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United Republic of Tanzania Public Expenditure and Financial Accountability Review—FY05

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Abbreviations and Acronyms

ACGEN	Accountant General
AfDB	African Development Bank
AO	Accounting Officer
BoT	Bank of Tanzania
CAG	Controller and Auditor General
CFAA	Country Financial Accountability Assessment
CPA	Certified Public Accountant
CPAR	Country Procurement Assessment Report
DFID	Department for International Development
DP	Development Partner
EC	European Commission
FY	Financial/Fiscal Year
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GGCU	Good Governance Co-ordination Unit
CHRGG	Commission for Human Rights and Good Governance
GoT	Government of Tanzania
HIPC	Highly Indebted Poor Countries
IDA	International Development Association (World Bank Group)
IFMS	Integrated Financial Management System
IHRPMS	Integrated Human Resource and Payroll Management System
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
LPO	Local Purchase Order
MDA	Ministry, Department and Agency
M&E	Monitoring and Evaluation
MoF	Ministry of Finance
MoFEA	Ministry of Finance and Economic Affairs (Zanzibar)
MTEF	Medium Term Expenditure Framework
MTPP	Medium Term Pay Policy
NACSAP	National Anti-Corruption Strategy and Action Plan
NBAA	National Board of Accountants and Auditors
NGO	Non-Governmental Organization
NAO	National Audit Office
NDMC	National Debt Management Committee
NDS	National Debt Strategy
NSGRP	National Strategy for Growth and Reduction of Poverty (Kiswahili MKUKUTA)
PAC	Public Accounts Committee
PCB	Prevention of Corruption Bureau
PER	Public Expenditure Review
PFM	Public Financial Management
PFMRP	Public Financial Management Reform Programme
PO-PSM	President's Office: Public Service Management
PRBS	Poverty Reduction Budget Support
PRSC	Poverty Reduction Support Credit
PS	Permanent Secretary
PSRP	Public Service Reform Programme
RGOZ	Revolutionary Government of Zanzibar
SASE	Selected Accelerated Salary Enhancement Scheme
SIDA	Swedish International Development Cooperation Agency
SVU	Stock Verification Unit
TAS	Tanzania Assistance Strategy
TAU	Technical Audit Unit
TRA	Tanzania Revenue Authority
Tshs	Tanzania Shillings
VFM	Value-for-money
WAN	Wide Area Network
ZPRP	Zanzibar Poverty Reduction Plan

Vice President:	Gobind Nankani
Country Director:	Judy O'Connor
Sector Director:	Sudhir Shetty
Sector Manager:	Kathie Krumm
Task Team Leader:	Philip Mpango

UNITED REPUBLIC OF TANZANIA

PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY REVIEW – FY05

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CONTEXT

Sound Economic Governance is essential for the achievement of the desired reduction in poverty levels and improvements in economic growth in Tanzania. Effective public expenditure management and good public financial management are important for efficient and equitable utilisation of scarce national resources, whilst the extent to which policy makers are held accountable to their constituents is an excellent indicator of good governance. Accountability and transparency go hand in hand in developing open and participatory decision-making processes.

Since 1997/98, Tanzania has conducted an annual Public Expenditure Review (PER) process aimed at (i) opening up the Government budget process to the public and thereby enhancing transparency and accountability in public expenditure, (ii) providing an important forum for technical analysis and dialogue on fiscal issues at macro and sectoral level, (iii) enhancing analysis and monitoring of public expenditure, (iv) improving the preparation of annual budget guidelines, (v) improving sector dialogue, and (vi) improving aid coordination.

The Tanzania PER Working Group comprising of representatives of the Government, the World Bank and other development partners, as well as non-government stakeholders determines the agenda for the annual PER process, guides and finances the implementation of the agreed work program and peer-reviews all outputs. The PER component of this report presents the findings of a joint World Bank/Bilateral donors/NGO external evaluation of fiscal performance for 2003/04 and first half of 2004/05 carried out in March/April 2005. The assessment also reviewed progress and lessons learnt from recent Government efforts to improve upon the Budget Guidelines to become a budget strategy document that translates the National Strategy for Growth and Reduction of Poverty (NSGRP) in budget terms. The findings and recommendations were shared with Government, members of the PER working group and a wider range of external and domestic stakeholders at the annual PER consultative meeting held May 23, 2005, to feed into the finalization of the 2006/07 budget.

In 2001, a Country Financial Accountability Assessment (CFAA) was carried out and recommendations and an action plan made for improvements to the country's financial management and accountability processes. The Government of Tanzania (GoT) and Development Partners are keen to assess progress and learn from successes and failures and it was with this broad goal that the Development Partners (World Bank, UK Department for International Development (DFID), African Development Bank (AfDB), The Canadian Corporation Office (CCO), and the European Commission (EC)) and the GoT commissioned follow up work on Financial Accountability issues during the first quarter of 2005. However all stakeholders agreed as part of improved harmonisation and co-ordination that it should be carried out as part of a broader Public Expenditure and Financial Accountability Review (PEFAR) for Tanzania. The PEFAR aims at integrating two diagnostic exercises (Public Expenditure Review (PER) and CFAA) to facilitate a comprehensive assessment of PFM.
The overall purpose of the PEFAR is to provide GoT and Development Partners with a comprehensive, integrated and candid assessment of Tanzania's key fiduciary risks as reflected in

GoT's resource allocation, resource management and control, resource utilisation and accountability processes, and to make recommendations for improving the PFM framework, institutional performance and capacity building.

TEAM COMPOSITION

The PER mission team comprised Philip Mpango (mission leader, AFTP2), Allister Moon, Emmanuel Mungunasi, Mary-Anne Mwakangale (AFTP2), Ben Tarimo, Hamisi Mwinyimvua (Consultants). In the tradition of partnership for the PER mission, the **World Bank team** was joined by Britta Oltmann (**KfW**); John Piper, Carl Kalapesi (**DfID**), Nathalie Houlou (**EC Delegation**), and Rakesh Rajani (**NGO Policy Forum**). **IMF** staff led by Dr. Lelde Schmitz (Senior Resident Representative) and including Alan Tuni, and Frank Mtosho also participated in the PER review. The assignment team for the Financial Accountability component consisted of: **World Bank**: Marius Koen (Team leader, AFTFM), Patrick P. Umah Tete (AFTFM, Uganda). Leah Mukuta (AFC04) and Andy Wynne (Consultant); **AfDB**: Charles Muthuthi; **DFID**: Carole Pretorius (Lead consultant); **EC**: Rino Schiavo-Campo (consultant); **CCO**: John White (consultant). The World Bank gratefully acknowledges the financial and other support provided by the Development Partners mentioned above.

