategic plan is in place. A quality assurance process is to be implemented by July, 2013 based on a manual which has been prepared. Efforts by IAUs to implement their plans are, however, being thwarted by insufficient budget (and insufficiently developed standards and structures to justify larger budgets)..

(ii) Frequency and distribution of reports

All IAUs provide reports quarterly, within 30 days after the end of the quarter, to the Audit Committee, the Permanent Secretary of the relevant MDA, and to IAG and CAG (some of whose staff are located in MDAs). The IAG provides quality assurance review. The PFA 2010 does not prescribe a specific deadline for submission of these reports. However the Treasury Circular number LH.274/680/01/56, dated 23 November 2011, requires them to submit quarterly.

(iii)Extent of management response to internal audit findings

One of the functions of Audit Committees, established under PFM Regulation 30, is to review internal audit reports and propose recommendations. Audit Committees are composed of senior managers of the MDAs and RSs, nominated by the respective Accounting Officer, who also appoints the chairperson. In fact, Audit Committees have limited independence, as they are effectively self-auditing.

Section 38 (2(k)) of the PFA 2010 mandates the IAG to check that audit recommendations for corrective actions have been followed up on. The PFA and its Regulations expressly state the obligation of an Accounting Officer to take corrective measures.

Recently, the IAG established an Audit Report Implementation Unit, which will maintain a database of all audit findings.. Internal Audit Units in MDAs are instructed to report on management actions aimed at the implementing of recommendations. Evidence contained in the IAG's reports and MDA reports indicates that audit findings are increasingly being resolved. The assessment team was provided with quarterly reports on the Ministry of Health, Ministry of Education, Ministry of Agriculture and Food Security, Singida Regional Commissioner's Office (for April-June, 2013), Tanzania Commissioner for AIDs (January-March 2012), Moshi District Council (January-March 2003).

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40 Memo to all Accounting Officers from Permanent Secretary Finance, 23rd November 2011, ref, LH 274//680/01/56, on 'Submission of Annual Audit Plans and Quarterly Internal Audit Reports'

On-going and planned activities

IAG has proposed a revision of the PFA and its Regulations to fix the shortcomings related to the internal audit function. It has develops a Chart and Code of Ethics for internal auditors and audit committees. A new manual for quality assurance has been finalised but it is too early to measure its impact. The IAG is developing a procurement audit manual and intends to update the internal audit manual introduced in 2003. Consideration is being given to place outsiders on Audit Committees in the interests of strengthening impartiality.

PI (M1)	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-21	C	B	**Some improvement in performance in terms of the regularity and distribution of reports and follow-up by MDAs on audit recommendations.** Overall the internal audit function has improved since 2010, but strengthening is constrained by insufficient capacity and budget.
(i)	C	B	**Performance has improved.** Internal audit activities are now fully planned and system focused with annual audit plans being approved by Audit Committees. Copies of plans and reports are submitted regularly to IAG. Reports are now quarterly. Further strengthening is constrained by insufficient capacity and budget.
(ii)	C	B	**Performance has improved.** Reports prepared by IAUs are issued quarterly for all entities and distributed to the Audit Committees, MDA management, the Permanent Secretary of MoF and to the CAG. A clear schedule is specified in the Treasury Circular Na.LH.274/680/01/56 of 23 November 2011.
(iii)	C	B	**Performance has improved. Partly in response to political pressure, m**anagement response has improved considerably and corrective measures are increasingly being taken.. The PFA and its regulations oblige Accounting Officers to implement timely corrective measures.

3.6 Accounting, recording and reporting

Summary of assessment

PI	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-22: Accounts reconciliation (M2)	**D+** *(revised from NR)*	**D+▲**	**Performance has improved.** The evidence available in 2008/2009 is enough to score 'D' for (i) in 2010 assessment regarding bank reconciliations. Regarding (ii) - clearance of suspense accounts -, there has been no change since 2010 assessment. The C rating in 2010 assessment was too high. The overall rating should have been D. The arrow reflects the new accounting procedure for retiring imprests through

PI	Score 2010 PEFA	Score 2013 PEFA	Assessment
			the new EPICOR 9
PI-23: Information on resources received by service delivery units (M1)	**D**	**C**	**Performance has improved:** A PETS was carried out in 2009 using data from FY 2008/09 and published in February 2010. The Expenditure Tracking Unit under the Budget Division of MoF conducts an annual exercise to track expenditure of primary service delivery units; the report is however for management purposes only. LGAs routinely monitor resources received by SDIs. They do not prepare reports based on such monitoring, but quarterly budget performance reports submitted to PMORALG include reports by type of sector conditional grant
PI-24: In-year budget reports (M1)	**C+**	C+▲	**No change in overall performance in terms of ratings, but a strengthening trend is in place.** Dimension (ii) was overrated as IFMS had not been fully established. Interconnectivity of all MDAs on IFMIS has slightly improved data quality but not sufficient yet to warrant a 'B' score in dimension (iii).
PI-25: Annual financial statements (M1)	**B+**	**B+**	**No change in performance.**

3.6.1 PI-22: Timeliness and regularity of accounts reconciliation

The overall reconciliation and clearance process of central government bank accounts and other accounting information related to suspense accounts and advances (travel advances, construction advances, operational imprests, etc.) are assessed according to the situation at the the time of the assessment.

(i) Regularity of bank reconciliations

Section 15 of the Public Finance Act 2001 mandates the Accountant General to authorise the opening of all public and official bank accounts. Officials say this is strictly complied with as all banks (public and private) have officially been notified not to open any bank account without an authority letter from the Accountant General

The government has six main categories of bank accounts; these are the revenue account, the expenditure account, the deposit account, special account, exchequer (consolidated fund) account and the basket fund account. Tanzania does not have a Treasury Single Account. For the six main bank account categories and its sub-accounts, ACGEN receives daily bank balances from BoT via daily Bank Casts and bank statements. Bank reconciliation is conducted monthly within two weeks after the end of the end. (Table 26)

For these commercial bank accounts, the Accountant General's Department only receives quarterly bank statement (reference letter EB/AG/V.23/FMGT/CMU/VOL.II/238 dated 15th August 2012) for reconciliation purposes, which does not occur until after one month following the end of the quarter.

Table 26: Status of GoT Bank Reconciliations

Account Name	Bank	Currency	Reconciliation Horizon	Last Reconciled
Revenue Account	BoT	TZS	Monthly	15th April 2013
Special Account	BoT	TZS	Monthly	15th April 2013
Deposit Account	BoT	TZS	Monthly	15th April 2013
Exchequer Account	BoT	TZS	Monthly	15th April 2013
Expenditure Account	BoT	TZS	Monthly	15th April 2013
Basket Fund Account	BoT	TZS	Monthly	15th April 2013

(ii) Regularity of reconciliation and clearance of suspense accounts and advances

Regulation 103 (1) of Public Finance Regulation 2001 (amended 2004) prohibits the practice of unretired imprest. The CAG annual audit of central government and donor funded projects for 2011/12 revealed significant unretired imprests amounting to TZS 706.7 million and TZS 5.3 million respectively. Furthermore, CAG's annual report for 2011/12 showed unretired imprest for 70 councils amounting to TZS 2 billion. Officials from ACGEN say these imprests are retired between three to six months after the end of the financial year.

The practice with regards to imprest to staff prior to 2011 was that there was no imprest code in the IFMIS and therefore cash imprests to staff, say for travel, were charged directly to travel expense irrespective of whether the total cash imprest was used for various expenses, making for poor control over imprest retirement. The revised IFMIS (EPICOR 9) now has a separate imprest code designed in such a way that no additional imprest is released until previous impressts are unretired.

PI (M2)	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-22	D+ *(revised from NR)*	D+▲	**Performance has improved.** The evidence available in 2008/2009 is enough to score 'D' for (i) in 2010 assessment regarding bank reconciliations. Regarding (ii) - clearance of suspense accounts -, there has been no change since 2010 assessment. The C rating in 2010 assessment was too high and overall rating should have been D. The arrow reflects the new accounting procedure for retiring imprests through the new EPICOR 9
(i)	D *(revised*	C	**Performance improved:** For all bank accounts held by BoT monthly bank reconciliation is conducted within two weeks after

PI (M2)	Score 2010 PEFA	Score 2013 PEFA	Assessment
	from NR)		the end of the month. Government bank accounts held at commercial banks are reconciled quarterly but with one month's delay
(ii)	C	D▲	**No change in performance:- the 2010 score of 'C' was overrated:** It takes 3-6 months after the end of the year for imprest to be retired. Significant amounts of unretired imprest still remain. The arrow reflects the new accounting procedure for retiring imprests through the new EPICOR 9.

3.6.2 PI-23: Availability of information on resources received by service delivery units

Problems can arise in front-line service delivery units (SDUs) in obtaining resources that were intended for their use. This indicator covers primary education and health care service delivery units that are under the responsibility of both central government and LGAs.

The most recent Public Expenditure Tracking Survey (PETS) was conducted for primary and secondary education under the auspices of the Ministry of Education and Vocational Training MoEVT) with a final report issued in February 2010, using data for 2008/09. The PETS report is a public document. The Expenditure Tracking Unit under the Budget Division of MoF carries out a separate exercise annually to collect data on how much of government resources are received and spent by primary service delivery units and whether the resources are wisely utilised; the report generated from this exercise is used for management purposes only.

At local government level, various methods are used to check that SDUs are obtaining the resources they are supposed to be receiving, although these do not result in formal reports being prepared. For example, schools have bank accounts, which provide a basis for LGA staff (including internal auditors) to track inflows and outflows and to account for these. School committees and local communities also check (parents obviously have a vested interest in checking that schools receive the resources they are supposed to receive). Medical drugs are purchased from Medical Stores Department (MSD) in bulk and the distribution of these can be monitored.[41] At a more aggregated level, as indicated under PI-8, LGAs submit quarterly budget performance reports to PMORALG, including performance according to sector-based conditional grant.

[41] Information provided by staff from Kinondoni District, located in Dar es Salaam.

The PETS findings included the following:

Primary School

- Each pupil was allocated TZS 65,646 (USD 52.5) but actually received TZS 57,417 (USD 45.2), translating into a shortfall of about 14% as compared to the budget allocation.
- Average capitation grant per pupil was TZS 4,189 (USD 3.3) as against a minimum of TZS 8,000 (USD 6.3); thus 50% of the budgeted capitation grant was not received by the pupil.
- Private contributions to primary schools including parental contributions averaged 3.7% of total cash and in-kind contributions to school and 28.4% of total non-wage resources.

Secondary Schools

- Actual expenditure on each secondary student was TZS 138,610 (USD 109.1) as against budget allocation of TZS 150,792 (USD 118.7), indicating a shortfall of 8%, much lower than the shortfall under primary school pupil expenditure
- Parents' contribution to secondary education was 18.7% of the total expenditure for each student

PI	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-23 (i)	D	C	**Performance has improved:** A PETS was carried out in 2009 using data from FY 2008/09 and published in February 2010. The Expenditure Tracking Unit under the Budget Division of MoF conducts an annual exercise to track expenditure of primary service delivery units; the report is however for management purposes only. LGAs routinely monitor resources received by SDU. They do not prepare reports based on such monitoring, but quarterly budget performance reports submitted to PMORALG include reports by type of sector conditional grant.

3.6.3 PI-24: Quality and timeliness of in year budget reports

The ability to "bring in" the budget requires timely and regular information on actual budget performance to be available both to MoF and Cabinet, in order to monitor performance and if necessary to identify new actions to get the budget back on track, and to line ministries for managing the affairs for which they are accountable.

(i) Scope of reports in terms of coverage and compatibility with budget estimates

Each month, a flash report is generated from IFMS (EPICOR) within two weeks after the end of the month. The flash report captures original approved budget and revised budget (if applicable), cumulative exchequer issues (authority to spend) to date, cumulative funds allocation (commitments) to date, balance of unallocated funds (exchequer releases less funds allocated) to date and actual expenditure incurred to date and in the previous month.

The balance of unallocated funds ('free' balance) represents the scope for managing the budget for the remainder of the year. The assessment team was provided with a report for March 2013.

The flash report provides expenditure information under each of the votes shown in the budget documentation (MDA and Regional Secretariats), but not by sub-vote and economic classification. Reasons for this are twofold: (i) the reports are mainly for cash management purposes; (ii) the Appropriations Acts govern appropriation only at the Vote level.

Revenue outturns are not captured in the flash report as revenue performance is not yet captured in IFMIS. Nevertheless monthly revenue performance reports are available to management, which can then have the total picture of the scope for adjustment to the budget over the remainder of the year.

The ACGEN, in addition to the monthly flash reports, prepares a quarterly utility report that shows on an MDA basis for each type of utility (electricity, water, telephone) the approved budget, funds released to date, bills received and paid to date, balance of unpaid bills and balance of funds released. The assessment team was provided with a report dated June 30, 2012, covering the first three quarters of 2011/12.

As noted under PI-4, ACGEN also consolidates expenditure arrears per MDA and age of arrear.

The Policy Analysis Division (PAD) of MoF also produces quarterly budget execution reports mainly for the public's benefit, posted on MoF's website. The reports contain approved revenue and expenditure budget estimates and the financing of the balance thereof according to economic classification (not on an MDA basis), actual outturns and a variance analysis.

(ii) Timeliness of the issue of the reports

The monthly flash reports are prepared within two weeks after the end of the month. Prior to 2011, there were delays in churning out comprehensive central government flash reports due to not all MDAs being directly connected to IFMS. The situation has improved significantly with all MDAs connected now directly connected through the central payment office (CPO) in ACGEN.

The quarterly fiscal reports prepared by PAD are available three months after the end of the quarter.

(iii) Quality of information

There are some concerns over the quality of the data used to prepare the reports referred to above, but the concerns do not undermine their usefulness. The interconnectivity of all MDAs through the Central Payment Office (CPO) over the last three years has seen some improvement in data quality due to the connectivity allowing faster expenditure reconciliation between the CPO and MDAs. Nevertheless, the existence of significant expenditure arrears accruing outside IFMIS (PI-4) raises some questions over data quality in the sense that the expenditure commitments reported in IFMIS are understated.

As reported by the CAG, there are also issues concerning unretired imprest - which does not allow proper expenditure classification and the wrong classification of expenditure items.

Data issues are not highlighted in reports.

PI (M1)	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-24	C+	C+▲	**No change in performance in terms of ratings, but a strengthening trend is in place under dimensions (ii) and (iii).** Dimension (ii) was overrated in the 2010 assessment as IFMS interconnectivity had not yet been fully established. Interconnectivity of all MDAs on IFMIS has slightly improved data quality but not sufficient yet to warrant a 'B' score in dimension (iii).
(i)	C	B	**Performance has not changed:** Monthly budget execution reports (monthly flash reports generated through IFMS for internal purposes) are compatible with approved budget estimates, but only on a vote basis (not by sub-vote) and not on an economic classification basis. The reports include commitments made on the basis of exchequer releases, but do not include commitments made outside IFMIS, which have resulted in expenditure arrears, and do not include revenue outturns; revenue outturn data generated by TRA are available to senior management, however. Quarterly reports on arrears are prepared separately. MoF posts a quarterly budget execution report on its website, which shows revenue performance and expenditure performance on an economic classification basis, but not on an MDA basis. These reports are for the public, however, rather than for senior management (thus reported on under PI-10). The rating in the 2010 PEFA assessment appears too low.
(ii)	A	A	**Performance has improved:** The 2010 score appears too high as most MDAs were not connected to IFMS thereby delaying monthly flash reports. Monthly flash reports (only expenditure outturns) are now generated by ACGEN within two weeks after the end of the month. The quarterly budget execution reports are produced 3 months after the end of the quarter, but these are mainly for the public (covered under PI-10) rather than for senior management.
(iii)	C	C▲	**Performance has improved slightly:** There are some concerns over data accuracy, but these not undermine the usefulness of budget performance reports provided to MoF management and CAG. The connectivity of all MDAs to CPO through IFMS has improved the quality of reports. Data issues are not highlighted in reports.

3.6.4. PI-25: Quality and timeliness of annual financial statements

(i) Completeness of the financial statements

Section 25 of the Public Finance Act provides details of information to be included in annual financial reports prepared by ACGEN for submission to CAG. The financial statements should include revenues, expenditure, assets and liabilities including financing, loans and guarantees, public debt, contingent liabilities. They should also include revenue and expenditure arrears and outstanding commitments. The consolidated financial statements are for central government, excluding autonomous agencies and parastatals.