The work was completed with guidance of the Country Director (Ms. Judy M. O'Connor). Permanent Secretary, Ministry of Finance (Mr. Peniel Lyimo), The Sector Manager for AFTP2 (Ms. Kathie Krumm) and the Manager: Financial Management – Africa Region (Mr. Anthony M. Hegarty) provided technical guidance and was responsible for quality assurance arrangements. A panel of peer-reviewers for the PEFAR have been appointed, including Anand Rajaram (PRMPS), R. Sudharshan Canagarajah (AFTP2), and Nicola Smithers (PRMPS). Direct quality support was provided by Allister Moon (Lead Economist, AFTP2) and Gert van der Linde (Lead FM Specialist, AFTFM).

The study was conducted during the first quarter of 2005 through a combination of questionnaires, written submissions, desk reviews and interviews with key personnel of Government agencies and other organisations. The team would like to express their sincere gratitude to all the individuals from both the public and private sectors that participated and submitted comments.

An annual consultative meeting was held on May 23, 2005 to discuss and consider the draft findings and salient recommendations, and to provide final inputs towards the finalisation of this report. The workshop was attended by a representative group of Government and Development Partner stakeholders who participated in and contributed to this process.

Finally; the PEFAR team expresses its sincere gratitude for the assistance and courtesies extended by all parties that participated in the exercise. In particular we would want to mention the names of Ms. Blandina Nyoni and Mr. Joel Mwanza (Accountant General's Department) and Mugisha Kamugisha (Policy Analysis Department) and Nashon Magambo (Budget Department) that spearheaded the client participation on both components. Also our gratitude is extended to the team from the same office that supported the mission in collecting the PFM questionnaires and arranging appointments with counterparts.

EXECUTIVE SUMMARY

(FINDINGS AND RECOMMENDATIONS)

Since the discussion of the gist of this report in May 2005, there have been a number of developments and progress in implementation of its main recommendations. These will be highlighted in the next PEFAR report scheduled to be published by FY07.

OVERALL FISCAL PERFORMANCE

Fiscal Deficit

1. Fiscal policy is on track: The record on the level and financing of the fiscal deficit indicates that the Government has continued to implement tight fiscal policy. During 2003/04 the fiscal deficit after grants amounted to 3.3% of GDP which was below the PRGF program target of 3.8% of GDP. However, the fiscal deficit (before grants) has widened rather fast in the past two years, mainly on account of increased spending on the provision of social services permitted by higher aid inflow.

Revenue Performance

2. Revenue performance has been better than planned: Continued growth and improvements in TRA's tax administration systems and practices resulted in a rise in the revenue to GDP ratio from 12.1% in 2002/03 to 13% in 2003/04. Actual revenue collections exceeded budget estimates by 5%. This trend continued in 2004/05 with collections being above estimates by 3% for the first half of the fiscal year.

3. Although in aggregate aid flows seem to be almost on target, variations in composition indicate that external financing remains unpredictable: The composition of grant flows during 2003/04 shows that basket funds, HIPC resources and foreign loans are unpredictable. Both basket grants and HIPC grants were about 25% below budget. Program loans were 50% higher than budgeted whilst basket loans were 97% lower than budgeted. Therefore, more attention is needed to improve the predictability of foreign aid.

Government Expenditure

4. GoT spending increased from 19.8% of GDP in 2002/03 to an estimated 22.5% of GDP in 2003/04. This increase is attributable to, inter-alia, a substantial increase in transfers to TANESCO to stabilize power supply, purchase of the Government aircraft and replenishment of the Strategic Grain reserves (SGR). Wages and salaries claimed 4.1 percent of GDP in 2003/04 compared to 4.0% in the previous year. Compared to 2002/03, expenditure on goods and services and transfers saw a significant increase by about 1.9 percentage points of GDP. Development expenditure also increased from 5.0 percent of GDP in 2002/03 to 5.7 percent in 2003/04.

5. Expenditure on large public projects has been increasing but the quality of such projects seem to be uncertain: There are a number of proposed/already initiated big construction projects that could have adverse implications on the fiscal framework. These include the new national stadium; new Parliament building; Songwe airport and Mwanza airport. An issue of critical importance is the need to ensure that Tanzania's public investment program remains strategic, especially in terms of its potential to stimulate growth, while maintaining fiscal prudence. GoT is urged to ascertain that there is in place a robust screening process to safeguard quality of such big public investment project.

STRATEGIC RESOURCES ALLOCATION

6. Appropriation Accounts for 2002/03, 2003/04 and quarterly Budget Execution Reports (BERs) for the first half of 2004/05 show total expenditure to have increased from 18.5 percent of GDP in 2002/03 to 21.6 percent of GDP in 2003/04. Total expenditure was expected to increase further to 26.9 percent in 2004/05. Most of the increase in recurrent expenditure in 2003/04 was for the MDAs compared to regions and districts. Recurrent expenditure (as a percent of GDP) to the supply votes increased by 3.5% between 2002/03 and 2003/04. Over two-thirds of the increase in supply votes spending went into funding the recurrent spending by MDAs while one-third funded recurrent spending by the regions and districts. Debt service increased slightly, by 0.1 percent of GDP between 2002/03 and 2003/04.

7. Within the social sectors a major increase in recurrent expenditure during 2003/04 was on health and allocations to regions, each of which increased by 0.3 percent of GDP. Allocation to higher education increased only marginally from 0.6 percent to 0.7 percent, while allocation to basic education remained stagnant at 0.4 percent and allocation to water declined from 0.2 percent to 0.1 percent of GDP. Allocations to regions were directed mostly to funding the provision of basic services. Recurrent allocations to social sectors were budgeted to remain at 5.4 percent of GDP in 2004/05. During the first half of 2004/05, PRS priority sectors as a group received about 51% of the budget estimates for the full year. However, expenditure on roads and HIV/AIDS amounted to only 39.6% and 40.2% of their respective 2004/05 budget estimates. Expenditure on water and on justice/ legal services was 48.8% and 42.8% respectively.

8. Development expenditure by sector recorded in the Appropriation Accounts show an increase from 4.5 percent in 2002/03 to 4.8 percent in 2003/04, partly due to a greater share of donor-funding being captured in the appropriation accounts and also due to improvements in project implementation performance. Most of the increase in development expenditure in 2003/04 occurred in social services followed by productive services and economic services.