Table 27 provides an outline of information contained in the annual financial statement prepared and presented by ACGEN. The table shows that most information is provided in the annual financial statement (AFS). The ACGEN receives information from all MDAs on expenditure arrears that emanate from commitments made outside IFMS and discloses this in a table in the AFS, but it is not clear whether all arrears are being reported.

A consolidated financial statement is where a transaction between two or more entities is set off in order to arrive at the actual expenditure or revenue position. The accounts prepared by the Accountant General are an amalgamation of MDAs' financial positions.

Table 27 : Information included in the annual financial statement

Financial heading	Sub-financial heading	Presence in Financial Statements
Revenue	Direct tax	Yes
	Indirect tax	Yes
	Non-tax revenue (including IGF)	Yes
	Grants	Yes
	Finance Income	Yes
Expenditure & transfers	Personnel Emolument	Yes
	Administration	Yes
	Service	Yes
	Investments	Yes
	Statutory payments - pensions fund	Yes
	Statutory payments - PAYE	No
	Subsidies	Yes
	Retained IGF	No
	DP funded projects	Yes
Assets	Cash & Bank balances	Yes
	Advances	Yes
	Public loans (receivable)	Yes
	Equity & other investments	Yes
	Revenue arrears	Yes
Liabilities	Public debts (domestic)	Yes
	Public debts (foreign)	Yes
	Statutory obligations	Yes (mainly public-debt

Financial heading	Sub-financial heading	Presence in Financial Statements
		related)
	Expenditure arrears	Yes
	Statement of losses	Yes
	Statement of Loan Guarantees	Yes

(ii) Timeliness of the submission of the annual financial statements (AFS)

MDAs are required pursuant to Section 25 (2) of the Public Finance Act 2001 to prepare and submit to the CAG financial statements within four months of the end of the FY. The Accountant General under Section 25 (1) of the Public Finance Act 2001 is required within six months of the end of the FY to prepare and submit financial statements of the Consolidated Fund to the CAG for external audit.

A review of the log/dispatch book from the Accountant General and some selected MDAs revealed that annual financial statements were submitted timely in accordance with the Public Finance Act 2001 and the Public Audit Act 2008. Over the last three completed financial years the Accountant General submitted annual financial statements to the CAG on 28th October 2010, 31st October 2011 and 30th October 2012, within six months after the end of the financial year

(iii) Accounting standards used

For the last five financial years, central government accounts have been prepared using IPSAS cash (revenues not realised until received in cash, expenditure only realised when payment has been processed), as evidenced in the CAG's audit report on central government for 2011/2012. Nevertheless, the CAG voices concerns over the full disclosure of future borrowing facilities and contingent liabilities as well as the setting-off of intergovernmental cash transfers and the full disclosure of donor-funded projects.

Central government is currently preparing financial statements based on IPSAS cash, but LGAs and Public Boards and Corporations are preparing financial statement on IPSAS accrual basis. Therefore, it not possible to prepare a complete consolidated government financial statement.

On-going and planned activities

The GoT has set itself a target to adopt IPSAS accrual accounting standards by 2016/2017. Officials from ACGEN indicated that work towards this target is progressing well.

PI	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-25	B+	B+	**No change in performance.**
(i)	B	B	**Performance unchanged:** The Accountant General prepares a consolidated annual financial statement (which excludes autonomous government agencies) each year. As shown in Table 25 above, information is almost complete, the main area of doubt being the comprehensiveness and accuracy of the expenditure arrears that are disclosed in the statement, MDAs collecting this information manually outside IFMS.
(ii)	A	A	**Performance unchanged:** Annual financial statements, during the last three completed financial years, were submitted to the CAG for external audit six months after the end of the respective financial years
(iii)	B	B	**Performance unchanged:** Central Government prepares its financial statement based on IPSAS cash which is consistent over time and disclosed accordingly. Public boards and corporations and local government authorities are using IPSAS accrual for accounting..

3.7 External oversight and legislative scrutiny

This set of indicators looks at the quality and timeliness of external scrutiny of the government's budget estimates as well as the public accounts.

Summary of assessment

PI	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-26: External audit (M1)	B+	C+▲	*Performance unchanged, but strengthening is in progress in terms of MDAs following up on audit recommendations.. The 2010 score of 'B' for dimension (iii) on the extent of follow-up by MDAs on audit recommendations was overrated.*
PI-27: Legislative scrutiny of budget (M1)	C+	B+	*Overall score has improved under dimension (i) - review of planning and budgeting guidelines; and dimension (iii) - more time for legislature to scrutinise sector budget proposals and national budget proposals*
PI-28: Legislative scrutiny of audit reports (M1)	D+	D+	*Performance unchanged*

3.7.1. PI-26: The scope, nature and follow up of external audit

A high quality external audit is an essential requirement for creating transparency in the use of public funds.

(i) Scope and nature of audit

The independence of the CAG from the Executive branch of government has improved through increased budget allocations secured by the Public Accounts Committee (PAC) in Parliament in consultation with MoF. The salary of the Auditor General is a direct charge on the Consolidated Fund. A major obstacle to CAG's performance and independence is staff recruitment and salaries; his staff are public/civil servants and he cannot make recruitment and salary decisions. As the legal frameworks stand currently, the Public Services Act contravenes the Public Audit Act as far as staff recruitment is concerned. These assertions are buttressed by a quote from the CAG's report on the Central Government for FY 2010/2011 as follows:

"Operational independence of my office has greatly improved following the enactment of the Public Audit Act No. 11 in 2008. However, in accordance with international standards there is the need for further improvement in terms of control of salaries and recruitment to enable me to effectively fulfil my Constitutional mandate."

There are 600 professional staff working at NAOT across the country. Audit coverage in 2011/12 was 100 percent of the expenditures of all 161 MDAs, 134 LGAs and 176 Public Corporations (with government majority share), an increase from the 88 percent coverage in 2008/09, noted in the 2010 PEFA assessment. A human resource capacity gap results in NAOT outsourcing 90 percent of audits of Public Corporations to private audit firms under the supervision of the CAG.

As a member of the International Organisation of Supreme Audit Institutions (INTOSAI), the National Audit Office of Tanzania (NAOT) has adopted in principle INTOSAI and ISA auditing standards. Not all standards are met yet, due to the staff recruitment process still being controlled by the Executive branch of government. Table 28 summarises the level of NAOT's adherence to INTOSAI standards. Following a peer review exercised conducted by AFROSAI-E during 2011/2012, the NAOT was rated under "Level 3" as against its target to attain this level in 2010/2011.

In the interests of efficiency, NAOT uses a risk-based approach in terms of determining sample size of transactions to audit. It applies a materiality level of 0.25% of total expenditure when the audit risk is assessed as low, a materiality level of 0.5% is applied when risk is medium and a materiality level of 1% of total expenditure when audit risk is high. The CAG's reports are still primarily of a financial nature (whether accounts have been properly kept, resources expended for the purposes appropriated, laws, regulations, rules and procedures complied with) as noted in the 2010 PEFA assessment, but the frequency of performance and special audits has increased.

Table 28: Adherence to INTOSAI Standards

INTOSAI Standards	Adherence of external audit practices to INTOSAI standards
CAG Independence i.e. appointment, termination, salary	*Yes.* The CAG's appointment, termination, remuneration and other benefits are adhered to in accordance with Articles 142 and 144 of the 1977 Constitution. The CAG enjoys the same privileges as an Appeals Court Judge of the United Republic of Tanzania with respect to the provisions relating to his removal from office and remuneration. He is appointed by the President in accordance with Article 143 (1) of the Constitution and Section 8 of the Public Audit Act 2008.
Financial Independence of the National Audit Office of Tanzania and Staffing Arrangements	*Partially independent.* The financial independence of the NAOT is adhered to insofar as its operational budget is concerned. The CAG's proposed budget for NAOT emanates from his office and is discussed with the PAC in the presence of the Minister of Finance and approved by the National Assembly. Nonetheless, the appointment, termination and transfer of his staff still remain under the control of the executive arm of government
Access to Public Records	*Yes.* NAOT has access to public records to carry out audit and issue audit opinion where necessary, which is in accordance with Article 143 (3) of the Constitution and Section 15 of the Public Audit Act 2008.
Independence in Preparation of Annual Audit Work Plan	*Yes.* In accordance with Article 143 (6) of the 1977 Constitution, the CAG is not influenced by government, or any institution, in the preparation of the annual audit work plan. The CAG has the prerogative to decide on which special audit to conduct as enshrined in the Constitution

(ii) Timeliness of submission of audit reports to legislature

Pursuant to Section 32 (4) of the Public Audit Act 2008, the CAG shall submit to the legislature audited reports of public entities and the Consolidated Fund within six months after receipt of the respective financial statements or nine months following the expiration of the financial year. Section 32 (4) is applicable only when the President of URT fails to submit, within seven days after the first sitting of the National Assembly, audited reports submitted to him or her by CAG in accordance with Article 143(4) of the Constitution and Section 34 (1) (c) of the Public Audit Act 2008. Table 29 indicates that CAG submitted annual audited accounts on time, except for a small delay in 2011/12.

Table 29: Timely Submission of Audit Reports to the National Assembly

Name of Audit Report	Date of receipt by National Assembly		
	2009/2010	2010/2011	2011/2012
Consolidated Fund (Central Government and MDAs)	31st March 2011	31st March 2012	10th April 2013
Local Government Authorities	31st March 2011	31st March 2012	10th April 2013
Public Boards and Corporations	31st March 2011	31st March 2012	10th April 2013

(iii)Evidence of follow up on audit recommendations

The political leadership, through the President's Office is emphasising the need to for MDAs to improve their follow-up of external audit recommendations, as conveyed to GoT by the PAC, CAG and IAG. Nonetheless many unresolved issues remain, dating back to 2008/09. For instance, the CAG's 2010/11 report raised a number of issues, including non-compliance with IPSAS cash accounting, breach of procurement laws, mismanagement of government properties, no clear ownership titles of government properties overseas, internal controls, and ineligible allowances to government officials amounting to TZS 651 million. The issues raised were responded to by the Permanent Secretary of MoF with reference letter EB/AG/AUDIT/12/VOL.I/53 dated 20th June 2012 and received by the NAOT on 29th June 2012. The CAG reported on the implementation of these recommendations in the 2011/12 audit report, depicting several instances of inaction. Table 30 provides a summary of PAC recommendations followed up by the CAG, that were still outstanding from the 2009/2010 audited report

Table 30: Follow up by MDAs on some outstanding PAC recommendations (2009/2010 Audit Report)

CAG findings	PMG Response	Status as at 4th March 2013
Weak contract management/lack of supporting documentation	All contracts are supported by LPOs and contract documents. Poor record keeping acknowledged. Accountant General has organised training on contract management for staff handling contracts and value books in general	Members from procurement of MDAs trained. Current contracts documents have been properly stored. *CAG remarks*: Training still ongoing
Incorrect VAT computation	Management agrees with audit observations. The VAT will be computed automatically during upgrade of EPICOR version 7 to 9	Upgrade of EPICOR still ongoing. Automatic VAT computation will be taken into account during upgrade. *CAG remarks:* Upgrade in progress
No approvals for manual bank	Well noted. Control	Manual bank reconciliation

CAG findings	PMG Response	Status as at 4th March 2013
reconciliations	procedures will be implemented	problem considered during EPICOR upgrade. *CAG remarks:* Upgrade in progress
Wrong transactions amounts captured in bank statements and government cashbook records	Management will engage with bankers and government staff to regularise inconsistencies in data	Training on bank reconciliations has been done; the training will be sustained *CAG remarks*: Training in progress
Misuse of government funds totalling TZS 326.02 billion	Documents were misplaced. They were found and subsequently submitted for audit verification	*CAG remarks: case closed*

On-going and planned activities

An amendment (in 2013) to the Public Audit Act 2008 aims at giving legal backing to audit recommendations proffered by the CAG. The amendment mandates that the Parliament is not to consider or discuss the PAC report on the CAG report until the Paymaster General provides a formal response to the CAG's recommendations. In this regard, the NAOT is developing a database to track follow-ups on audit recommendations.

PI (M1)	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-26	B	C+▲	**Performance unchanged, but MDA follow-up on CAG recommendations is strengthening. The 2010 score of 'B' for dimension (iii) on MDA follow-up appears too high.**
(i)	B	B	**Performance unchanged:** Audit coverage of expenditures of all government MDAs, public entities and corporations with majority government interest increased to 100% in 2011/12 from 88 percent in 2008/09. The CAG performs performance and financial audits with some focus on systemic issues. INTOSAI standards are fairly adhered to with the exception of CAG's independence relating to staff recruitment and salaries.
(ii)	B	B	**Performance unchanged.** Annual audit reports of CAG were submitted to the National Assembly 9 months after the end of the financial year in accordance with Section 32 (4) of the Public Finance Act 2008 or 5 months after their receipt in the last three completed fiscal years. Submission was 10 days late for the 2011/12 statements, not

PI (M1)	Score 2010 PEFA	Score 2013 PEFA	Assessment
			significant enough to change the rating.
(iii)	B	C▲	**Performance unchanged, but strengthening is in process - it appears the 2010 score of 'B' was overrated:** There is evidence regarding government formal response to external audit recommendations coupled with a structured follow-up report prepared by the CAG; however there are still significant unresolved issues going as far back as FY2008/09.

3.7.2 PI-27: Legislative scrutiny of the annual budget law

The National Assembly derives its powers from Articles 63 and 64 of the 1977 Constitution. By these powers, the legislature can question any Minister of State and public official over the utilisation of national assets so vested in him or her.

(i) Scope of the Legislature's Scrutiny

The budget review begins with sector committees receiving prior information from each sector. A series of meetings are held over a period of three weeks to review macro-economic indicators (contained in the annual Planning and Budgeting Guidelines (PBG) issued to Parliament in February under the old calendar), in addition to the prior year's budget performance (also in PBG). The Parliament has Standing Committees, established in accordance with Article 96 of the Constitution. The number of MPs per committee varies, but the average is about 18. The sector committees also receive memoranda (also in PBG) from GoT on key parameters of the current and next year's budget; this helps the parliamentarians to effectively peruse the budget proposal even before being tabled. A Finance and Economic committee reviews all the economic indicators and advises each sector committee regarding the possible impacts of the macro-economic indicators on budget parameters. In May (under the old calendar, March under the revised calendar that came into for the 2013/14 budget preparation cycle)) the sector committees examine details of the revenue and expenditure estimates in relation to the government's revenue and expenditure policies and provide recommendations to MDA on key issues that need attention in their draft budget estimates.

Following the Budget Speech presented by the Minister of Finance in June (under the old calendar), Parliament reviews the four volumes of the full draft budget in detail, in conjunction with the Budget Speech. The draft budget consists of 4 volumes of detailed estimates (revenue proposals, MDA recurrent budget, Regional Secretariat recurrent budget, development budget). The Budget Speech contains some summary tables in the back, including the Budget Frame.

Financial constraints limit the extent to which some Standing Committees are able to effectively review the previous year's budget performance. The Parliamentary Committee on Foreign Affairs and International Cooperation is limited, in particular, in relation to its ability to scrutinize the performance of GoT's overseas properties.

(ii) Extent to which the legislature's procedures are well-established and respected

Standing Orders guide the National Assembly proceedings. These have been amended from time to time. The 2004 edition was revised in 2007 and again in 2013. The Speaker, based on the rules and procedures provided for in the Standing Orders, is responsible for the appointment and dissolution of parliamentary committees.

Even though the Standing Orders are clear, the rules and procedures are sometimes breached. The breaches mostly occur during parliamentary debates where MPs interject without the approval of the Speaker. The procedures for laying order papers and documents are well established and respected

(iii) Adequacy of time for the legislature to provide a response to budget proposals

The legislature's budget scrutiny begins with three weeks of series of meeting by the sectoral committees to review the PBGs (as noted under (i)). After this process, the National Assembly has a total of two and a half months to scrutinise and approve the national budget overall and the line ministry budgets on a sector by sector basis. The Minister of Finance delivers the Budget Speech when the full draft budget is presented to Parliament as a whole. Sector ministers then give speeches during the review process that follows, although the scope for any modifications is limited.

The process takes until August/September, culminating in the approval of the budget under the old budget preparation calendar. Officials say, in spite of plenty of time allotted for parliamentary scrutiny of the budget, Members of Parliament still complain over the inadequacy of time for each MP to exhaustively contribute to the debate.

(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature

Article 137(3) of the 1977 Constitution stipulates the passing of a supplementary appropriation bill whenever the government intends to exceed its expenditure budget already approved by parliament as a result of additional financial resources accruing to the State. Section 5 of the Appropriation Act empowers the Minister of Finance to vire expenditure between MDA votes as and when necessary without parliamentary approval. MDAs can also vire within each vote but need to seek approval from the Finance Minister by submitting a virement warrant called TFN357 (treasury form number). The procedures for MDAs reallocations are clear and respected. After the reallocations within and across sectors, the Minister prepares a reallocation warrant and notifies parliament thereafter for publication. There are no limits to virements within and across sectors, the result being that virements within and across sectors are numerous, thereby potentially undermining the integrity of the budget as well the smooth execution of sector plans.

No supplementary appropriations bills have been presented to Parliament for a number of years as indicated by actual expenditures falling short of budgeted expenditures (PI-1).

On-going and planned activities

- A Budget Committee is in the process of being formed that will be dedicated to reviewing draft budgets and providing advice. Previously the draft budget was being reviewed by the Finance and Economic Committee, which also has other responsibilities. Sectoral Committees also review the draft budget, but from a sectoral viewpoint rather than from than a global perspective.
- Starting with the 2013/13 budget, sector MDAs will present their draft budgets to Parliament for approval prior to the national budget being presented. Presenting their budgets to Parliament after approval of the national budget meant there was less scope for meaningful debate on MDA budgets.

PI (M1)	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-27	C+	B+	**Overall score has improved under dimension (i) - review of planning and budgeting guidelines; and dimension (iii) - more time for legislature to scrutinise sector budget proposals and national budget proposals.**
(i)	C	B	**Performance has improved** due to sector committees reviewing planning and budgeting guidelines which contain macro-fiscal indicators and a review of macro-fiscal and sector issues.
(ii)	B	B	**Performance unchanged:** Clear rules and procedures are well established in the Standing Orders. Sometimes, there are breaches but these occur during parliamentary debates in the form of interjections. Rules for laying papers and documents are followed.
(iii)	B	A	**Performance has improved due to Parliament having more time to scrutinize the draft budget.** The National Assembly has two and a half months to review and approve the draft budget. In addition to this, sector committees have three weeks to scrutinise the sector budget estimates.
(iv)	B	B	**Performance unchanged:** Rules for in-year budget virements are well established and respected. A considerable number of reallocations are made both within and across sectors

3.7.3 PI-28: Legislative scrutiny of external audit reports

The legislature has a key role in exercising scrutiny over the execution of the budget that is approved. In the context of the scope of this PEFA assessment, which covers central government MDAs only, this indicator refers only to audit reports covering these MDAs.

(i) Timeliness of examination of audit reports by the legislature

Table 31 shows the status of review of CAG audit reports on MDA/Regional Secretariats submitted to the National Assembly. Typically, it takes twelve months for the Public Accounts Committee (PAC) to review CAG reports and a further one month for the report of the PAC, including its recommendations to be laid and approved by the legislature. The PAC report for 2010/2011, has not been submitted to the National Assembly as a result of the revised Public Audit Act 2008 (amended 2012) that prohibits the legislature from considering PAC's reports without first having received the responses from the Executive.

Table 31: Status of Audit Reports 1/

	Date of Receipt by Parliament	Date Laid in Parliament	Date Parliament approved PAC report
FY2009/10			
Consolidated Fund (Central Government and MDAs) audit report	31st March 2011	31st March 2012	30th April 2012
Local Government Authorities audit report	31st March 2011	31st March 2012	30th April 2012
Public Authorities & Other Bodies (PA&OBs) audit reports	31st March 2011	31st March 2012	30th April 2012
FY2010/11			
Consolidated Fund (Central Government and MDAs) audit reports	31st March 2012	31st March 2013	Not submitted to parliament
Local Government Authorities audit report	31st March 2012	31st March 2013	Not submitted to parliament
PA&OBs audit reports	31st March 2012	31st March 2013	Not submitted to parliament
FY2011/12			
Consolidated Fund (Central Government and MDAs) audit report	31st March 2013	Not yet laid (due to Audit Act amendment)	Not applicable
Local Government Authorities audit report	31st March 2013	Not yet laid (due to Audit Act amendment Still under preparation	NA
Public Boards and Corporations audit reports	31st March 2013	Not yet laid (due to Audit Act amendment	NA

1/ Though not relevant to this PEFA assessment, the dates of submission to Parliament of the audit reports on LGAs (to be reviewed by the Local Authority Accounts Committee (LAAC) and on PA&OBs (to be reviewed by PAC) are included in the table for information purposes. The audit reports on MDAs/RSs submitted to PAC do not include performance audit reports, which are reviewed by Sectoral Committees.

(ii) Extent of hearings on key findings undertaken by the legislature

The PAC conducts extensive hearings on audit findings raised by CAG in the annual audited reports presented to Parliament. A member of the opposition party in the legislature chairs the PAC with the other fourteen members from both the majority and minority parties. Four parliamentary sessions are held a year. Twenty days of hearings are conducted each session with the invitation of political and administrative heads of MDAs and public boards and corporations for questioning on the findings of the audit report. The coverage level of hearings is between 60% and 70%. PAC deals with the key audit issues of MDAs and public boards and corporations as well as MDAs with large budget allocations with adverse audit findings. The Committee hearings are neither televised nor radio-broadcasted; nonetheless, journalists are allowed entry to cover proceedings for onwards transmission and publication to the public.

(iii) Issuance of recommended actions by the legislature and implementation by the executive

Thirteen months after the CAG reports have been tabled in Parliament, the PAC issues reports to Parliament on its review of the CAG reports. The reports contain recommendations on actions that should be taken by MDAs. Over the last three completed fiscal years PAC has reviewed and reported to Parliament on the CAG audit reports for 2009/10. Even though the PAC has completed the review of the 2010/11 CAG reports, the PAC reports have not been laid before the National Assembly due to an amendment to the Public Audit Act 2008 (Amendment 2012). The amendment of the Act, among other things seeks the following:

- The audit report of the CAG will not be laid before the legislature unless the consolidated responses from the Paymaster General (PMG) are available to be laid at the same time as the CAG report (Section 38(3))
- Parliament will not be in the position to deliberate on the CAG reports until such a time that PAC has completed hearing of the CAG reports in tandem with responses from PMG. Furthermore, there is no time limit on PMG to submit his/her consolidated responses. (Section 38(5) and Section 39 (2))
- Contrary to the previous Section 40 of the Public Audit Act 2008, the PMG is under no obligation to consider the recommendations of PAC when presenting his/her consolidated responses to the National Assembly

Even though PAC issues recommendations (as for 2009/10), which are followed by a status report prepared by CAG indicating the actions taken by the Executive, it is clear that many key issues still linger, some back to 2008/09 with little effort by the Executive to see to the closure of these fundamental and important issues raised by CAG and PAC. For instance, pages 7 to 28 of the CAG audit report of 2011/12 provides an outline of recommendations and actions taken by PMG. Issues such as unclear ownership of some government property abroad, procurement irregularities, payments made without appropriate supporting documents, among others were raised.

PAC's ability to check that its recommendations are followed up by the Executive is constrained by the financial resources available to it, The levels of funding provided for

Parliamentary Standing Committees are premised on these Committees conducting their work in Dar es Salaam, Zanzibar or Dodoma, thereby limiting the ability of the PAC to check on the extent of follow-up in other locations, particularly those located overseas.

PI (M1)	Score 2010 PEFA	Score 2013 PEFA	Assessment
PI-28	D+	D+	**Performance has not changed under any of the dimensions.**
(i)	D	D	**Performance has not changed:** It takes more than 12 months for PAC to review CAG audit reports and issue its report (recommendations) to the National Assembly for consideration and adoption.
(ii)	B	B	**Performance has not changed:** The coverage of hearing is extensive, estimated at between 60% and 70% of all MDAs and PA&OBs. Administrative and political heads of these entities are summoned before PAC for questioning with some media coverage.
(iii)	C	C	**Performance has not changed:** Over the last three years PAC has issued reports/recommendations on CAG reports for FY 2009/10 but significant outstanding issues still await resolution by the Executive. Even though PAC has reviewed the 2010/11 CAG report, it is unable to table its report to the legislature as a result of the amended Public Audit Act which prohibits PAC from presenting its report to the National Assembly until the PMG has presented a consolidated response to CAG audit findings.

3.8 Donor practices

This section assesses donor practices, which impact upon the performance of a country PFM system. These practices are the exclusive responsibility of the donors and are primarily outside the authority of the Government of Tanzania.

Summary of assessment

PI	Score 2010 PEFA	Score 2013 PEFA	Assessment
D-1: Budget support	A	A	***No change in performance in terms of annual predictability of direct budget support.*** *Dimension (ii) on in-year predictability is based on 2011/12 only as schedules of planned budget support were not available to the team for 2009/10 and 2010/11. The bulk of disbursements took place during the first half of the year for these years, as was also the case in 2011/12.*

D-2: Financial information provided by donors (M1)	C+	C	***Performance unchanged*.** Dimension (i) was perhaps too highly in the 2010 PEFA assessment. DP reporting has improved immensely with the advent of AMP, the limiting factor is the information provided doesn't use GoT's budget classification system.
D-3: Use of country systems	C	B	***Performance has improved:*** Based on the data obtained from the Paris Declaration Survey 2011 for Tanzania, 77% of donor aid were managed through the use of national procedures

3.8.1 D-1: Predictability of Direct Budget Support

(i) Deviation of actual budget support from the forecasts and (ii) In-year timeliness of donor disbursements

(i) Deviation of actual budget support from the forecasts

A key component of GoT resources is the provision of predictable general budget support (GBS) and sector budget support (SBS: un-earmarked) by development partners (DPs), enabling GoT to prepare a more predictable budget in support of efficient service delivery. As depicted in Table 32, for FY 2009/10, DPs provided information to GoT via the GBS Secretariat more than six months prior to the submission of the national budget to the National Assembly. For FYs 2010/11 and 2011/12, DPs notified GoT of their commitments 6-8 weeks before the budget was presented to the National Assembly. Annual deviations between committed and actual disbursements were 23.3%, 9.7% and 27.5% for 2009/10, 2010/11 and 2011/12 respectively. A major reason for the large positive deviations was additional World Bank allocations at the request of GoT.

Table 32: Direct Budget Support (DBS) Performance, 2009/10 - 2011/12 (USD, million)

	FY 2009/2010		FY 2010/2011		FY2011/2012	
	Forecast	**Disbursed**	**Forecast**	**Disbursed**	**Forecast**	**Disbursed**
GBS Commitment Date	19th Dec 2008		10th May 2010		13th May 2011	
GBS and SBS amounts	754.8	930.5	537.7	589.8	456.4	581.9
Annual Deviation	175.8		52.0		125.5	
Annual Deviation (%)	23.3		9.7		27.5	

(ii) In-year timeliness of donor disbursements (relative to commitments)

Most donors provide an in-year schedule of planned disbursements to MoF via the GBS Secretariat. Figures on planned in-year disbursements were available to the assessment team 2011/12 only. Donors planned to disburse all their funds during the first and second quarters (about 60 percent during the first quarter). About one-third of planned disbursements took place, however, during the third and fourth quarters. For 2009/10 and 2010/11, 65% and 95% of total actual disbursements were made in the first two quarters *(Table 33).* [42]

Table 33: Actual DBS Disbursements by quarter (USD millions)

FY 2009/10	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
Absolute (USD)	589.1	7.9	163.3	163.7	930.5
Percent	64.0%	0.9%	17.6%	17.6%	100%
FY 2010/11					
Absolute (USD)	107.1	467.2	33.4	-	607.7
Percent	17.6%	76.9%	5.5%	0.0%	100.0%
FY 2011/12					
Absolute (USD)	18.3	379.9	19.6	179.2	597
Percent	3%	64%	3%	30%	100%

MI	Score 2010 PEFA	Score 2013 PEFA	Assessment
D-1	**A**	**A**	(i) In all three completed FYs, the DPs provided information on DBS more than 6 weeks prior to the budget presentation to the legislature. Outturns exceeded forecasts in all 3 years. (ii) Most donors prepare planned schedules of in-year disbursements, the emphasis being on providing most of them during the first half of the year. In practice there may be some delays. Weighted disbursement delays in 2011/12 (figures on in-year planned disbursements were not available to the team for earlier years) were 12% (a B rating represents weighted disbursement delays exceeding 25%). The bulk of disbursements take place in the first half of the year in 2009/10 and 2010/11).
(i)	A	A	
(ii)	A	A	

[42] The team thanks the GBS Secretariat for the assistance provided in obtaining the data on budget support. The Secretariat commissioned an evaluation of GBS in 2013: "Joint Evaluation of Budget Support to Tanzania: lessons learnt and recommendations for the future." Final Report, Volume 1.

3.8.2 D-2: Financial information provided by donors for budgeting and reporting on project and programme aid

(i) Completeness and timeliness of budget estimates by donors for project support

There are 17 bilateral DPs operating in Tanzania from the DAC group and five multilaterals providing a varied degree of program/project support across various sectors of the economy. Analysis of the data provided by DP respondents indicates that they provide information to MoF on project/program support before the start of the fiscal year. In most cases, this information is provided January-May at a time during the budget preparation stage. As per the analysis, more than 75% of donors provide estimates on program/project only, without details on inputs and the nature of estimates - they are more or less block grants. Furthermore, more than 85% of DPs do not provide program/project estimates according to GOT's budget classification system (Table 34).

(ii) Frequency and coverage of reporting by donors on actual donor flows for project support

Table 34 provides detailed analysis of the frequency and coverage of reporting by DPs with respect to actual disbursements of project/program funds. Prior to 2010, the number of donors who reported their disbursements on project/program support to GoT was in the region of 62% (according to 2010 PEFA assessment). The data provided by DPs indicate that 100% of respondents report quarterly to GoT through the Aid Management Platform (AMP). The introduction of AMP, has therefore significantly improved donor reporting on aid disbursement of both program/project and general budget support. DPs input data at least quarterly through AMP; more than 50% of DPs respondents report monthly or within days of actual disbursement. Delays for reporting are within two months after the end of the quarter in which disbursements were made. With regards to coverage of the reports, it is limited to bulk transfers or grants disbursed, without providing any details consistent with the government budget classification.