9. Actual public expenditure pattern by region shows, among others, that there is opportunity to improve on the growth and poverty impacts of public expenditure through better regional targeting to address geographic disparities. While recurrent expenditure has been relatively more evenly distributed across the regions, development expenditure exhibits significant cross-regional variations. On average 71.6% of annual regional development expenditure was spent in only 7 out of the 20 regions. Government is urged to ensure that the determination of the regional budget takes into account not only investments in social and economic infrastructure existing in each region but also povery incidence.

10. In spite of the recent increase in development expenditure, public outlays have been overly asymmetric toward social sectors. In addition, the strategic basis for investments has been rather limited and public expenditures not quite in line with the growth focus of NSGRP. This therefore calls

for improvements in project evaluation, selection and approval as well as policy judgements on priorities. The World Development Report 2005 shows clearly that unreliable infrastructure (especially transport and power) is one of the key constraints to growth in Tanzania particularly as it impedes competitiveness. This implies that the growth focus of NSGRP requires a greater emphasis on infrastructure than currently. In particular, a clear bias toward more and quality-public spending on infrastructure (transport, power, communications, and irrigation) is imperative for faster and sustained growth. However, the pattern of development spending by sector during the 1990s has shown no clear bias toward infrastructure. Instead, it has tended to be spread widely and thinly across the sectors. Furthermore, a preliminary assessment of the extent to which these preconditions for scaling-up growth were dealt with in the Budget Guidelines (2006/07-2008/09) also shows no major departure in favor of infrastructure.

11. Recently, GoT outlined proposals on financing options for supplementing public investment in infrastructure such as infrastructure bonds, and special infrastructure facility utilizing proceeds of liquidity mopping-up operations by BoT. These options should be carefully examined in the context of ongoing financial sector reforms that target financial deepening. Moreover, the financing strategy will need to be integrated into the macroeconomic framework. Other aspects that will need to be more clearly defined, include project selection, handling of project risks and due diligence of legal, regulatory and institutional frameworks.

12. Although the BG proposes to increase overall allocation to agriculture by 46% compared to the previous year, the priority areas for public expenditure identified to be critical for turning-around agriculture remain a long wish-list (18 policy commitments). Besides, some of the commitments (e.g. subsidizing targeted inputs) are not fully compatible with the objective to facilitate the development of the market. GoT is encouraged to ensure that targeted agriculture input subsidy is accompanied by a clear program to rectify underlying problems that the subsidy is compensating for especially poor infrastructure. Otherwise the demands on the budget could grow rapidly. Overall, there is need to re-assess the entire fiscal incentives framework for agriculture that are given through the different Acts.

BUDGET CONSISTENCY WITH ACTUAL EXPENDITURE

13. The degree of deviation between approved budgets and actual expenditure fluctuates substantially dependent on the level of aggregation of the analysis. The overall budget deviation in 2003/04 for MDAs amounted to -10.2 % with a recurrent expenditure variance of – 0.8% and a development expenditure variance of – 32%. At functional level recurrent budget deviations fluctuate between – 25% (CFS) and +45% (economic services).

14. In the past four years the following overall trends could be observed: 'Defence and security' tended to overspend their estimates slightly, while 'economic services' over-spent substantially (double-digit deviations). On the other hand, social services and productive sectors have under-spent to some extent since 2000/01. CFS spending generally was well below target, largely caused by under-spending of debt services. As to 'administration' no discernable pattern of systematic over/under-spending is observed.

15. At vote level, the analysis covering FY01–FY04 showed that votes 23 (Accountant General), 31 (Vice President's Office), 32 (President's Office-Public Service Management), 34 (Ministry of Foreign Affairs & International Cooperation), 42 (Office of the Speaker), 57 (Ministry of Defence & National Service), 60 (Industrial Court), 61 (Electoral Commission), and 62 (Ministry of Communications & Transport) are generally 'over-spenders' while others –votes 46 (Ministry of Education & Culture), 50 (Ministry of Finance), and 51 (Ministry of Home Affairs) are 'under-

spenders'. Turning to sub vote level, the trend outlined at vote level is further exacerbated. It is clear from the above list that with the exception of communications and transport, over-spending ministries tend to be heavily leaning toward administration and much less directly toward growth and poverty reduction objectives. Paradoxically, the Ministry of Education and culture turns out to be an under-spender in spite of the existing large financing gap for the sector, which most likely points to existence of procurement planning problems and/or absorptive capacity constraints.

16. In general, although there could be some credible explanations behind a number of the observed deviations, weaknesses in planning and budgeting remains one of the main causal factors. All in all, improving budget formulation and management to decrease intra-year budget reallocations is a critical step forward. Greater Parliamentary scrutiny of the reallocations and enforcement of expenditure controls is also imperative.

EXPENDITURE LEAKAGE

17. A summary of the key findings of a research done in 2003 by PCB on implementation of the PEDP covering five regions, points to corrupt practices in the PEDP funding chain. These include: cost ineffective purchases of school materials (under instructions from District Education Officers and District Treasurers. Some of the sources of construction materials were owned by council officials and politicians) and construction of class rooms. (ii) Some schools use money earmarked for the purchase of school supplies for administrative costs such as allowances for school committee members; and (iii) In some LGAs, receipt and expenditure of PEDP funds are not transparently displayed as required. GoT is urged to scale up the exercise of tracking leakage of public resources covering more LGAs and the entire financing chain. Government is also advised to consider undertaking a review of the entire grant transfer framework to get a better understanding of the loopholes and root causes, including clarity of instructions in the chain and institutional arrangements between MoF, PO-RALG, and MoEC in the process.

HUMAN RESOURCE PLANNING, WAGE BILL MANAGEMENT AND PAY REFORM ISSUES

18. Civil service and related pay reform remains a critical issue for Tanzania. The transition to a market-based economy requires a transformed civil service to manage the economy in the era of globalization and ensure efficient provision of public services. Key among the imperatives is capacity to recruit and retain skilled staff, which implies a salary structure that is in line with the existing labour market conditions. At the same time, it is also critical to ensure that attempts to raise the wage bill are sustainable and consistent with the macroeconomic and fiscal framework.

19. Although the Human Capital Management Information System (HCMIS) became operational in April 2000 under the joint management of MoF and PO-PSM, the integration of staffing levels and financial resource allocations remains rather weak. Typically, PO-PSM has not been able to come to closure on salary adjustments/pay enhancement amounts, by the time the BG and budget proposals are finalized. GoT is urged to move ahead in decentralizing the HCMIS to MDAs to improve on establishment control and to ensure wage bill monitoring and planning in order to achieve higher levels of compliance and accountability. GoT also needs to build capacity for human resources management in LGAs.