Table 34: Analysis of Donor Indicator 'D2' Questionnaires

D2 Questionnaires	Finland	EU	WB	DANIDA	DFID	Ireland	JICA	UNDP	US Govt.1/	AfDB	Summary Analysis
What was your organization's estimated amount of project and program aid to Government for FY 2011/2012? (mlns)	€10.3	€14	US$ 1455	DKK 61.2	GBP, 18.5	€6.4	JPY 7,210	US$ 518	US$125.8	UA126.7	
Did you transmit this estimate to the government before the start of 2011/2012? If so, by what date?	May-11	All our EDF cooperation is programmed together with the Ministry of Finances	Yes (no date provided)	Mar-11	Feb-11	During the 1st quarter of calendar year (between Jan & March)	No	Yes: MTEF projections in Sept. 2010 & commitments in Feb. 2011 for 2011/12	Yes, by Sept. 30	Yes	Yes, all respondents before start of 2011/2012
Was the estimate broken down into details and how? (by project/program only; also by nature of inputs	Program only	Yes, both	By project/program only	By project	By Project/ Program only	By Project/ Program only	By project	Entries registered with geog. & sector info.	By Project/Program only	Yes, Projects & programs only	More than 70% of respondent provide estimates by program/project only

D2 Questionnaires	Finland	EU	WB	DANIDA	DFID	Ireland	JICA	UNDP	US Govt.1/	AfDB	Summary Analysis
Did you use the same budget classification as the government for programs/projects? and for inputs (personnel emoluments, purchases of goods and services, subsidies and transfers, capital expenditure)?	No	No	Yes	No	No classification provided/specified	No we provide single sum grant	No	Yes	No	NA: Was not required	More than 70% of respondents do not use government budget classification system
Did your organization report to the Government on actual disbursement of the estimated program and project aid during 2011/2012?	Yes	All our EDF cooperation is programmed together with the Ministry of Finances	Yes	Yes, through AMP	Yes, disbursement schedule is agreed by the government. Government keeps track of actual disbursements. Checked by DFID.	Yes	Yes	Yes	Yes	Yes, thru AMP & monthly statements of confirmed disbursements.	100% of respondents report actual aid disbursements to government

D2 Questionnaires	Finland	EU	WB	DANIDA	DFID	Ireland	JICA	UNDP	US Govt.1/	AfDB	Summary Analysis
If so, how frequently did you report on actual disbursements?	Quarterly	The MoF is supposed to continuously update the AMP on the basis of data provided by EU	Frequency depends on government requests for disbursements	Quarterly	Every time funds are disbursed.	Every quarter we post the actual disbursement in AMP	Monthly	Quarterly	Quarterly	Monthly, thru AMP	100% of respondents report at least quarterly on actual disbursements (more than 50% report quarterly and the others as and when disbursement is made)
And with how long a delay after the end of the reporting period?	2 months delay	N/A	N/A	One month	Immediate.	One month	Sometimes some days delay	Usually 2 weeks from end of quarter, sometimes delayed.	A week	No delays	Reporting delays are between couple of weeks and two months at most
Were disbursement reports made with a breakdown that is consistent with the Government's budget classification?	No	No	No	No	No breakdown given	Yes i.e GBS,Sector & Projects mode	No	No	No By project/programme	NA, was not required	More than 85% do not report actual disbursements into breakdown consistent with government budget classification

1/ USG comprises USAID, Centre for Disease Control, Department of Defence, and Millenium Challenge Corporation

PI (M1)	Score 2010 PEFA	Score 2013 PEFA	Assessment
D-2	C+	**C**	**Performance unchanged. Dimension (i) was perhaps rated too high in the 2010 PEFA assessment. DP reporting has improved immensely with the advent of AMP, the limiting factor is the information provided doesn't use GoT's budget classification system.**
(i)	B	C	**Performance has not changed, the rating in 2010 was probably too high.** All major donors feed the government with program/project estimates at stages consistent with government budget calendar. Data provided by DPs indicate that more than 85% of them do not provide program/project estimates in accordance with the government's budget classification. (necessary to score higher than C).
(ii)	C	C	**Performance unchanged:** The data provided by DPs indicate that 100% of them provide at least quarterly reports of actual program/project aid through the AMP. However, the report does not provide details of expenditure consistent with GoT's budget classification and reporting systems (necessary to score higher than C).

3.8.3 D-3: Proportion of aid that is managed by use of national procedures

The dimension to be assessed is the overall proportion of aid funds to the national government that are managed through national procedures (banking, authorization, procurement, accounting, audit, disbursement and reporting).

The Paris Declaration 2005 and the Accra Agenda for Action 2008 requires donors to use country systems in providing development aid aligned to national strategies. The use of country systems and procedures means adherence to national procurement laws and procedures, disbursement of funds through the national treasury system, accounting for the use of these funds using national accounting policies and procedures, producing reports that are in tandem with country reporting requirements, and auditing the use of these funds by adopting national auditing standards and procedures.

The analysis of the Overseas Development Assistance (ODA) in AMP for 2010/11 and 2011/12 released by EFD (in MoF) in 2013 shows an average of 50% of DPs adopting country systems for aid disbursement.

The Paris Declaration survey for 2010 on Tanzania shows an improvement in the use of country systems. As depicted in Table 35, 72% of donor aid used country procurement systems, 83% complied with budget execution procedures and strategies, 77% adopted national financial reporting system, and 77% used national auditing procedures. An average of 77% of donor aid used all four PFM country systems.

In addition to information in the Paris Declaration Survey and in order to confirm the trends noted above, questionnaires were circulated to donors capturing trends in the use of country systems. However, not all donors submitted data so a full verification of these trends could not be done. However, for the information provided by some donors it appears that there are variations in donor use of country systems; this concerns submissions from JICA, Danida, AfDB, USG and UNDP with data showing USG used 45 percent of country systems in 2011/12, and AfDB used 44 percent of country systems in 2011/12, up from 33 percent in 2010/11 and 20 percent in 2009/10. UNDP's use of country systems increased to 45 percent in 2011/12 from 20 percent in 2009/10.

Table 35: Use of Country Systems

	Total aid	Use of country systems				
		Procurement	Budget execution	Financial reporting	Audit	Weighted average
USD million	2,227	1,603	1,851	1,718	1,717	
Percent	100%	72%	83%	77%	77%	77%

Source: 2010 Paris Declaration Survey for Tanzania

PI	Score 2010 PEFA	Score 2013 PEFA	Assessment
D3 (i)	**C**	**B**	**Performance has improved:** Based on the data obtained from the Paris Declaration Survey 2011 for Tanzania, 77% of donor aid was managed through the use of national procedures

4. Government reform process

4.1 Recent and on-going reforms

A number of PFM reforms were implemented during 2008/09-2011/12 under PFMRP 3 and continue to be implemented under PFMRP 4, which started 1 July 2012. The reforms are noted below according to the ten components of PFMRP 3; the respective PEFA indicators are indicated in italics.

Component 1: Policy Analysis and Development (PIs 11-12, 17)

- Macroeconomic model (MACMOD) and Financial Programming model designed and established in Policy Analysis Department (PAD) of MoF with assistance from East-AFRITAC and the Harare-based Macroeconomic and Financial Management Institute (MEFMI). These tools are being used for the macro-fiscal projections contained in the annual Planning and Budgeting Guidelines issued by MoF.
- First home-grown debt sustainability analysis conducted in 2010 by MoF (under PAD), feeding into the macro-fiscal projections and the Medium Term Debt Strategy also prepared by MoF during the period under review.
- Study on integration and harmonisation of revenue collection systems (mainly referring to the revenues collected by MDAs) was carried out in 2011/12 and is due to be finalised by November 2013 (as mentioned in PFMRP 4).

Component 2: External Resource Management (PI 7, D1-3)

- Installation of Aid Management Platform (AMP); used for 2010/11 budget preparation in terms of DPs inputting projected disbursement figures.

Component 3: Budget Management (PI-5 & 11)

- Economic classification of budget strengthened in 2008/09 through move to GFS 2001 from GFS 1986, the main difference being the explicit identification of elements of capital expenditure in the recurrent budget and of elements of recurrent expenditure in the development budget. The change does not mean much to the layman, as the budget documents do not describe the codes and recurrent and capital expenditure are not explicitly identified anywhere.
- The Strategic Budget Allocation System (SBAS) was upgraded in 2008/09 to capture objectives and targets, consistent with MKUKUTA.
- Capacity strengthening in MDAs in terms of budget preparation.
- The claim is made that the presentation of budget documentation has improved, but this is not evident from the detailed tabular and narrative-free estimates provided to Parliament.
- The claim is made that the budget classification system is consistent with Classifications of the Functions of Government (COFOG), but this is not the case

with the estimates submitted to Parliament. The budget execution reports prepared by MoF through IFMS, both the monthly 'flash' report and the quarterly reports posted on MoF's website are not presented according to expenditure function.

- The Citizen's Guide to the Budget was prepared in both English and Ki-Swahili for the first time for the FY 2011/12 budget.

Component 4: Treasury Management and Accounting (PIs 17, 20, 21-22, 24-25)

- A start was made in 2008/09 to establishing the internal audit function.
- The amendments to the Public Finance Act in 2011 established the Internal Auditor General's Department and provided more powers to Paymaster General and ACGEN to oversee LGA finances.
- Financial statements according to IPSAS cash were generated by IFMS in 2009/10 for the first time. Training was provided on IPSAS. Network connectivity to all Sub-Treasuries was achieved, facilitating the generation of the statements. 250 IFMS end-user staff were trained in IFMS.
- Outstanding reconciled items, dating back to 2000, were cleared.
- The Tanzania Inter Bank Settlement System (TISS) was fully operationalized in July 2010, facilitating GoT payments to suppliers through Real Time Gross Settlements Systems and Electronic Funds Transfers (EFT) systems, and reducing the numbers of days of GoT float held in commercial banks prior to transfer to its account in BoT. 244 staff in sub-treasuries, Regional Secretariats and PMORALG were trained in TISS and EFT.
- Thousands of dormant GoT commercial bank accounts were closed and balances transferred to GoT's account in BoT, facilitating GoT's timely knowledge of its consolidated cash position. The number of bank accounts that LGAs are permitted to hold was reduced drastically to 6 (more relevant for the upcoming LGA PEFA assessment).
- A unified database for public debt was established in MoF through unification of MoF's and BoT's debt management functions.
- Software for payment of public pensions was installed.
- A Procedural Guide for the real asset management module in IFMS was drafted.

Component 5: Procurement Management (PPRA) (PI-19)

- Compliance with the Public Procurement Act and its Regulations, as assessed through a methodology developed by PPRA according to 13 indicators applied to a sample of MDAs, increased to 77 percent in 2011/12 from 39 percent in 2006/07, when audits started. These estimates are not precise, being based on a sample size of about 60 percent.
- Coverage of the web-based Procurement Management Information System (PMIS) increased to 74 percent by the end of 2011/12.
- Tanzanian Procurement Journal (a pull-out in Daily News) was introduced and has a wide circulation.

- A system for procuring commonly used items was introduced in 2009/10 resulting in economies of scale.
- The PPRA signed MOUs with the Procurement Corruption Control Board and the Construction Sector Transparency Initiative (COST) in February and May 2010 respectively.
- The Public Procurement Act, 2004 was amended in 2011, but the regulations are not yet in place. Amongst other things, the amendment provides for increased impartiality in the complaints and appeals process.

Component 6: Financial Management Information Systems Directorate

- Upgrading of Human Capital Management Information System (HCMIS) in 2011 enabled faster and more accurate preparation of payroll.
- The MoF website was constantly updated, maintained and managed by ensuring smooth availability of LAN and WAN services within and outside MoF

Component 7: Investment Management (Treasury Registrar)

- Treasury Registrar Act and Public Corporations Act amended in 2009/10 to provide Office of Treasury Registrar with more regulatory powers.

Component 8: Administration Support Services (Capacity Building)

- Funds being provided to training institutions: NBAA, TIA, IFM, Institute of Accountancy Arusha, following training needs assessment conducted in 2008/09. Skills of accountants upgraded.

Component 9: External Audit Services

- Extensive TA from SIDA has benefitted NAOT. Audit reports were submitted to Parliament on time (by 31 March). During 2009/10-2011/12 140 auditors were trained in Teammate (audit management software) and 120 auditors in ACL (Audit Command Language, interrogation software) during 2009/10. Five performance audits were conducted that year, compared to only 1 report in the previous 2 years. Procurement of vehicles facilitated auditor access to rural areas. Training on risk-based auditing techniques was provided to 104 auditors during 2010/11 and 2011/12, indicating the scope for efficiency gains in auditing in later years. Computers were procured for new recruits. NAOT reached AFROSAI level 3 in 2011/12. Level 5 is the highest level possible, but Level 3 is equivalent to 'very good'.
- Training under the SIDA TA was provided to legislative PFM oversight committees during 2010/11, inducing them to make site visits in order to verify the existence of projects for which payments were being made.

Components 11 & 12, PFMRP Secretariat

- The formation of this and the recruitment of four professional staff during 2010/11 increased proficiency in executing PFMRP activities. The annual work plan implementation rate increased to 81 percent by the end of 2010/11 from 65 percent in 2008.

- A Joint Supervision Mission was conducted in 2011/12 to appraise PFMRP performance and concluded that progress had been satisfactory.

Components 13-18, PFMRP activities in line ministries

- *Ministry of Lands and Human Settlement Development:* measures taken to improve own-source revenue collection (e.g. demarcation of plots, serving demand notices to landlords).
- *Ministry of Natural Resources & Tourism:* Steps taken towards computerising revenue collection (e.g. introducing smart card technology) at the numerous collection centres around the country. The process is on-going.
- *Ministry of Infrastructure Development*: Training in PFM conducted for several staff, including senior management, leading to strengthened compliance with PFM and procurement regulations. This was evidenced by a reduction in audit queries to 4 percent of total expenditure in 2010/11 from 10 percent in 2009/10 and faster implementation of projects.
- *Ministry of Education and Vocational Training:* Extensive training was conducted in PFM and procurement for staff at both service delivery centre level and MDA level. Mzumbe University was identified as a training institution. Training in expenditure tracking (PEFA PI-23) was conducted during 2011/12. As a result of the training, annual budgets have become more realistic and the incidence of CAG queries has fallen.
- *Ministry of Health and Social Welfare:* PFMRP interventions did not start until 2010/11. Training in accounting and stores management took place. Activities planned for 2011/12 did not take place due to delays in procurement and release of funds.
- *PMO-RALG (PEFA PI-8):* Achievements included strengthening of technical support for LGAs, introducing IFMS to LGAs, harmonising of LGA budget classification codes with those of GoT, and upgrading of PFM-RALG's website. LGA financial reporting and accounting capabilities improved significantly as a result of these measures.

PFMRP 4

PFMRP 4, which formally commenced on 1 July 2012, recognises the progress made in PFM reform under the first three PFMRPs, but also recognises that PFM reform in all areas is still some way from completion. This PEFA assessment broadly confirms the need for PFM reform to continue.

4.2 Institutional factors supporting reform planning and implementation

Government leadership and ownership

PFM reform has been conducted since 1998 through a series of PFM Reform Programmes (PFMRP) representing a collaborative effort between GoT and DPs, with DP funding being channelled through a Basket Fund (BF) for PFMRP and via individual project arrangements, and with a Joint Steering Committee (JSC) overseeing the process[43]. The first PFMRP started in 1998, focusing on minimising resource leakage, strengthening financial control and enhancing accountability by reforming budgeting processes and introducing an IFMS. This was successful in controlling expenditure, introducing aggregate fiscal discipline and contributing to the stable economic growth that followed.

PFMRP 1 did not include all PFM reform activities, some DPs implementing activities outside PFMRP 1, leading to co-ordination and duplication issues. The PFMRP 2, which started in 2004, accordingly brought together all PFM reform activities under one umbrella consisting of 10 components: Policy Analysis and Development, External Resources Management, Budget Management, Treasury Management and Accounting (with focus on IFMS as a tool), Procurement, Information Technology Services, Investment Management (including privatisation), Administrative Support Services (strengthening institutional and human resource capacity), External Audit Services, and Programme Management. PFMRP 2 was underpinned by a Memorandum of Understanding (MoU) that set out a framework under which GoT and DPs would co-operate by channelling financial support via a PFMRP BF.

PFMRP 2 fell short of expectations, due to limited ownership of the programme by the various components, unclear strategy, multiple funding sources and poor co-ordination, notwithstanding one of the objectives being to eliminate co-ordination issues. The thrust of PFMRP 3, which began in 2008/09, was to address these issues by adding 6 MDAs to the 10 components of PFMRP 2 (Ministries of Education and Vocational Training; Health and Social Welfare; Infrastructure Development; Lands, Housing and Urban Settlement; Natural Resources and Tourism and Prime Minister's Office-Regional and Local Government (PMORALG)); these MDAs were added on later in the programme. The rationale for not including MDAs in PFMRP until the third phase seems odd, given that MDAs have major responsibilities under most areas of PFM. Implementation was to finish by the end of 2009/10, but was extended to the end of 2010/11 and then to 2011/12 to allow adequate time for completion of programme activities.

An MoU underpinning PFMRP 3 was signed on 27th March 2009 by GoT and seven DPs[44] The main difference between this MoU and the PFMRP 2 MoU was greater emphasis on operating under sector-wide approaches (SWAPs) under a commonly agreed annual planning, budgeting and review framework and the need for predictability of funding.

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[43] Much of the material in this sub-section has been extracted from the PFMRP 3 Completion Report, prepared by Simon Stone, Oxford Policy Management Limited, February 2013 under contract to SIDA and Division of Planning, MoF.

[44] World Bank, DFID (UK) Government of Denmark, Embassy of Japan, Norwegian Ministry of Foreign Affairs, Swedish International Development Agency (SIDA) and Government of Switzerland.

The institutional arrangements for PFMRP 3 were:

- The Permanent Secretary Treasury (PST) had overall responsibility for PFMRP 3 implementation and was accountable to an Inter-ministerial Technical Committee on PFMRP 3. The PST co-chaired the PFMRP3 Joint Steering Committee (JSC) with the Chair of the PFM Development Partners' Group.
- The Deputy Permanent Secretary (DPS) of MoF with responsibility for PFM (DPSPFM), PFM DPs, the CAG, and a representative from East Africa Technical Assistance Center (E-AFRITAC) were members of JSC. The DPSPFM was responsible for day-to-day management of PFMRP 3 and served as its Accounting Office.
- The Director of the Planning (DPD) Division in MoF was responsible for supporting DPSPFM through co-ordinating implementation of PFMRP. A Co-ordination Secretariat was established under DPD to provide support to Component Managers to ensure linkages between PFMRP and other reform programmes, share information with stakeholders and support monitoring and evaluation activities. Component managers were appointed in each implementing agency. In addition to their implementing responsibilities they contributed to updating the PFMRP and preparing medium and annual action plans and budgets.
- The DPD's support for DPSPFM tended to be channelled through lower level Commissioners, where the Component managers were located. The impact of DPD may have been dissipated somewhat as a result. Under PFMRP 4, the DPD's support to DPSPFM is direct. Furthermore, the Co-ordination Secretariat was established only with a delay, due to the delay in signing the MoU, the delay impacting on the pace of implementation of PFMRP 3.
- Seven Key Result Areas (KRA) were established for the 16 components: (i) Budget process and management (under both Policy Analysis and Budget Management components); (ii) Accounting System and Tools (under treasury management and accounting, IT services and investment management components); (iii) Audit and Oversight functions; (iv) Public Procurement Process and Management; (v) Non-tax revenue collection (under policy analysis and development and line ministry components); (vi) Institutional Support to Training Institutes; and (vii) Programme Co-ordination and Communication.
- Work plans and budgets (WPB) specified objectives, targets, activities and performance indicators and expenditures eligible for funding through BF and separately disbursing projects. The approved WPB for each year formed the basis on which GoT and DPs pledged their annual financial support to PFMRP. GoT was to ensure that the contributions to PFMRP were fully reflected in the annual budget/MTEF.
- DPs were to deposit their funds into a PFMRP BF account maintained by ACGEN in BoT and release funds to MoF's Exchequer system, conditional upon approval of MoF's six month cash flow forecasts as per the PFMRP Operational Manual (established in 2004). All PFMRP transactions were to be recorded on IFMS. Unspent funds could be carried over to the following year, subject to JSC approval.
- The World Bank supported PFMRP through component 2 ("Enhancing Public Accountability" of its "Accountability, Transparency and Integrity" project (ATIP). The ATIP had its own set of strategic goals (6), for example, improved predictability of resources to MDAs, and corresponding intermediate outcome indicators. The Bank rated progress as satisfactory.

- Quarterly performance reports were to be prepared for JSC review.
- The NAO was to conduct annual audits of PFMRP (except for the Audit Services Component, to be audited by a private company).

According to PFMRP Secretariat staff, and the PFMRP 3 Completion Report, implementation of PFMRP 3 (as with PFMRP 2) has not been without problems, as evidenced by expenditures being significantly lower than budgeted (54%, 35%, 36% and 30% for 2008/09, 2009/10, 2010/11 and 2011/12 respectively). Problems included: insufficient quality of AWPs; GoT's budget preparation and execution processes;[45] lack of agreement on the criteria for assessing progress in implementing PFMRP; attempts of some DPs to be overly demanding in terms of the exact use of their funds (undue micro management and acting like 'prefects' in the opinion of the Secretariat, also the TR), leading to disagreements between them and other DPs and GoT; insufficient predictability of DP funding; high transactions costs to GoT of meetings with DPs; loss of institutional memory in DP agencies due to staff turnover; and insufficient staff in the Secretariat.

Under PFMRP 4, two more positions have been added to the Secretariat, a communications specialist and a PFM advisor. As mentioned above, the linkage between the DPSPFM and the DPP/Secretariat has been made more direct. A coherent M&E Framework, never fully operational under PFMRP 3, partly because ATIP had its own framework, has been added.

Challenges

Capacity constraints were mentioned in several documents reviewed by the assessment team (e.g. in Medium Term Plans prepared annually by MDAs during the budget preparation process) and by a number of interviewees as being a significant challenge to the pace of PFMRP reform, notwithstanding capacity building being provided under PFMRP. Lower salaries in GoT than in PA&OBs, private sector, DPs and NGOs affect retention rates, so that new staff have to be hired and trained.

A higher degree of sequencing and prioritisation in PFM reform programmes would have helped to address these constraints. This issue is not unique to Tanzania. In the experience of the PEFA assessment team, a common feature of PFM reform programmes seems to be the insufficient integration of capacity issues into programme design. A pre-requisite for successful implementation of PFM reform programmes (any reform programme for that matter) is skilled and motivated managerial and technical staff operating in a coherent institutional environment. If the pre-requisite is not met, then a high priority of the PFM reform programme should be to establish the pre-requisite; i.e. in terms of logical sequencing, establishing of capacity should be conducted early on in the PFM reform process.

45 As indicated in the PFMRP 3 Completion Report, the proposed annual budget for PFMRP as agreed by JSC has to go through GoT's budget preparation process in order for it to be reflected in the annual GoT budget. The amount approved may be less than the amount proposed and the amounts released may be even less, depending on the financial position of GoT during the year (as is the case for MDAs in general).

Annexes

Annex A: Budget performance tables

Data for year =	2009/2010					
MDA	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Regional Budget Totals	1831	1706	1810	-104	104	5.7%
Ministry of Infrastructure Development	611	792	604	188	188	30.7%
The treasury	408	261	403	-142	142	34.8%
Ministry of Education & Vocational Training	444	471	439	32	32	7.2%
Defence	333	338	329	9	9	2.6%
Ministry of Health & Social Welfare	232	231	229	2	2	0.9%
Ministry of Home Affairs - Police Force	212	207	209	-2	2	1.1%
President's Office & Cabinet Secretariat	172	189	170	20	150	87.2%
Ministry of Energy & Minerals	152	127	150	-23	23	15.3%
Ministry of Agriculture, Food Security & Cooperation	138	189	137	52	52	37.7%
Prime Minister's Office - Regional Admin & Local Govt	132	128	130	-2	2	1.5%
Ministry of Home Affairs - Prison Service	110	96	109	-13	13	11.4%
Accountant general's department	104	109	102	7	7	6.6%
Ministry of Finance & Economic Affairs	103	181	102	79	79	76.7%
Ministry of Foreign Affairs & International Cooperation	88	110	87	23	23	26.8%
National Service	83	93	82	11	11	13.4%
Vice President's Office	72	73	71	2	2	2.2%
Ministry of Water & Irrigation	70	50	69	-19	19	27.0%
The National Assembly Fund	68	69	67	2	2	2.8%
Ministry of Livestock Development and Fisheries	47	40	46	-6	6	13.2%
All Other Votes (Residual)	682	559	674	-115	115	16.8%
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approved total budget expenditure	6089	6018	6018	0	983	
Contingency	52					
total expenditure	6141	6018				
overall (PI-1) variance						2.0%
composition (PI-2) variance						16.3%

Data for year =	2009/2010					
MDA	budget	actual	adjusted budget	deviation	absolute deviation	percent
contingency share of budget						0.0%
Data for year =	**2010/2011**					
MDA	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Regional Budget Totals	2769	2404	2555	-151	151	5.9%
Ministry of Infrastructure Development	1007	954	929	25	25	2.7%
Ministry of Education & Vocational Training	656	631	605	26	26	4.3%
Defence	507	501	468	33	33	7.0%
Ministry of Energy & Minerals	450	423	415	7	7	1.8%
Ministry of Home Affairs - Police Force	410	332	378	-46	46	12.1%
Ministry of Finance & Economic Affairs	293	288	270	18	18	6.6%
Ministry of Health & Social Welfare	277	261	256	6	6	2.2%
President's Office & Cabinet Secretariat	224	221	207	14	14	6.6%
Ministry of Transport	181	175	167	8	8	4.9%
Ministry of Agriculture, Food Security & Cooperation	165	125	153	-27	27	17.8%
Ministry of Defence & National Service	149	148	138	10	10	7.4%
Ministry of Foreign Affairs & International Cooperation	145	139	133	5	5	4.0%
The treasury	87	226	80	146	146	180.8%
National Service	135	134	125	9	9	7.6%
Ministry of Home Affairs - Prison Service	120	119	111	8	8	7.5%
Prime Minister's Office - Regional Admin & Local Govt	100	86	92	-6	6	6.9%
Accountant general's department	93	83	86	-3	3	3.2%
The National Assembly Fund	86	85	79	6	6	7.5%
Immigration Department	79	76	73	3	3	3.7%
All Other Votes (Residual)	808	655	745	-91	91	12.2%
	0	0	0	0	0	#DIV/0!
approved total budget expenditure	8742	8066	8066	0	649	
Contingency	100					

Data for year =	2009/2010					
MDA	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
total expenditure	8842	8066				
overall (PI-1) variance						8.8%
composition (PI-2) variance						8.0%
contingency share of budget						0.0%

Data for year =	2011/2012					
MDA	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Regional Budget Totals	2615	2403	2491	-88	88	3.5%
The treasury	662	226	630	-404	404	64.1%
Ministry of Infrastructure Development	867	954	825	129	129	15.6%
Ministry of Education & Vocational Training	565	631	538	93	93	17.3%
Defence	432	495	412	83	83	20.2%
Ministry of Energy & Minerals	313	423	298	124	124	41.7%
Ministry of Home Affairs - Police Force	282	332	269	64	64	23.7%
Ministry of Health & Social Welfare	229	261	218	43	43	19.7%
President's Office & Cabinet Secretariat	218	221	208	13	13	6.4%
Ministry of Finance & Economic Affairs	202	288	193	96	96	49.7%
Ministry of Agriculture, Food Security & Cooperation	167	132	159	-27	27	16.9%
Ministry of Transport	165	175	157	19	19	11.9%
Ministry of Defence & National Service	144	148	137	11	11	7.9%
Ministry of Foreign Affairs & International Cooperation	125	139	119	20	20	16.4%
Ministry of Home Affairs - Prison Service	109	119	103	16	16	15.2%
National Service	106	134	101	33	33	33.0%
Accountant general's department	87	83	83	0	0	0.1%
Prime Minister's Office - Regional Admin & Local Govt	85	86	81	4	4	5.3%
The National Assembly Fund	81	85	77	8	8	10.3%
Immigration Department	75	76	72	4	4	5.8%
All Other Votes (Residual)	940	655	895	-241	241	26.9%
	0	0	0	0	0	

approved total budget expenditure	8470	8067	8067	0	1520	
Contingency	100					
total expenditure	8570	8067				
overall (PI-1) variance						5.9%
composition (PI-2) variance						18.8%
contingency share of budget						0.0%

Annex B: Documents list

Legislative and Regulatory Framework

- Constitution (1977)
- Public Audit Act (2008)
- Local Government Finance Act (1982)
- Finance Act 2009
- Finance Act 2010 / Office of Internal Auditor General
- Finance Act 2011
- Finance Act 2012
- Public Procurement Act 2011
- Compendium of Act supplement concerning the oversight exercises by the Treasury Registrar, including CAP 370 the Treasury Registrars (Powers and Functions), 1959, last amended in 1999 and other Acts amended to reflect the Treasury Registrar's Powers in 2010
- Appropriations Act 2010
- Supplementary Budget/Appropriations Act 2010
- Appropriations Act 2011
- Appropriations Act 2012
- Appropriations Act 2009
- Public Finance Act 2001
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Planning and Budgeting

- Budget Estimates 1st July 2012 to 30th June 2013: Volume 2
- MTEF for 2012/2013 to 2015/2016: Ministry of Agriculture Food Security & Cooperatives Recurrent & Development Budget - Vote 43
- MTEF for 2012/2013 to 2016/2017: Ministry of Water Forward Budget - Vote 49
- Budget Guidelines for Annual Plan and Budget Preparation for 2012/2013
- MTEF for 2012/2013 to 2014/2015: Ministry of Works - Vote 98
- Medium Term Plan and Budget Framework 2013/2014 to 2015/2016: Prime Minister's Office, Regional Administration and Local Government - Mbarali District Council
- Medium Term Plan and Budget Framework 2013/2014 to 2015/2016: Prime Minister's Office, Regional Administration and Local Government - Mbeya Region, Vote 78
- Budget Estimates 1st July 2010 to 30th June 2011: Volume 2
- Budget Estimates 1st July 2009 to 30th June 2010: Volume 2
- Budget Guidelines for Annual Plan and Budget Preparation for 2013/2014
- Medium Term Strategic Planning and Budgeting Manual
- Medium Term Strategic Plan 2012/2013 to 2015/2016: Ministry of Education & Vocational Training
- Budget Estimates : Expenditure Budget (Approved Estimates) 2009/2010, 2010/2011, 2011/2012

Budget execution, accounting and reporting

- Chart of Account - GFS 2001: Re-classification for 2013/2014
- Circular to Local Government Authorities: Reduction of Bank Accounts to a Maximum of 6 Bank Accounts
- Statement of Reallocation - Reallocation Warrant Number 1 of 2011/2012: Virement between Votes
- Statement of Reallocation - Reallocation Warrant Number 2 of 2011/2012: Virement within Votes
- COFOG Bridge Table
- Strategic Budget allocation System (SBAS) Software Manual

- Budget Outturns for 2009/2010, 2010/2011, 2011/2012
- Lawson tables

Revenue

- Report of the CAG on the financial statements of TRA for the FY ended 30th June 2012
- TRA National Taxpayers Services and Education Campaign 2011/2012
- TRA Annual report 2010/2011
- TRA Corporate plan 2008/09 to 2012/2013
- Annual Performance Report for FY 11/12 of the audit division, Domestic Revenue Department
- Data on tax arrears from Large Taxpayers' Division

Audit and legislative oversight

- Internal Auditor General's Annual Summary of major audit observations, recommendations and way forwards from LGA's audit reports for the FY 2011/2012
- Internal Auditor General's Operational Plan 2012/2013 to 2016/2017
- Internal Auditor General's Code of Ethics for Internal Audit Services in the public sector
- Internal Auditor General's Charter for Internal Audit Services in the Public Sector
- Internal Auditor General's Guidelines for developing and implementing institutional risk management framework in the public sector
- Internal Auditor General's Internal Audit Manual for MDAS
- Internal Auditor General's Internal Audit Manual for LGAS
- Internal Auditor General's Quality Assurance and Improvement Program, Procedures Manual
- Internal Auditor General's General Report on the work of Internal Audit Services of MDAS for the FY ending 30th June 2012
- Internal Auditor General's report on the audit of the Payroll (consulted in office only)
- Auditor General's Report on Local Government Authorities FY ended 30th June 2012
- Auditor General's Report - Performance & Specialized Audits - Period Ending 30th March 2013
- National Audit Office Memorandum: Audit Circular No. 2 of 2012 - Annual Audit Plan
- Ministry of Finance: Responses to Auditor-General's Report FY ended 30th June 2011
- Follow up report on Auditor-General's Recommendations FY ended 30th June 2011
- Implementation report on the Local Authorities Accounts Committee of Parliament FY 2009/2010
- Government Responses on Public Accounts Committee (PAC) Recommendations
- Acknowledgement Letter: Receipt of Local Government Financial Statements FY ended 30th June 2012 - Kondoa District Council
- Acknowledgement Letter: Receipt of Local Government Financial Statements FY ended 30th June 2012 - Singida Municipal Council
- Acknowledgement Letter: Receipt of MDA Financial Statements FY ended 30th June 2012 - Ministry of Defense and national Service
- Acknowledgement Letter: Receipt of MDA Financial Statements FY ended 30th June 2012 - Ministry of Finance, Accountant General's Department
- Acknowledgement Letter: Receipt of MDA Financial Statements FY ended 30th June 2012 - Ministry of Information, Youth, Culture and Sports
- Guidelines on Audit Materiality Risk Level: National Audit Office of Tanzania
- Invitation Letter to the Press: CAG Report FY ended 30th June 2012
- Acknowledgement Letters from National Assembly: Receipt of Auditor General's Reports
- Log/dispatch book: National Audit Office of Tanzania
- Auditor General's Report Central Government Operation FY 2011/2012
- Log/dispatch book: Accountant General's Department
- Monthly flash reports : June 2011, June 2012 and March 2013
- Internal audit reports 2011/2012 - Ministry of Health and Social Welfare; Ministry of Energy and Minerals