20. Recently, there has been a surge in expenditure on employment allowances which may be linked to exploitation of allowances under other charges for remunerative purposes. The increased use of

allowances is not only an inefficient way to alleviate the problem of low pay in public service, but also that such allowances tend to compromise equity and skip the tax net. GoT is encouraged to complete the review of allowances and consider rationalization/consolidation of some of the allowances with pay. In addition, GoT need to explore other pragmatic ways to address the pay issue, including carrying out a critical review of the composition of OC and consider the possibility of moving resources out of OC to PE.

TRANSLATING NSGRP INTO MEDIUM TERM BUDGET STRATEGY

21. During the last year Tanzania has developed a new National Strategy for Growth and Reduction of Poverty (NSGRP) and made impressive efforts to enhance the link between policy and resource allocations by strengthening the formulation of medium term budget strategy. However, there is still need to develop the strategic nature of the Budget Guidelines so that they become a more comprehensive instrument for guiding public finances over the medium term. In particular it would help to:

(i) Establish projections for the appropriate level of Government activity in the economy over the medium /long term given the particular policy focus presented within NSGRP and taking into account the absorptive capacity of the economy.

(ii) Develop funding scenarios over the medium term – domestic financing and foreign financing projections. Identify funding gaps and establish the macroeconomic implications of the various scenarios.

(iii) Given uncertainties with both domestic and foreign financing develop upper and lower funding scenarios and ceiling implications in the medium term.

(iv) Integrate human resource issues and in particular the wage bill within the Budget.

22. Some suggested areas where the current Budget Guidelines process might be strengthened for the next cycle include:

(a) **Expenditure classification issues:** Prior to the next budget cycle, there is an opportunity to carry out further reform of the expenditure categories used in the link between NSGRP and MTEF. The MTEF categories in any case could benefit from rationalization to develop a simpler and more strategic approximation to a program classification. The opportunity presented by the challenge of the NSGRP, and the related work in developing the NSGRP implementation plan, offer a key opportunity for ensuring greater coherence in the definition of the key programs within the MTEF.

(b) **Decision making process:** Cabinet's approval of the BG comprised endorsement of vote level ceilings, along with the aggregate allocation to NSGRP expenditure in each MDA. It may be preferable in future to focus more on Cabinet deciding allocations at the vote level, with simplified MTEF / program allocations at sub-vote level being provided to Cabinet as background information on derivation of the allocations by MDA.

(c) **Sector PERs:** MDAs emphasized that sector PERs were useful in BG preparation, but could have been more focused on the specific challenge of reviewing past sector experience and contributing initial analytic input to the task of developing BG submission. Sector PERs could be designed to provide two types of output (i) brief summary analysis of recent developments or other updates needed annually (ii) more detailed analysis of selected topics of current relevance, contributing to a cumulative sector analysis over several cycles. In order to improve the quality of sector PERs and the degree to which MDAs and other stakeholders make effective use of the analysis, the sector PERs need to be (a) designed and commissioned with full involvement of key sector staff and relevant stakeholders and, (b) established as a key input for the annual sector review, providing a critical forum for scrutiny of its findings and demand for appropriate analysis.

(d) **SBAS development:** One of the key contributions to strengthening the budget guidelines exercise has been MoF's timely development of the Strategic Budget Allocation System (SBAS) software. However there remains the challenge of ensuring a smooth interface between SBAS and EPICOR – based Accounting and expenditure Control Sysyem, which currently constitutes the main part of the IFMS. To this end the budget preparation options within EPICOR might ensure greater coherence of Government systems. Further development of SBAS should also develop analysis of activities in line with development of the NSGRP implementation plan, establish links with the M&E framework and also address the need to incorporate human resource planning in preparation of the BG next year.

(e) **Cross cutting areas:** While the NSGRP identifies many areas in which more coherent strategies require closer collaboration across agencies and across sectors, this has so far not led to major changes in institutions to address this challenge. The Government's proposals for the NSGRP implementation plan have recognized this gap, but not so far identified priority cross cutting areas on which to focus. Similarly, the revised budget process has not so far led to stronger cross agency coordination, although most MDAs recognized this as a key gap. Therefore, strengthening the treatment of areas spanning more than one MDA will be a key challenge for consolidation of the revised budget process and its link with the NSGRP implementation.

FINANCIAL ACCOUNTABILITY AND FIDUCIARY RISK ISSUES

23. Financial accountability is the obligation to demonstrate and take responsibility for the results of the financial decisions against agreed expectations. In general these expectations are that: (i) expenditure is properly accounted for; (ii) expenditure is used for its intended purposes; and (iii) expenditure represents value for money. As shown in the following paragraphs, the progress, which the government has made in certain areas of accounting and auditing, should be applauded. However these efforts now need to be translated into improved accountability.

24. **Controls, compliance and sanctions:** Generally Tanzania now has a sound system of formal rules for financial management and extensive training has taken place on the application of the financial rules and regulations. Most of the recommendations contained in the 2001 Country Financial Accountability Assessment (CFAA) report have been implemented or are already included in the Public Financial Management Reform Programme (PFMRP). There has been an improvement on controls over non-tax revenues collected and retained by ministries, departments and agencies (MDAs) that provide services, for example, secondary school and training college fees, hospital user fees, and water facility charges. Inbuilt controls in the Integrated Financial Management System (IFMS) also provide a greater degree of assurance about the accuracy of transactions.

25. Consequently, whilst there is insufficient data to determine the error rates in financial transactions, levels of compliance should be improving. However according to the Report of the

Controller and Auditor General (CAG) of 2002/03, Tshs.50 billion (out of a total of Tshs.1,836 billion) had incomplete or no documentary evidence to support the authenticity of the expenditure incurred. In addition, according to the 2003 Country Procurement Assessment Report (CPAR), procurement weaknesses included non-compliance with contract award procedures and criteria, with rules and procedures for bid submission and opening often not followed.

26. Since the CFAA in 2001, many of the regulatory, institutional, and programmatic measures on which to build an effective internal audit function have been put in place. In 2003 the Accountant General (ACGEN) carried out an assessment of Internal Audit Units within MDAs, which indicated the need to restructure the function and also a need for capacity building. Internal Audit Units within MDAs, which takes into consideration the specific nature and needs of various MDAs have been established.

27. Internal audit manuals and relevant training materials to support the planned training have been developed. Significant steps have been taken to transform the approach to internal audit from reviewing individual transactions to recommending improvements in control systems. MDA audit committees required by the Public Finance Act, 2001 have been established and have begun functioning. It is recognized however that the impact of internal audit on improved accountability will take a considerable time to develop.