Oversight of Public Authorities and Other Bodies

- Auditor General's Report on audit of Public Authorities and other Bodies for FY ended 30th June 2012
- Treasury Registrar's Statement for the year ended 30th June 2011
- Example of quarterly submission by Public Authorities (TRNA fourth quarter / annual progress report for FY ending 30th June 2012)
- Letters from Treasury Registrar

Procurement

- PPRA Annual Performance Evaluation Report for the financial year 2011/2012
- PPRA Annual Performance Evaluation Report for the financial year 2010/2011
- PPRA Annual Performance Evaluation Report for the financial year 2009/2010
- PPRA medium strategic plan 2009/201 to 2013/2014
- Tanzania Procurement Journal , April 2013
- Public Procurement Appeal Rules, 2005
-

Donor-related documents

- Aid management Platform FY 2010/2011 & 2011/2012
- External Resources Department (MoF) Budget FY 2009/2010
- Paris Declaration: Evaluation of Aid Effectiveness Report (Phases I & II) - 2011
- IMF PSI Report January 2013
- IMF Article IV Consultation May 2011
- IMF Letter of Intent June 2012
- IMF Letter of Intent November 2012
- IMF FAD Reports
- Paris Declaration Survey 2010, Tanzania

Other

- Taxpayer Identification Number Leaflet
- Guide to VAT Refund Procedures Leaflet
- Taxation on Leasing Transactions Leaflet
- Tax Incentives in Tanzania Leaflet
- Implementation of Quality Management System Leaflet
- GEMBA KAIZEN Management System Leaflet
- Tanzania Tax Law Reports 2008 Volumes 1 & 2
- Public Financial Reform Programme Strategy Phase 4, 2012/2013 to 2016/2017
- Report of the Financial Programming Working Group Session, Jan/Feb 2013
- Rapid Budget Analysis Report
- PETS for education sector 2010

Annex C: List of Stakeholders Visited and Consulted

Name	Division/unit	Position	Email
Ministry of Finance and Economic Affairs			
Ramadhani M. Khijjah	MoF	PS/Pay Master General	rkhijjah@mof.go.tz
Fatima S. Kiongosya	MoF	Director of Planning	fskdosi@yahoo.com
Sebastian Ndandala	MoF	PFMRP-Ag Coordinator	ndandalas@gmail.com
Elisaraweki Macha	MoF	Financial Management Officer	emacha@mof.go.tz
Linus P. Kakwesigabo	MoF	Financial Expert-PFMRP	kakwesil@yahoo.co.uk
John W. Mwilima	MoF	Asst. Commissioner, Budget	j_mwilima@yahoo.co.uk
Fundi M. Makama	MoF	Principal Finance Officer	makamafm@hotmail.com
Boniface G. Kilindimo	MoF	Economist	Kilindimo@yahoo.com
Shadrack J. Onani	MoF	PMO	Sjonani84@yahoo.com
Shogholo Msangi	MoF	Asst Commissioner - Fiscal Policy	smsangi@mof.go.tz
Siraji Majura	MoF	Principal Economist	smajura@mof.go.tz
Mbayani Saruni	MoF	Principal Economist	mysaruni@mof.go.tz
Joseph S. Kiraiya	MoF	Principal Economist	Jkiraiya@mof.go.tz
Alex J. Haraba	MoF-PPD	Asst Commissioner	ajharaba@yahoo.com
Dr. F. Mwakibinga	MoF-PPD	Commissioner	fmwakibinga@mof.go.tz
Saibull Augustino	MoF	Finance Mgt Officer	saibull@yahoo.com
Mwakibinga E. P. Mihalale	MoF-TR	Asst Treasury Registrar	emwakibinga@mof.go.tz
Buhunire William	MoF-TR	Ag. Asst Treasury Registrar	
Michael Nyagoga	MoF-TR	Public Finance Management Officer	nyagoga@yahoo.com

Name	Division/unit	Position	Email
Theresia Henjewele	MoF-PAD	Principal Economist	thenjewele@mof.go.tz
Wilbroad Chimwaga	MoF-PAD	Principal FMO	wchimwaga@mof.go.tz
Bertha Malambugi	MoF-TR		berthaelhoh@yahoo.com
Jerome Buretta	MoF	ACEF/M	jburetta@yahoo.com
Andambike Mololo	MoF	Senior Economic Officer	andambike@yahoo.co.uk
Alice Matembele	MoF	Principal FMO	amatembele@mof.go.tz
Alex Mpangala	MoF	Economist	ampangala@mof.go.tz
Pius Mponzi	MoF	Asst Commissioner	pmonzi@mof.go.tz
Stanley Haule	MoF	Ag Director	shawle@mof.go.tz
Jones Kabwoto	MoF	SCSA	Jkabwoto@mof.go.tz
Ignas Chuwa	MoF	SE	ichuwa@mof.go.tz
Erasto Kivuyo	MoF	Accountant	ekivuyo@mof.go.tz
Alfred P. Misana	MoF/Debt	Ag Asst Commissioner	amisana@mof.go.tz
Nicolas Shombe	MoF	SE	nshombe@mof.go.tz
Bernard Konga	MoF	Asst Director	kongab@yahoo.com
Neema Mkwizu	MoF	Economist	neemamk@yahoo.co.uk
Dr. F. M. Mhilu	MoF	Commissioner, PPP	fmhilu@mof.go.tz
Felix Mlay	MoF	Principal Economist	fmlay@mof.go.tz
Alexander Lweikila	MoF	Communication Specialist	alweikila@yahoo.com
Accountant General's Department			
Ishmael Kasekwa	ACGEN/MoF	Ag Accountant General	Ikasekwa2001@yahoo.co.uk
Vitus Paul	ACGEN/MoF	Asst Accountant General – LGA	Vpaul2023@gmail.com
Irene B. Kasambala	ACGEN/MoF	Asst Accountant General – Expenditure	kasambalae@yahoo.com
Simeon J. Maingu	ACGEN/MoF	Ag Chief Accountant	simaingu@yahoo.com
Bartholomew Lyamuya	ACGEN/MoF	Accountant – Revenue	Bartnannie2002@yahoo.com
Maurice Ngaka	ACGEN/MoF	CMU	Ngakam@yahoo.com
Siglada Mfelwa	ACGEN/MoF	B/REC	siglada@yahoo.com
Tatu Mikidadi	ACGEN/MoF	CSAI	Bibije38@hotmail.com
Vainess Nyange	ACGEN/MoF	Ag CA-CMS	vainessnyange@yahoo.com
Marcel Cosmos	ACGEN/MoF	Ag CA/PD	marcelpcosmos@yahoo.com
Rodney Chogoro	ACGEN/MoF	S/A Revenue	rodchoforo@yahoo.com

Name	Division/unit	Position	Email
Adamu Mshangama	ACGEN/MoF	PCSA	amshangene@mof.go.tz
Christopher Nkupama	ACGEN/MoF	PA/LG	nkapamac@yahoo.com
Matembo Maria Oddo	ACGEN/MoF	Ag CA/CPO	mmatenbo@hotmail.com
Godlove Kinyunyu	ACGEN/MoF	SDU/A	Gkinyunyu2000@yahoo.com
Janet Mapande	ACGEN/MoF	CA Vote 23	madweni@yahoo.com
Tanzania Revenue Authority			
Rished Bade	TRA	Deputy Commissioner General	rbade@tra.go.tz
Patrick Kassera	TRA	Commissioner-DRD	pkassera@tra.go.tz
Alfred Mregi	TRA	Deputy Commissioner-LTD	amregi@tra.go.tz
Christine Shekidele	TRA	Deputy Commissioner-DRD	cshekidele@tra.go.tz
Adolph Ndunguru	TRA	Manager, Public Finance	andungum@tra.go.tz
Gabriel Mwangosi	TRA	Manager, Technical Services	gnmwangosi@yahoo.co.uk
Beldon Shemu Chaula	TRA	Principal Research Officer	bchaula@tra.go.tz
Julius Caesar	TRA	Manager, Technical Services	jcaesar@tra.go.tz
Damian F. Kimaro	TRA	Principal Tax Officer	dkimaro@tra.go.tz
Matilda Kunenge	TRA	Manager, Debt Collection	mkunenge@tra.go.tz
Jacob Massawe	TRA	Senior Tax Officer	jmassawe@tra.go.tz
President's Office –Public Services Management			
Peter Mushi	PO-PSM	Asst Director	Pmushi2002@yahoo.co.uk
Alpha A. Zulu	PO-PSM	Human Resource Officer	alphazulu@utumishi.go.tz
Emmanuel Mlay	PO-PSM	Director - HCMIS	Emmanuel.mlay.utumishi.go.tz
Elvida Max	PO-PSM	Asst. Director-Payroll Management	vidamax@utumishi.go.tz
Jeanfrida Mushumbusi	PO-PSM	Computer System Analyst	jeanmushunmbusi@utumishi.go.tz
Ministry of Health and Social Welfare			
Stella Maha	MOHSW	Ag Chief Accountant	mahastella@gmail.com
Amandus M. Rutahiwa	MOHSW	Procurement	amanduruta@yahoo.com

Name	Division/unit	Position	Email
		Officer	
Severina Shirima	MOHSW	Principal Supply Officer	smirimask@yahoo.com
Donatha Koko	MOHSW	Supply Officer	donathakoto@yahoo.com
Josibert J. Rubona	MOHSW	Ag. Director, Planning	Jrubona@yahoo.com
Ministry of Energy & Mines			
Eric Kwesigabo	MEM	SO	ekwesigabo2002@yahoo.com
Ahadi Msangi	MEM	Chief Accountant	aemsangi@gmail.com
Alex Nduye	MEM	Budget Officer	nduyeskills@yahoo.co.uk
Maseke Mabiki	MEM	ADPC	mabiki@gmail.com
Avodia Rukonge	MEM	STA	avodia72@yahoo.co.uk
Felix Felician	MEM	Chief Internal Auditor	
Local Government Authorities			
Shekidula A. Timotheo	Kinondoni	Ag Municipal Treasurer	shakidula@gmai.com
Dr Samuel Lema	Kinondoni	Ag DMU	samwelilema@hotmail.com
Aneth Sanga	Kinondoni	Ag MPCO	anethsanga@yahoo.com
Davis Sabas	Kinondoni	Ag MIA	davvysabbas@yahoo.com
Ministry of Education & Vocational Training			
Jacob J. Kibona	MoEVT	DPMU	kibonajac@yahoo.com
Gerald Mweli	MoEVT	Ag AD (PL)	Mweli2012@gmail.com
Melisi Kazuzura	MoEVT	Ag Chief Internal Auditor	mmfumya@yahoo.com
Anthony G. Tarimo	MoEVT	Chief Accountant	agtarimo@yahoo.com
Egbert Ndauka	MoEVT	Director, Policy & Planning	engase@yahoo.com
Ministry of Works			
Amb. Herbert Mrango	MOW	Permanent Secretary	
Joharia Mwenda	MOW	Asst Director, Planning & Budgeting	
Christopher Nditi	MOW	SO	nditic@yahoo.com
Projest R. K. Pastory	MOW	Chief Accountant	
Nuru Mhando	MOW	Chief Internal Auditor	ilagillan@yahoo.com
National Audit Office of Tanzania			
Ludovick Utouh	NAOT	Controller & Auditor General	ocag@nao.go.tz / lsutouh@yahoo.com
Elibariki Lyatuu	NAOT	H/TSSU	elylyatuu@yahoo.com
Gemje C. Haule	NAOT	Ag Asst Auditor	Chabbyhaule2000@gmail.com

Name	Division/unit	Position	Email
		General – PA	
James G. Pilly	NAOT	Ag Asst Auditor General – SA	Jam_gp@yahoo.com
Abutwalibu Kilimba	NAOT	Auditor-TSSU	abukilimba@yahoo.com
Nsia Michael	NAOT	Auditor-TSSU	nsiamic@yahoo.com
Malima M. Nkilijiwando	NAOT	Ag Head, Planning Unit	malimatz@yahoo.com
Francis Mwakapalila	NAOT	Ag. Deputy Auditor General	francismwaka@gmail.com
Internal Auditor General			
Mohamed A. Mtonga	IAGD/MOF	Internal Auditor General	mtongah@yahoo.co.uk
Chotto L. Sendo	IAGD/MOF	Asst Internal Auditor General	Sendocl2004@yahoo.com
Stanslaus W. Mpembe	IAGD/MOF	Asst Internal Auditor General	Mpembed2@yahoo.com
Paison D. Mwamunyasi	IAGD/MOF	Senior Internal Auditor	paisondonald@yahoo.com
Enoch Mayage	IAGD/MOF	Internal Auditor	emayage@gmail.com
Seleman Kilonzi	IAGD/MOF	Internal Auditor	Selkil50@yahoo.com
Vicky Jengo	IAGD/MOF	Public Finance Management Officer	Vjengo70@yahoo.co.uk
Prime Minister's Office – Regional Administration & Local Government			
Shomari O. Mukhandi	PMORALG	Ag. Asst Director	somamukhandi@gmail.com
National Assembly			
Hon Zitto Z. Kabwe	Parliament	Chairman, PAC	
Siegfried M. Kuwite	Parliament	Director, Planning & ICT	skuwite@parliament.go.tz
Public Procurement Regulatory Authority			
Awaidh Suluo	PPRA	Manager, Training & Advisory Services	awadhi.suluo@ppra.go.tz
Robert Kitalala	PPRA	Head PMU	robertkitalala@ppra.go.tz
Development Partners			
Zomra Balsara	USAID - Health	Programme Officer	zbalsara@usaid.gov
Niels Knudsen	UNDP	Program Mgt Specialist	Niels.knudsen@undp.org
Oliver Coupleux	EU Del	Head of Economic Section	Oliver.coupleux@eeas.europa.eu
Virginie De Ruyt	EU Del	Program Officer Governance	Virginie.de-ruyt@eeas.europa.eu