28. The situation of poor levels of compliance is exacerbated by the inaction by government to follow up and enforce rules and regulations. To quote from the CAG report on FY03 (para.18): *"Many Accounting Officers pay little regard to matters reported upon, and issues that demand financial accountability continue to be ignored"* Furthermore, the fact that five Public Accounts Committee (PAC) reports have not been debated on a timely basis by Parliament or action taken by the relevant bodies on their recommendations seriously undermines the financial accountability cycle.

29. Between 2001 and 2004, the Prevention of Corruption Bureau (PCB) investigated 6,378 cases but this resulted in only 20 convictions and the recovery of a paltry Tshs.390 million[1]. This low level of convictions is attributed partly to outdated legislation. Lack of sanctions for the non-compliance and financial improprieties uncovered by the CAG could conceivably be excused on these grounds. However, the Public Finance Act gives the Minister of Finance clear authority to pursue personal restitution of funds and the Public Service Act, 2002, provides for various administrative sanctions, including termination of employment.

30. **Transparency and timeliness:** Largely due to the efforts of the ACGEN, late completion of public accounts is becoming a thing of the past in Tanzania, at least at central government level. Audited financial statements are presented to the legislature and the delay in the completion of the audit reports has reduced from 10 months in FY00 to an expected 3 months for FY04. The ACGEN made an immense improvement with the preparation of the consolidated financial statement for FY04 by complying in all material respects with the requirements of the Public Finance Act and it is hoped that the CAG will issue one audit opinion on these accounts. The Act requires every Accounting Officer (AO) to submit to the CAG in respect of their respective votes a set of financial statements within three months of the year-end. The CAG expresses separate audit opinions on the financial statements submitted by each AO.

[1] GGCU, Tanzania's Third Phase Government Fight Against Corruption: Implementing the National Anti-Corruption Strategy and Action Plans 2001-2004

31. Monthly external debt reports are included in the Bank of Tanzania (BoT) Monthly Economic Review (and the BoT website), and quarterly reports are published on the website of the Ministry of Finance (MoF), which also publishes monthly reports on domestic debt. Whilst it is evident that there has been an improvement in the availability of certain reports on the government's websites, there remain concerns about the usefulness of information on public funded activities. Many reports are not in a clear readable format and the media's ability to access and interpret the information is limited by its capacity to carry out sound investigative journalism and other constraints within the industry. The public and the media are generally not allowed access to parliamentary committee meetings and even where access is allowed, it is still at the discretion of committee members.

32. Tanzania does not have the kind of legal framework that would facilitate and help to make public reporting of corruption more effective, i.e. there is no Freedom of Information, Whistleblower or Qui Tam legislation. Proposals to form a committee under the Tanzania Communication Regulatory Authority charged with evaluating and regulating media content would also potentially reduce transparency in government operations.

33. Whilst names of the successful bidders in large contracts are available in newspapers, the basis for the selection of e.g. the required three firms under competitive quotations is unclear and provides ample opportunity for abuse. For those tenders, which use the open competitive process, the notices are scattered in local and East African papers and there is no central media for advertisement of tenders or awards.

34. Whilst there have been improvements in the supply of information, demand for information by the public is still weak. This is considered to be partly due to the weak fiduciary contract between the government and public and as noted above, partly as a result of the lack of capacity of the media.

35. **External oversight:** The timeliness of CAG reports is improving; however their usefulness to Parliament and other key stakeholders remains limited. In order to reduce fiduciary risk in Tanzania, it is essential that the effectiveness and efficiency of the external audit function be strengthened. In particular, their ability to produce more useful and user friendly reports and to compile and monitor an inventory of adverse audit findings and of responses obtained, MDA by MDA. This must be combined with recognition of the importance of the PAC and other specialized oversight committees, whose work is undermined by delays in parliamentary debate of their reports and by lack of sufficient financial and technical support.

36. The PAC now examines the audit reports and completes hearings within 12 months of report issue. However, the time allowed for scrutiny is only 60 days. The PAC finished the review of the 2002/03 audit report in the November 2004 parliamentary session within three months of receiving the report. However the technical-professional capacity of committee members to deal with the subject matter of their remit is generally recognized to be weak and no professional research support is provided. The PAC reports for 2001/02 and 2002/03 plus three special reports (some dating back to 2002) have been produced but have not been debated by Parliament.

37. Although procurement legislation was updated in 2001, concerns in the CPAR about the dual regulatory and executive role of the Central Tender Board led to a new Public Procurement Bill, which was approved by Parliamnent on November 12, 2004 and received Presidential Assent on February 8, 2005. The new Act is due to come into effect by mid April 2005. The establishment and practical empowerment of the Procurement Regulatory Authority (PPRA) to regulate and monitor procurement activities is very important in mitigating fiduciary risk. For example, the maintenance of a comparative

database on unit costs in public and private procurement would highlight instances where poor value for money is being obtained.

38. Various organizations have been set up to ensure that high levels of ethics and integrity are in place in the Tanzanian public service and a National Anti- Corruption Strategy and Action Plan is in place. Over the last seven years the Transparency International Corruption Perception Index reports show an encouraging improvement in scoring for Tanzania — with an improvement from 1.9 in 1998 to 2.7 in 2004. However, Tanzania remains in the bottom quartile of those countries assessed. Also, it has been excluded from receiving American Millennium Challenge Account funds because of it corruption problems. Effectiveness of the PCB is limited partly by outdated legislation, whilst the effectiveness of other ethics and integrity bodies is hampered by financial, administrative and technical capacity constraints.

39. **Technical capacity:** Various measures are being taken to address the issue of low technical capacity amongst key groups. For example, significant efforts have been made over the last four years by the ACGEN to improve the capacity of technical accounting and internal auditing staff as well as AOs and audit committees. This has been through a range of in service training courses for all levels of staff as well as support for academic and professional qualificationsHowever the ability of the government to recruit and retain suitably experienced personnel remains limited and necessitates the need for expensive continuous training programs.

40. Low technical capacity limits the ability of internal audit to carry out its monitoring role and means that external audit is unable to use internal audit reports as a basis for their work. Lack of technical capacity also limits the ability of external audit to use modern computerized audit techniques and to produce high quality reports. The technical-professional capacity of parliamentary committee members to deal with the subject matter of their remit is generally recognized to be weak and as noted above, in Tanzania unlike other countries, no professional research support is provided.

41. Lack of capacity is seen as one of the major weaknesses of the entire procurement system. The government has relied on the Government Stores for its expertise in procurement but Government Stores has neither the funds nor the organizational capacity to do so. Procurement is not recognized as an established profession within the public sector and does not present an attractive career path.

42. **Predictability and data integrity:** The Tanzania Revenue Authority (TRA) reports collections to the MoF who accrues revenue in the EPICOR-system manually, a situation that has not changed since the 2001 CFAA. An interface between TRA's revenue collection and accounting systems and EPICOR would ensure that tax revenue data is received faster by the MoF, as well as eliminate duplication of data entry and any potential inaccuracies.

43. Whilst foreign debt is recorded on a computerized debt management system maintained at both BoT and MoF, there is a good working relationship between the two bodies. Major components of domestic debt are still captured on Excel spreadsheets. Debt sustainability analyses have been undertaken periodically and guarantees are now all approved by MoF. The challenge of debt management is primarily not one of placement and maturity management, but one of (i) negotiations vis-à-vis a number of external entities and, equally important, (ii) prudent scrutiny of proposals for new borrowing to ensure that debt-servicing capacity would be increased by more than the cost of borrowing.

44. The software used for the Integrated Human Resource and Payroll Management System (IHRPMS) is generally considered to be robust. In addition to those ghost employees identified during the system implementation, existing controls now significantly reduce the possible incidence of ghost employees. Payroll controls are supported by the nominal roll records. Some delays exist in processing changes to the nominal roll and the payroll database. Although the National Audit Office conducts an audit of parts of the payroll system, no complete payroll audit has been undertaken and there is no regular procedure for checking the accuracy of payroll data. Currently many employees do not receive their pay slips on a timely basis, which makes it difficult for them to confirm the accuracy of their salaries. Complete data on the actual size of personal emoluments or the remuneration of individual positions is difficult to obtain as all allowances are not paid through the IHRPMS and not all government employees are on the system.

45. Financial information is provided by the Development Partners (DPs) for the majority of the funds/resources provided. Often, they do not provide complete information to the government on all types of aid assistance — reporting on cross-sectoral issues, technical assistance and in kind aid flows are particularly difficult. For aid disbursements to projects and baskets in the budget estimates, 71% of the forecasts (provided by DPs) were recorded as received through the exchequer system for 2003/04 — it increases to about 85% when general budget support is included in this calculation. In response to the authorities' strong request to channel support through the exchequer system about 45% of foreign aid will be managed using national systems in 2004/05[2]. However if it were assumed that basket funds do fully use national systems then the proportion using national procedures increases to about 66%. For example, health basket funds use national procedures.

46. It is generally acknowledged that predictability of resources for MDAs has improved with all MDAs having reliable information about the resources available /to be provided for at least a month and variations in non salary resources available on a month to month basis limited. Also priority sectors and protected votes now receive cash funds on a quarterly/semi-annual basis. However, whilst this cash rationing system has greatly enhanced fiscal discipline, monthly releases do adversely affect service delivery. Similarly differences between DP forecasts of funds flow and disbursements, although significantly improved, reduce the predictability of operations. Also, lack of procurement planning by MDAs and the incorporation of these requirements into their monthly cash flows undermines the MoF's efforts to provide a predictable flow of funds to meet the service delivery needs.

47. The implementation of the first stages of the IFMS has improved the availability, timeliness and usefulness of basic financial information considerably. It has enabled the enforcement of greater control on payment procedures and in particular compliance with cash limits. The current IFMS is based on a modular[3] accounting and planning package produced by EPICOR Software, which continues to be customized to meet the government's needs. Interfaces with other non "core" systems such as debt management, payroll and tax revenue have not been implemented. Plans to integrate these systems and thus improve the quality of financial reporting are included in the PFMRP.

[2] In FY 01/02 the ACGEN issued a circular outlining the accounting and reporting process. Subsequently training seminars for accounting officers of relevant MDAs as well as donor organizations were organized by the ACGEN's Department.

[3] The following modules have been implemented: Accounts Payable, Accounts Receivable, Purchase Order Commitments, Active Planner (previously Budget Manager), Cash Management, General Ledger, and Report Generator. Several of these have been partly utilised (Accounts Receivable and Active Planner).

48. The achievements made to date should not be underestimated, particularly given the general lack of understanding and at times open resistance to the developments. Since 2001, a significant amount of time and effort has been devoted to ensuring the long term sustainability of the IFMS, the integrity and security of the data, and to improving the understanding and technical skills at MDAs. An upgrade of the system's hardware and operating platform was undertaken between November 2003 and January 2004. Such efforts have not always resulted in visible improvements and there is frustration amongst some users about access to, and the capability of the system. A physical disaster recovery site has been identified and after contractual delays, systems connectivity and equipment should be functional by the end of November 2005. Trial runs of the disaster recovery systems should be completed by mid 2005.

49. **Financial management reform process:** Recent assessments of the PFMRP have raised concerns about whether the implementation of current management and co-ordination arrangements offers a credible basis for driving forward co-ordinated and sequenced Public Financial Management (PFM) reform. Whilst individual donor funded components are moving forward, this may not result in the most optimum solution for government. Particularly as there are clearly interdependencies within the PFMRP and linkages with other reform programs.

50. The mitigation of fiduciary risk depends on real progress in a number of reform initiatives. Furthermore PFM is relevant to all government bodies and encompasses the entire chain of activities starting from the planning of resources and expenditures through to the delivery of services and payment for resources used and revenue collected. An additional challenge is therefore that the PFMRP should not be seen purely as an initiative that is for the benefit of and co-terminus with the MoF.

ZANZIBAR: PUBLIC EXPENDITURE MANAGEMENT AND FINANCIAL ACCOUNTABILITY ISSUES

51. **Public Expenditure Management**: Overall, implementation of the Zanzibar PER FY03 recommendations has been rather modest, partly on account of lack of resources to leverage difficult/politically sensitive reforms: Progress made so far are is summarized below:

(i) Framework for an institutionalized PER Process for Zanzibar has been set-up along the URT model.

(ii) The Joint Finance Commission (JFC), though operational, is still in the process of establishing appropriate rules and regulations that will govern the URT-RGOZ fiscal relationship.

(iii) RGOZ prepared a strategy paper for local government reform in December 2004 and from it a policy and action plan to eliminate duplication of functions and positions at MDA, regional and district level. However, implementation is still awaiting higher level government approval.

(iv) On removal of monopoly of ZSTC in the purchase and export of cloves and review of the options for taxation of a liberalized clove industry a study was commissioned in 2004 which proposed three options namely (i) streamlining the management team of ZSTC, (ii) restructuring ZSTC and (iii) privatizing the entire clove industry. RGOZ is yet to decide on these options.