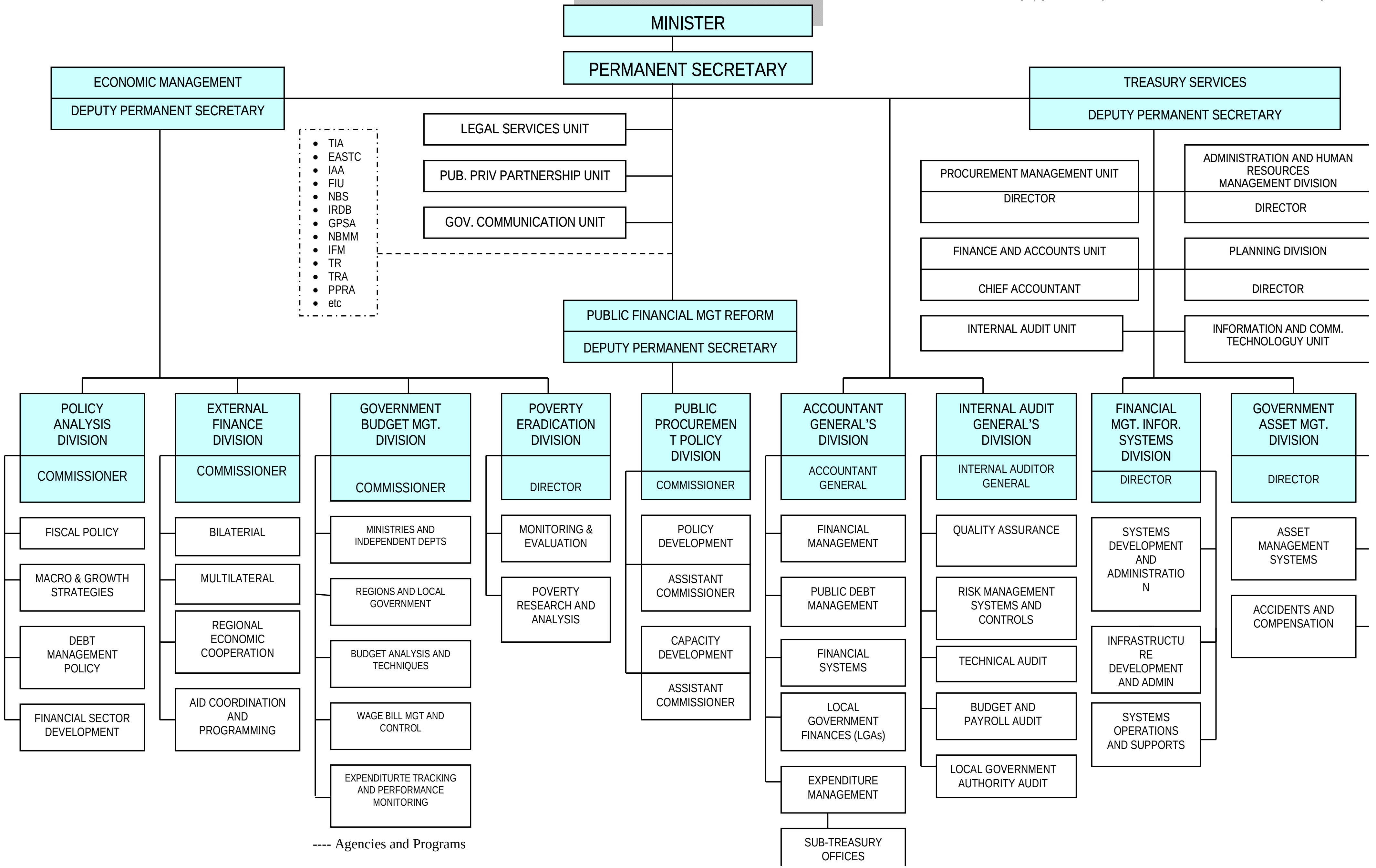
Name	Division/unit	Position	Email
Yoshisuke Kondoh	JICA	Program Advisor-PFM	Kondoh.Yoshisuke@jica.go.jp
Victoria Cunningham	World Bank	Senior Economist	Vcunningham1@worldbank.org
Nick Highton	DFID	PFMRP Co-Chair/PFM Advisor	N-Highton@dfid.gov.uk
Jim Halliday	CIDA	Director CCO/PFMRP Co-Chair	Jim.halliday@ccotz.org
Signe Winding	DANIDA	First Secretary-Macro-economy	sigwin@um.dk
Warren Kidd	CIDA	Education Advisor	Warren.kidd@ccotz.org
Guy Anderson	East AFRITAC	Advisor	ganderson@imf.org
Kalle Hellmann	GBS Secretariat	Coordinator	kallehellman@hotmail.com
Jean Jose Padou	CIDA	PFM Advisor	Jean.Padou@ccotz.org
Godfrey Kaijage	AfDB	Principal FM Officer	g.kaijage@afdb.org
Paddy Siyanga Knudsen	PFMRP	DP Coordinator	Paddy.siyanga@gmail.com
Guillaume Barraut	EU Del	PFM Advisor	Guillaume.barraut@eeas.europa.eu
Emmanuel Mungunasi	World Bank	Economist	emungunasi@worldbank.org
Jacques Morisset	World Bank	Lead Economist	jmorisset@worldbank.org
Henry Kanyesiime Gaperi	East AFRITAC	Revenue Policy Advisor	hgaperi@imf.org
Tawfik Ramtoolah	East AFRITAC	PFM Advisor	tramtoolah@imf.org
Thomas Baunsgaard	IMF	Resident Rep	tbaunsgaard@imf.org
Eric Beaume	EU Del	Head of Cooperation	Eric.beaume@eeas.europa.eu
Samer Al Fayadh	SIDA	First Secretary	Samer.al-fayadh@gov.se
CSOs, Private Sector and NGOs			
Upendo Minya	TCCIA	Chamber Development Officer	pendolily@yahoo.co.uk
Hussein Kamote	CTI	Director	kamote@cti.co.tz

Annex D: Ministry of Finance Organisation Chart

Chart II

THE ORGANISATION STRUCTURE OF THE MINISTRY OF FINANCE

(Approved by the President on 3rd June, 2011)



Annex E: Quality Assurance Mechanism (PEFA Check)

Disclosure of Quality Assurance Mechanism

The following quality assurance arrangements have been established in the planning and preparation of the PEFA Central Government assessment report for the **UNITED REPUBLIC OF TANZANIA**, final report dated 29 August 2013.

1. Review of Concept Note and/or Terms of Reference

- Draft terms of reference was submitted for review to the following reviewers:
  1) PEFA taskforce co-chairs and members: Nov 2012
  2) PFM Development Partners Group co-chairs and members: Dec 2012
     - This group included the selected reviewers - World Bank, European Union Delegation and Canadian International Agency for Development
  3) PEFA Secretariat: Jan 2013 (by email)

- Final terms of reference were submitted to the EU in Jan 2013 after inputs from all reviewers were incorporated.

2. Review of draft report(s)

- Draft report dated 17 June 2013 was submitted for review to the following reviewers:
  1) Denis Biseko/Chiara Bronchi – World Bank on 24 June 2013
  2) Jean Jose Padou - Canadian International Agency for Development on 24 June 2013
  3) Guillaume Barraut – European Union Delegation on 24 June 2013
  4) Ministry of Finance on 28 June 2013
  5) Helena Ramos - PEFA secretariat on 8 July 2013

3. Review of final draft report

A revised final draft assessment dated 19 August 2013 was forwarded to reviewers on 20 and 21 Aug 2013 and included a table showing the response to all comments raised by all reviewers.

An improved revised final draft was presented to the broad stakeholders on 29 August 2013 after which some inputs were further incorporated.

4. ***Additional information***

Date of establishment of the assessment Oversight Team (PEFA taskforce)	***12 November 2012***
Chairperson and Members of the Oversight Team	- ***Co-chairs*** ○ **Ms Fatima Kiongosya – Planning Division (MoF)** ○ **Mr Jim Halliday – Director CCO (CIDA)** - ***Members:*** ○ **Mr. Rodney Chogoro – ACGEN Division (MoF)** ○ **Mr. Samson Mangasin - BUDGET Division (MoF)** ○ **Mr. Andambike Mololo – EXTERNAL FINANCE (MoF)** ○ **Mr. Wilbrod Chimwaga – POLICY ANALYSIS (MoF)** ○ **Mr. Guillaume Barraut – EU** ○ **Ms. Janne Rajpar - KfW** - ***Taskforce secretariat*** ○ **Ms Sara Macha – Planning Division (MoF)** ○ **Ms Paddy Siyanga Knudsen – PFMRP DP secretariat** ○ **Sebastian Ndandala - PFMRP GoT secretariat** ○ **Linus Kakwesigabo - PFMRP GoT secretariat** ○ **Alexander Lweikila – PFMRP GoT secretariat**
Name of the Assessment Leader	**Ministry of Finance (MoF)**
Names of the Assessment Team	**Mr Peter Fairman – Team leader** **Mr Charles Hegbor – Member** **Mr Jerome Dendura – Member**

5. This form, describing the quality assurance arrangements is included in the revised draft report.

PEFA assessment report **UNITED REPUBLIC OF TANZANIA**, final report dated 29 August 2013.

The quality assurance process followed in the production of this report satisfies all the requirements of the PEFA Secretariat and hence receives the '**PEFA CHECK**'.

PEFA Secretariat, September 12, 2013

Annex F: Grid of Comments

FWC Lot 11 – Macro economy, Statistics, Public Finance Management

This document summarises the way and the extent to which the expert team responded to the comments received from the client on the first draft report.

Project Reference	
Project Title	Tanzania PEFA assessment
Status of Report	Second draft report
Names of the different Team Members and their position in the Team	Peter Fairman (team leader), Jerome Dendura, Charles Hegbor

Section or Indicator	Comments	Response from Team
Section 1		
PEFA Sec.t	Various comments	Incorporated
Government	- Insert revised text in 1st para of 1.2 - Indicate scope of assessment and structure of Government	**-Done** **- Indicated (GoT expenditure as % of whole of government expenditure (defined as GoT (excluding Zanzibar) and LGAs**
CIDA	No comment	
EC	Introduction could be strengthened. Mention that PEFA based on 2011/12	PEFA assessment based on existing situation, not on the last completed FY, except for some indications. . Introduction has been expanded.
WB	Limited info on public sector structure, refer to 2010 PEFA	-- Additional text provided. 2010 PEFA has no information.
Section 2		
PEFA Sec.	- Data on economic class. Missing - Description of institutional relations missing and MoF organisation described	-Already in Table 2.2. and described in the text -Added

Section or Indicator	Comments	Response from Team
	- Could add more on economic situation	- Consider current text is OK
GoT	- Replace Table 1 from that provided in Attachment 1 provided by GoT in comments - Show source of information for Table 2 - Economic Classification table missing - Indicate relevant parts of the Constitution = Institutional arrangements should be described, refer to Presidential Instrument - Use Box in PEFA Framework to summarise legal framework and adjust some of the related text in the report - Point made about Ministry of Works entering contracts in EPICOR Comments on Section 4 provided in separate Attachment 3.	-Done - Already shown at bottom of Table 2e -- Already included in Table 2 and described in the narrative - Done - Text added. I do not have the Presidential Instrument. t. We do not have Presidential Instrument. Oorganisational hart of Mof [;aced in Appendix. - No such box in the PEFA Framework. We consider that Table 4 is OK. Text modified where appropriate. PPP Act and Loans and Guarantees Act already mentioned in the text. - Our understanding is that the interim payments certificates are entered into EPICOR up to the monthly limit, but that the original contracts are not.
CIDA	No comment	
EC	-Need more overarching analysis, linking PRM reforms to PEFA ratings - Liittle on institutional features of PFM	- Text added under Summary Assssment - Has been added.
WB	- Inflation story could be more nuanced - Highlight expenditure arrears more and mention some other risks - More on institutional relations and arrangements - Mention PERs on tax exemptions & PPPs	- text added - done - text added - Text added
Section 3		
PI-1		
PEFA Sec.	Table 5 numbers inconsistent with those in Annex	Not clear why figures were different, but Table 5 numbers now the same as in Annex and B rating is provided.
Government	No comments	
CIDA	No comment	
EC	No comment	

Section or Indicator	Comments	Response from Team
WB	No comment	
PI-2		
PEFA Sec.	Table 6 numbers inconsistent with those in Annex	As per response under PI—1
Government	**No comment**	
CIDA	**No comment**	
EC	(i) Check figures in Tables 6	Tables 5 and 6 corrected to be consistent with Annexes, ratings remain the same.
WB		
PI-3		
PEFA Sec.t	Should show 2010 rating under old methodology	Done
GoTt	No comment	
CIDA	No comment	
EC	What is MOT?	Corrected to GoT (Government of Tanzania).
WB	Clarify role of tax exemptions in revenue shortfalls	Clarification provided
PI-4		
PEFA Sec.	(i) % figures not in text, data show more than 25% fall in arrears between 2010/11 and 2011/12, so score should be B.	- Arrears as a % of expenditure in 2010/2011, 2011/12 and up to March 2013 now shown in text. According to the Framework, recent changes in the stock of arrears (i.e. from beginning of 2012/13 to March 2013) should be taken into account. Hence the rating of C (Note, however, that some of the arrears may have been paid off between end-March and end-June 2013, to be checked at finalisation workshop to be held in early September). .
GoT	Change >29 days by < 30 days and clarify sources	**Done**
EC	(i) Better to include data for end of 2009/10. Add missing percentages. (ii) Insert upward pointing arrow reflecting establishment of arrears reporting according to age.	(i) We asked for these, but the data were not readily available. PEFA Framework requires last 2 FYs and change since then. Percentages added. (ii) Added.
CIDA	No comment	
WB	Proportion of arrears generated outside IFMIS?	Most arrears are generated through transactions beyond the control of IFMS, particularly infrastructure development-related contracts,. Text clarified.
PI-5		

Section or Indicator	Comments	Response from Team
PEFA Sec.	Evidence for C rating uncertain and need to take into account all budget-related documentation.	Narrative and rating revised to reflect GoT's comments and taking into account the other budget-related documents prepared by GoT in addition to the draft budgets submitted to Parliament.
GoT	- Score should be at least B, taking into account the Economic Survey for 2011	Rating revised to B, taking into account other budget-related documents, particularly "Background to the Budget and Medium Term Framework" and Economic Survey for 2011. . Note that the Economic Survey for 2011 is dated August 2011 on the front cover, when presumably it should be dated 2012. .
CIDA	No comment	
EC	What needs to be done to improve score	As indicated in the text, the budget documents should explicitly show the linkages to COFOG, and the development budget should be shown on an economic classification basis as per the recurrent budget. Additional text provided.
WB	No comment	
PI-6		
PEFA Sec.	No comment	Rating revised to B on basis of GoT comments.
GoT	Rating too low as Economic Survey for 2011 and Volume 1 of Budget Estimates not taken into account	- Rating revised to B on basis of review of Economic Survey - Volume 1 of Budget Estimates not provided to the team and not on MoF website. Was informed that it only contained proposed revenue measures.
CIDA	No comment	Rating revised to B on basis of GoT comments
EC	Suggests cross check with OBI	Rating revised to B on basis of GoT comments
WB	No comment	Rating revised to B on basis of GoT comments
PI-7		
PEFA Sec.	(i) No comment (ii) No distinction made between loans and grants, rating uncertain	(ii) Text clarified.
GoT	(i) No comment (ii) AMP includes aid in kind; stated percentages of basket funding and project disbursement not clear, USAID already inputting data in AMP	- reference to aid in kind modified. - text on basket funding and project disbursement clarified. - USAID projects not explicitly identified in AMP, US government funding shown in Annex 3 of AMP) also includes other agencies, such as MCC and PEPFAR (HIV/AIDs). .The USAID website shows that most of the projects it funds in Tanzania are different from those shown in Annex 3. USAID recently started to report. Text modified.

Section or Indicator	Comments	Response from Team
CIDA	No comment	
EC	No comment	
WB	No comment	
PI-8		
PEFA Sec.	(iii) Insufficient evidence for A rating	Rating revised to D following further review: BBMTFs show general government sector wide expenditure budgets, but not actual expenditures, differing charts of accounts being the main reason.
GoT	(i) Include poverty ratio in HBG formula (ii) Modification of text suggested (iii) No comment	(i) Poverty ratio included in HBG formula, with 10 percent weight, (ii) Text amended to emphasize that heads of sector departments already accompany finance staff for budget scrutinisation meetings
CIDA	No comment	
EC	(i) Correct HBG formula, weights sum up to 90% (iii) Accuracy of annual accounts of LGAs an issue	(i) Poverty ratio, with weight of 10 %, added. (iii) Mentioned, and addressed also under PI-9 (ii). In any case, rating revised to D following further review (BBMTF reports only show budgets not actual expenditures).
WB	(iii) Reason for improvement in rating unclear	(iii) Rating revised to D following further review: BBMTFs show general government sector wide expenditure budgets, but not actual expenditures, differing charts of accounts being the main reason.
PI-9		
PEFA Sec.	No comment	
GoT	(i) No comment (ii) - Not correct that debt section of ACGEN maintains records of debt liabilities of LGAs -- notes that new version of EPICOR will enable automatic generation of and consolidation of annual financial statements of AGAs.	(ii) – corrected. - Added to 'Ongoing and Planned Activities' and upward arrow indicated.
CIDA	No comment	
EC	No comment	
WB	(i) Should point out that it is up to MDAs to publish their audit reports, but none do. (ii) No comment	- Pointed out.
PI-10		
PEFA Sec.	No comment	

Section or Indicator	Comments	Response from Team
GoT	No comment	
CIDA	No comment	
EC	Suggest cross check with OBI	
WB	No comment	
PI-11		
PEFA Sec.	(i) 'Uncertain' (ii) Uncertain	(i) text added (ii) Footnote 22 (as indicated in introductory narrative on PI 11) shows that Cabinet approves ceilings prior to detailed preparation of budget estimates. Cabinet is involved at an earlier stage in approval of PBG, on the basis of which MDAs prepare their budget submissions (which consist of baseline projections and requests for new spending).
GoT	(ii) Information provided on Cabinet Paper, that includes review of proposed spending ceiilings.	Information incorporated in second draft.
CIDA	No comment	
EC	(i) 2010 PEFA rating may have been a mis-understanding	Point addressed
WB	No comment	
PI-12		
PEFA Sec.	(i) D score shown in Summary Assessment (ii) Indicate whether DSA covers domestic debt (iii) Rating uncertain, clarification requested (iv) Rating uncertain, clarification requested	(i) Changed to C (ii) Indicated. (iii) Text added. (iv) Text modified.
GoT	(ii) Last DSA conducted in 2012	(ii) Added to report
CIDA	No comment	
EC	(i) Clarity implication of FYNP for meaningfulness of MTEF and whether adoption of IPSAS accrual likely to make a difference..	(ii) Text added. IPSAS accrual accounting has no bearing on this indicator.
WB	(i) Highlight BRN Initiative and problems with this. (ii) Mention role of new DMO	(i) Unclear what BRN Initiative is (ii) Text added but DMO not in operation yet and is covered under PI-17..
PI-13		
PEFA Sec.	(i) No comment (ii) Insufficient evidence for A rating and need to distinguish between taxpayer access to administrative	(i)Rating increased to C due to TRA comments. 2010 rating too high. (ii) Text revamped. Most people who have access to the web are likely to be familiar with English. No change in score