(v) On privatization and restructuring of remaining parastatals RGOZ has decided on (i) divestiture of the Zanzibar Insurance Corporation through joint venture, (ii) Zanzibar Ports Corporation as well as the Zanzibar State Fuel and Power Corporation to remain public but will be restructured and facilities improved, (iii) Zanzibar Shipping Corporation to be partially liberalized by leasing some of its fleet, (iv) RGOZ prefers a joint venture for the Zanzibar Motor Trade Corporation, (vi), some business of the Zanzibar Tourist Corporation have already been leased but the plan is to privatize it eventually, (viii) The Mahonda sugar Industry is in the process of being privatized, and (ix) Bwawani Hotel is to be restructured and improved before any proposal to privatize it. Finally, with respect to developing a strategy to deal with the negative net worth of the People's Bank of Zanzibar, the government is pursuing the option to recapitalize, restructure and finally privatize PBZ. Consultancies have already been commissioned on the privatization strategy, special audit and legal. RGOZ plans to issue recapitalization bonds to improve PBZ's net worth.

(vi) Some efforts have been made toward improving domestic revenue mobilization, including identifying weaknesses in tax administration and a strategy for reforming the Zanzibar Revenue Board. The envisaged strategy covers organizational reform; review of the legislative framework; reviewing all procedures and systems; developing specific strategies to ensure registration, returns processing, payment and collection, and enforcement; invest in appropriate information technology; developing a corporate plan; and undertaking human resource development. To address insignificant sources of revenue, RGoZ commissioned a revenue base study that recommends the intensification of exploitation of the existing sources of revenue. Development of the private sector, economic growth, industrialization and better tapping of the resources from the tourist sector are key areas for boosting revenue collection.

(vii) On the review of tax exemptions and clamp down on widespread tax evasion ZIPA, ZAFREZA and ZFPA are to be merged to be under one stop centre. ZRB and TRA are working on modalities to exchange information on taxpayers and to jointly conduct inspection, auditing and valuation.

(viii) In order to strengthen debt coordination and management capacity in MOFEA and also ensure adherence to debt contracting rules, MOFEA has established a Debt Department. A Debt Task Force has been established. The task force is in the process of reconciling debt numbers.

(ix) Regarding budgeting for quasi-contingencies/arrears and other obligations, all arrears before 1997 have been cleared, but those for 1998 - Jan 2005 remain outstanding. The RGOZ has compiled information on outstanding arrears and liabilities as at January 2005. An actuarial evaluation of ZSSF has been done. Settlement of pension liabilities to ZSSF has continued and is almost completed.

(x) Pro-poor expenditures and alignment of sectoral and intra-sectoral resource allocation with ZPRP has been attempted, with allocation of about 60 percent of budget allocation being directed to pro-poor sectors.

(xi) Transparency in budgeting and spending has been enhanced through the adoption of a Central Payments Office (CPO) system. The system is, however, still manually operated.

(xii) Regarding public sector pay and employment reforms, the establishment of the centralized payroll system revealed significant discrepancies between the number of employees and salaries paid. The World Bank offered to support a comprehensive review of the Zanzibar civil service.

Terms of reference have been developed and approved by the Zanzibar Government. However, RGoZ has yet to make a specific request for funding the study.

52. **Financial Accountability.** It is encouraging to observe the increased levels of collaboration and consultation between the mainland and Zanzibar. Given the somewhat ad hoc nature of this collaboration, however, it is recommended that a more systematic and routine relationship is established. The objective – perhaps not immediate – should be that Zanzibar will join the mainland PFMRP and some of the other reform programs. A review of the status of implementation of the 2003 CFAA recommendations shows that most of the areas have been strengthened but that the majority of actions are still in an early stage of implementation. Progress has been slow mainly because of the lack of technical capability, insufficient funding and coordination.

FISCAL ISSUES AT LOCAL GOVERNMENT LEVEL

53. Significant LG reform ground has been covered during the past two years. The reforms include: (a) adoption of a formula-based system of allocating grants. A LG capital grants system is to be set up with Bank support and donor financing but LGAs will only be able to access the funds upon fulfillment of a minimum requirements to underpin good governance (b) Zonal centres established to assist LGAs with hands-on facilitation to improve financial management, (c) IFMS extended to a total of 32 LGAs, (d) abolition of development levy and other nuisance taxes/fees in the 2002/03 budget and introduction of a compensatory grant instead for the revenue lost. In addition, a study was commissioned to review and propose a more sustainable financing framework for LGAs, and (e) the fiscal year for central and local government synchronized to facilitate planning & reporting by LGAs.

54. However, reforms of local government revenues led to some concerns. These include: (i) inadequacy of remaining LGA sources of revenue, councils unable to transfer a share of the compensation grants to villages, erosion of the fiscal autonomy of LGAs, and weakened drive to strengthen good governance (ii) delays and unpredictable flow of the compensatory funds from MOF. (iii) Some LGAs invented mechanisms to cope with the abolition of various levies. These included collecting more from certain kinds of levies such as city service levy, property taxes, bill boards and shelving some projects forward.

55. In spite of the recommendation made in the previous PER external evaluation, there has been little progress in compiling actual expenditure data for the LGAs. The main reasons for slow of progress seem to be weak capacity in LGAs/PO-RALG and lack of a standard reporting format. Overall, GoT is urged to commit to compile and publish LGA expenditure data on a regular basis.

1. INTRODUCTION

1.1 2005 marks the seventh year since the institutionalization of a participatory PER process in Tanzania. The method and approach to implementation of the PER process in 2004/05 was akin to that pursued since the initiation of participatory PERs in 1998/99 under strong Government leadership. The design of the PER work program started in August 2004, and took into account the major concerns raised by stakeholders in the context of the comprehensive review of the first poverty reduction strategy and preparation of the National Strategy for Growth and Reduction of Poverty (NSGRP) or *MKUKUTA* and deliberations of the sixth PER consultative meeting. It also accommodated key issues from the PRBS/PRSC and PRGF reviews, PFMRP and other similar processes. The main concerns echoed included the need to (i) tailor the 2004/05 PER process to further strengthen the budget process and make it more consistent with policy, as well as make the Budget Guidelines outcome-oriented and more transparent to stakeholders, (ii) eliminate delays in delivering inputs (sector-specific PER reports and projections of external support) for preparation of the Budget Guidelines, and (iii) harmonize budget reviews and public financial management/fiduciary assessments.