Section or Indicator	Comments	Response from Team
	information and taxpayer education campaigns and take into account the website being only in English. (iii) Rate A uncertain. Private sector assessment of a: "*process working fairly well…*" is inconsistent with the score A assigned. The score A requires that the tax appeal system operates effectively. If DFID is reforming this system (scoring box), there are then pending issues being addressed. Consider revising.	(iii) The decision of DFID to support further reform is not inconsistent with an A rating. Benchmarks can be surpassed.. The PEFA framework does not require a Tax Ombudsman to ensure a transparent, fair and effective system is in place. The use of the word "fairly" reflects more the prudent language used by private sector organisations that would always seek improvements rather than dissimulate a significant inefficiency or ineffective procedure. *No change to score, but reference to DFID in scoring box removed and placed under "Planned and Ongoing Actions"*
GoT	(i) Transparency in granting exemptions has strengthened through GN and mainstreaming exemptions under SEZ and EPZ.. Discretion under Customs Valuation System is limited (ii) No comment. (iii) No comment	Text amended and rating increased to C.
CIDA	No comment	
EC	(i) Acknowledges that exemptions are an issue (ii) No comment (iii) No comment	(i) No change made.
WB	(i) Mentions impressiveness of TRA's CP4 (ii) No comment. (iii) No comment	(i) Text added under "On-going and planned activities' though the team was not provided with the document.
PI-14		
PEFA Sec.	(i) Rate C uncertain. The narrative indicates a study on informal sector. What about occasional surveys of potential taxpayers? This is required for assigning a C. Consider revising (ii) No comment (iii) Unclear why upward pointing arrow is provided	(i) The narrative mentions another study as well as the one on the informal sector. Registration controls are in place to some extent, so a D rating would clearly be wrong. The 2010 assessment correctly rated the dimension as C and little change has taken place since. (iii) The arrow has been added because TRA is developing a risk-based audit framework that should impact on the quality of its tax audit

Section or Indicator	Comments	Response from Team
GoT	(i) No comment, agrees with assessment. Requests that names of reports referenced in last para. be footnoted (ii) Should state that penalties apply for non-compliance with the Income Tax Act	(i) Names and dates of reports to be obtained at 29th August workshop (ii) Text modified, but rating unchanged.
CIDA	No comment	
EC	So far no change in performance of this PI, although domestic revenue grew from 15,4% in 09/10 to 17,5% of GDP in 11/12.	There is not a one-to-one relationship between strength of revenue administration and the revenue/GDP ratio
WB	No comment	
PI-15		
PEFA Sec.	(i) No comment (ii) Should not be upward arrow as revenue transfer streamlining project still being prepared (iii) Rate A not adequately evidenced. Is the reconciliation complete? The frequency of the meeting and reports is monthly. Does the reconciliation refer to data that is one month old or less?	(ii) Arrow retained as Revenue Gateway project is being implemented. Text modified. (iii) On the basis of the interviews held with TRA and the evidence that it provided to the team, the reconciliations between assessments and collections are conducted monthly within one month of the end of the month.
GoT	(i0 & (ii) No comment (iii) Reference to Revenue Gateway Project	(iii) Revenue Gateway Project included in text.
CIDA	No comment	
EC	No comment.	
WB	No comment	
PI-16		
PEFA Sec.	No comment	
GoT	No comment	
CIDA	No comment	
EC	No comment	

Section or Indicator	Comments	Response from Team
WB	Text in summary table not the same as text in detailed assessment table.	Corrected.
PI-17		
PEFA Sec.	(i) A rating not sufficiently evidenced (ii)-(iii) No comment	Rating adjusted to B
GoT	(i) No comment (ii) ACGEN receives statements of GOT accounts in commercial banks every quarter for the purposes of monitoring dormant accounts to be closed, not for the purposes of bank reconciliation. (iii) No comment	(ii) Text corrected.
CIDA	(i) Should show A in summary assessment, not B (ii) – (iii) No comment	(i) Corrected. A was shown in the table under PI-17, but inadvertently was shown as B in the summary assessment.
EC	Agrees with scores	No change
WB	Extra information provided under Ongoing Activities	Incorporated
PI-18		
PEFA Sec.	(i) C rating requires that reconciliation between payroll and personnel records takes place at least once every six months. Evidence of this not provided, therefore rating uncertain (ii) Rate B but nothing is said (explicitly) about delays occurring in updating changes to personnel records and payroll; nothing is said (explicitly) about the frequency of retroactive adjustments (occasional, frequent or widespread?). (iii) Agree with rating but reference to IAG would be better provided under (iv) (iv) B rating uncertain (B↑ not appropriate). Has a payroll audit covering <u>all</u> central government entities (in stages or as one single exercise) been conducted at least once in the last 3 years? This is not evidenced. In addition the narrative for this dimension is not consistent with PI-21 (i), "…*internal audit*	(i) The assessment team proposes to meet with PO-PSM during the workshop on 29-30 August. (ii) Comments provided by PO-PSM on the first draft have been added to the text. These suggest a B rating, but verification is needed during the 29-30 August workshop (iii) Reference to IAG is directly relevant to (iii), so it is better placed here. (iv) The IAG is a fairly recent office but has conducted payroll audit two years in a row and thus has covered all central government in stages. There is no inconsistency with PI-21, which refers to the work of IA units. The payroll audit was performed by the IAG itself.

Section or Indicator	Comments	Response from Team
	activities are not yet fully planned and system focused while capacity and budget constraints limit their ability".g	
GoT	(i) No comment (ii) Considerable additional information provided. (iii) No comment (iv) Not true that PO PSM has not responded to errors revealed by IAG. PO PSM attached the file containing those errors to the Lawson portal for MDAs to correct relevant data and enter in HCMIS.	(ii) Information incorporated into the text. Verification needed at 29-30 August workshop. (iv) Text amended (also in dimension iii)
CIDA	No comment	
EC	(i) Notes strong divergence between A rating in 2010 assessment and C▲ in 2013 assessment, yet 'performance unchanged' (ii)-(iv) No comment	(i) The A rating in 2010 was clearly wrong. Further information required from PO-PSM at 29-30 August workshop to rate this properly
WB	No comment	
PI-19		
PEFA Sec/	(i) Rated C, but unclear that open competition is the default procurement method. Reason for arrow unclear	(i) It is not stated explicitly, but the context clearly indicates that it is, as use of other methods require justification. Arrow is due to increase in number of Yes to 4 once new PPA becomes effective.
GoT	No comment	
CIDA	No comment	
EC	Probably the most controversial rating of this assessment. The consultant can't on the basis of change in the methodology, change last PEFA ratings (from B to not rated) and not be able to properly rate the current one (or clearly states what information is missing). There are though some inconsistencies in our view. When looking at table 20 on the legal and regulatory framework for procurement, while the "met requirements" question is set as "No" for (v) and (vi), the explanation given seem to indicate a "Yes". About	- 2010 PEFA ratings were based on previous methodology, which used different scoring criteria, and so the ratings are not comparable with the 2013 ratings. Will put previous ratings in a footnote. On the other hand, knowing that the situation has not changed since the 2010 assessment, it is possible to provide ratings for the 2010 assessment using the revised methodology for all the dimensions. The PEFA Secretariat accepted this. . - Element (v) under dimension (i). The PPA does not stipulate that procurement plans have to be published, hence 'No' - Element (vi) under dimension (i): The PPRA is not independent, as noted under element (ii) under dimension (iv). This will change to 'Yes', once the new PPA comes into force..

Section or Indicator	Comments	Response from Team
	complaints reviewed, I guess that the Accounting Officer, although not being the one to start reviewing a complaint, have a word to say on a complaint dossier. 20 000 TSh is approx. 12,50 USD, not 75 USD. We suggest the rating to be redone, at least not accepting the NR; and to not change last PEFA's rating (if not clearly mentioned by the PEFA secretariat)	
WB	Clarify reasons for NRs	- As indicated under (i) and (ii), the PPRA does not collect the data in the format required by PEFA Framework to rate these two dimensions. The Annual Performance Evaluation Report (APER) is very useful in showing how well the procurement system is performing, but the Compliance Indicators are different from those specified in the PEFA Framework. Moreover, the APER is based on a sample of procurement entities, thus raising the possibility of sampling error. The PEFA Framework requires a 100% sample to score. The reasons for the NRs are summarised at the top of the scoring matrix. - The PEFA Secretariat has not raised the NRs as an issue.,
PI-20		
PEFA Sec.	(i) No comment (ii) Rating correct. Unclear why performance assessed as unchanged (iii) No comment	(ii) The scoring box explains that there is little difference in the framework between B and C. The team favours a B..
GoT	No comment	
CIDA	No comment	
EC	(i) No comment. Notes that 2010 assessment overscored (ii) Why mention payroll, which comes under PI-18 (iii) Notes that score lower than in 2010 assessment, but performance assessed as unchanged	(i) 2010 assessment team did not have access to the data on expenditure arrears which indicate insufficient commitment controls. (ii) Reference to payroll removed. (iii) 2010 rating too high. Text added to note that the strengthening of the internal audit function is enabling greater detection of non-compliiance.
WB	No comment	
PI-21		

Section or Indicator	Comments	Response from Team
PEFA Sec.	(i) Rate C correct provided that at least 20% of staff time is dedicated to systemic audit. This information is not available in the text. (ii) Rating correct, but improvement not explained (iii) The text regarding the scoring of iii) in 2010 (in the second row of the scoring box) should be inserted here.	(i) Difficult to identify precise percentage. Definite improvement since 2010 assessment, which should probably have been rated D. Improvement still being made, but not enough yet to reach B., (ii) The difference is the submission of IA reports to CAG moving from C to B. Text modified. (iii) Meaning unclear.
GoT	(i) Rating should be A (ii0-(iii) No comment	(i) IA function at MDA level still in its early days, so A or B rating premature. 2010 rating of C seems too high, so C rating plus upward arrow shows improvement made and continuing to be made.
CIDA	No comment	
EC	No comment	
WB	No comment	
PI-22		
PEFA Sec.	(i) Ratng correct. (ii) Justification box shows D for 2010 asessment, should be C	(ii) Correcte
GoT	(i) ACGEN does not have access to the account balances at the Central Bank via Internet. ACGEN receives bank balances from BoT from via daily Bank Casts and Bank Statements .	(i) Corrected
CIDA	Overall rating should be C+	No. Average of C and D is D+
EC	C + D gives C+?	Gives D+. Error corrected.
WB	No comment	
PI 23		
PEFA Sec.	No comment	
GoTt	No comment	
CIDA	No comment	
EC	No comment	
WB	No comment	

Section or Indicator	Comments	Response from Team
PI-24		
PEFA Sec.	PI-24 (ii) Information on budget execution is available monthly within 2 weeks after the end of the month with the (monthly) flash reports. This calls for A. Consider revising.	Rating revised to A and text modified.
Got	No comment	
CIDA	No comment	
EC	PI-24 (ii) Performance considered as improved while rating lower than last PEFA	The 'A' in 2010 appears to be too high on the basis that during the 2009/2010 assessment, not all MDAs were directly linked to the Central Payment Office and therefore monthly flash reports were produced late. The 2013 rating has been revised upwards to A on the basis of the direct linkages to CPO now in place, and taking into consideration that the quarterly fiscal reports are for the public, not management (incorporating the comment of PEFA Secretariat).
WB	No comment	
PI-25		
PEFA Sec.	(i) Rated B but based on the narrative and the table, there are omissions in the statements (investments, statutory payments, public loans, revenue arrears, expenditures arrears). These may not be significant calling for a C. In order to assign a B score, there should be, with few exceptions, full information on revenue, expenditure and financial assets/liabilities. This does not appear to be the case. Consider revising Rating uncertain	B rating was provided in 2010 assessment. Revenue arrears are in fact included in financial statements. To be discussed with ACGEN at 29-30 August workshop.
GoT	(ii) A number of errors noted	Corrected.
CIDA	No comment	
EC	No comment	
WB	No comment	
PI-26		
PEFA Sec.	(i) B rating uncertain. The 100% mentioned as audit coverage should refer to the amount of expenditure of the	(i) Narrative clarified. Other sub-diimensions contribute to the continuation of the B rating.

Section or Indicator	Comments	Response from Team
	entities covered by annual audit activities and not to the sample of transaction selected by the auditors for examination within those entities. (ii) Audited Financial Statements submitted to National Assembly 10 days late for 2011/12 statements.. Rating should be C.	(ii) 10 days late is of not enough significance to justify a C rating.
GoT	(i) NAOT has access to all public records, contrary to what is stated in the table on INTOSAI standards	(i) The consultants are aware of the legal regime and the various Sections in the Public Audit Act 2008. Partial access to public records by CAG came to the fore in one of our interviews with some MDAs in line with the triangulation process. If however, the CAG does not opine to this view, the text of the report is amended accordingly. The score of 'B' however remains unchanged
CIDA	No comment	
EC	(iii) Comment on last PEFA over rating this dimension. Performance unchanged; although might have deserved an arrow as CAG is challenged in building a database to ease the tracking on follow up of audit PI-26 ***Overall Score, comment on what is to be assessed here***. External oversight scrutiny means assessment of the institutions dealing with this matter. A reduction in rating indicates a lower standard applied on the core work of the institution in charge of the scrutiny, although in this specific case, what is challenged is the weak or lack of follow up of the executive on audit recommendation.s	(iii) The development of the database has only just got underway, so an upward arrow would be premature. Reference to this has been made in 'On-going and planned activities' Performance under (iii) is unchanged as rating in 2010 assessment too high. CAG is performing well as an institution, but inadequate follow-up by the Executive is beyond its control
WB	No comment	
PI-27		
PEFA Sec.	(iii) Rated B but if the rules and procedures are sometimes breached, does that mean that they are only partially respected? It appears so (?). This calls for a C. Consider	(iiii) he breaches are minor; they are in the form of interjections during parliamentary debates which to a large extent do not affect the legislative proceedings. Therefore, the 'B' score is justified

Section or Indicator	Comments	Response from Team
	revising	
GoT	No comment	
CIDA	No comment	
EC	No comment	
WB	No comment	
PI-28		
PEFA Sec.		
GoT		
CIDA		
EC	Overall score: Please check if D, B and C gives a D+ on this one.. Same comment as per the PI 26 one on what is to be assessed, the scrutiny or the response to its observation. Cabinet reshuffle that came out as a response of audit reports tabled at the Parliament should have been at least commented.	Yes, D, B, C gives a D+.under M1 weakest link scoring method .Just as explained under PI-26 above, even though Parliament issues recommendations for executive action, failure by the executive to implement the recommendations affects the overall score. Even though the cabinet reshuffle was covered by the media, there appeared to be no direct link to the PAC report. If however, evidence is produced that shows a direct link, we can amend the narrative. It will be helpful to make available the PAC report(s) in English that recommended the 'sacking' of these Government Ministers and Appointees
WB	No comment	
D-1		
PEFA Sec.	No comment	
GoT	No comment	
CIDA	No comment	
EC	D1(ii) Would be good to have the list of DPs that informed this dimension and to mention the source (questionnaire sent vs AMP), as this indicator or a quite similar one is generally	This dimension can easily be rated if DPs quarterly disbursement for FY2011/12 is provided. Some information has been provided but not yet complete.

Section or Indicator	Comments	Response from Team
	informed as one of the annual PAF indicator measuring DPs' timely disbursement	
WB	No comment	
D2-D3: No comments		
Section 4		
PEFA Sec.	No comment	
GoT	Various requested corrections/clarifications	Addressed
CIDA	No comment	
EC	Implications for budget outturns not mentioned	Inserted.
WB	No comment	
Summary Assessment		
PEFA Sec.	Various comments	Substantial revisions made
GoT	No comment	No comment
CIDA	No comment	No comment
EC	Some comments	Substantial revisions made
WB	Various comments	Substantial revisions made