1.2 The PER 2004/05 process therefore had two distinguishing features. First, sector analytic work needed to feed into the preparation of the Budget Guidelines was suspended. Instead, sectors were required to pull out strategic issues and key recommendations that remain to be implemented from their previous sector PERs (2003/04) as well as from the then draft NSGRP. Additional sector work focused only on adding value, except where it was felt there was real need to carry out a full sector PER or address a particular issue, such as the development of a sustainable local government financing framework for Tanzania. This approach was intended to enable more timely delivery of inputs into the Budget Guidelines and MTEF 2005/06 – 2007/08. It was also agreed that technical discussions on public expenditure management issues continue to be carried out under the PER Working Group framework, but making sure to bring in key issues from other consultative forums and related analytic work. The PER process continued to be fully anchored in Government, under the leadership of the Permanent Secretary Ministry of Finance, supported by a Secretariat drawn largely from the Budget Department. However, compared to previous years, the operation of the PER Working Groups (WGs) during 2004/05 was less vigorous. WGs meetings were very few/irregular and thereby also impacted on the extent of dialogue on PEM issues. This weakening partly reflects high work pressure on the part of senior staff in MoF and other MDAs. Significant amount of Government time was devoted to the preparation of NSGRP. Limited capacity on the part of NGOs was also apparent and constrained effective participation of domestic stakeholders in the PER process. Therefore, the design of the next PER cycle will need to critically re-examine not only the TORs, and composition of the WGs but also the realism of meeting schedules. It will also be important to pay attention to enhancing capacity of watch-dog organizations/NGOS to be able to participate effectively in policy dialogue, and push for improved domestic accountability. This is particularly important now that the PER process has become the overarching framework for review and dialogue on public expenditure and financial management/fiduciary issues. In Zanzibar, a separate PER/MTEF process was implemented along the URT model and focused on supporting implementation of the Zanzibar Poverty Reduction Plan (ZPRP). However, implementation of the Zanzibar PER/MTEF 2004/05 work program was constrained by resource constraints, both financial and human. Continuous support (from both the

URT Government and Development partners) to building capacity and financing of analytic work in the Isles is therefore imperative if the process is to be improved and sustained.

1.3 Second, like previous years, the external (to Government) evaluation of budget performance was retained as part of the PER work program but broadened to include financial accountability/fiduciary issues. Toward the end of December 2004, the Government expressed concern that in the past few years a wide range of studies, namely Public Expenditure Management-Country Assessment and Action Plan (PEM-AAP) by IMF and World Bank, Fiduciary Risk Assessment (FRA) for Provision of Direct Budget Support by DFID, Joint Evaluation of General Budget Support by PRBS donors, and the PER External Evaluation) have been implemented to assess progress in reforming public financial management. Given the objectives of these studies, Government saw great opportunity for harmonization, and subsequently articulated preference to have 'one process one assessment' on public financial management issues carried out within the framework of the annual PER external evaluation exercise. ***This is therefore the first integrated public expenditure and financial accountability review (PEFAR 2004/05) for Tanzania*** in line with Government's expressed preference to harmonize all external reviews on budget, financial management systems/fiduciary risk assessment. This is a joint report by The World Bank working together with other development partners and non-government stakeholders. The determination of focus as well as oversight of the PEFAR external evaluation work, was mandated to the PER Macro group, chaired by MoF. Analogously, in order to further the objective of harmonization of processes and minimize duplication of effort, it was agreed that starting 2004/05, information needed for the PRBS/PRSC budget reviews be provided for by the PER process, and key emerging issues discussed by the PER Working Group.

1.4 ***Focus And Coverage Of The External Evaluation:*** The external evaluation covered two broad areas. (i) Public Expenditure Review: included making an objective assessment of Tanzania's fiscal performance for 2003/04 and the first half of 2004/05; review of progress and lessons learnt from the Government attempt to translate the National Strategy for Growth and Reduction of Poverty (NSGRP) into a coherent and comprehensive budget strategy through the Budget Guidelines process. The exercise also reviewed the integrity and efficiency of the budget management system and controls at central and local government levels and in Zanzibar, and (ii) Financial Accountability Assessment: This focused on financial management system, accounting, reporting, monitoring and control, external accountability and oversight, and Zanzibar. In addition, the assessment also focused on cross-cutting issues, namely human resources, legislative and institutional framework, and the use of Information Technology (IT).

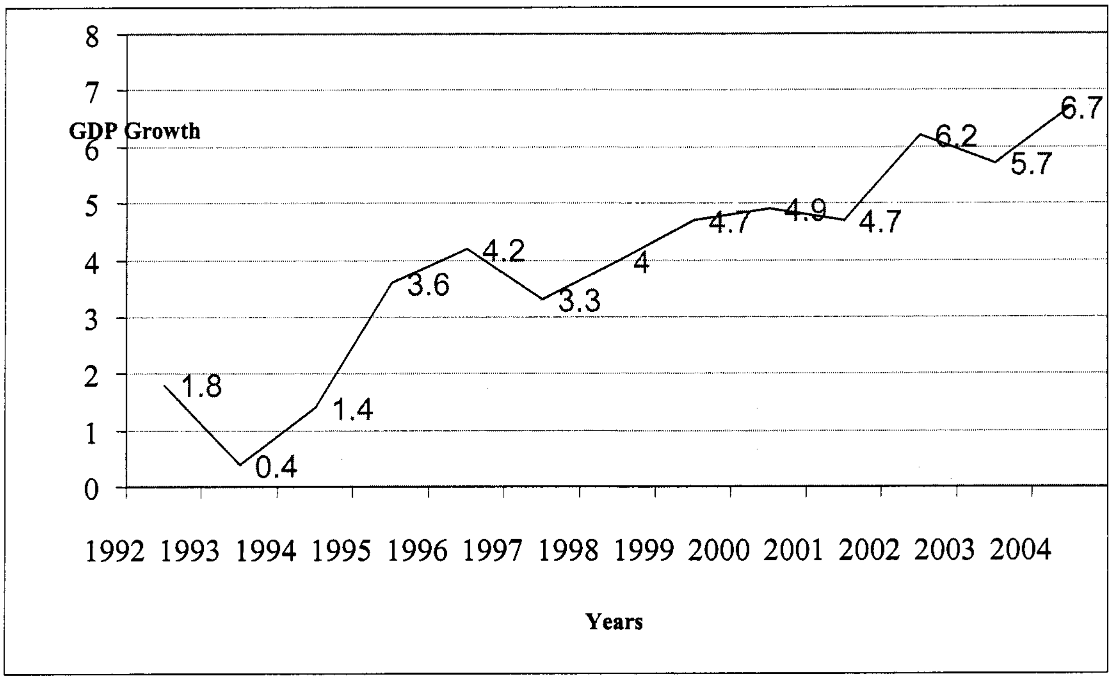
PART I: CONTEXT

2. RECENT MACROECONOMIC PERFORMANCE

A. REAL GDP GROWTH

2.1 Tanzania has recorded very good macroeconomic performance over the past decade. Whereas real GDP growth rate was at the level of 3.6 percent in 1995, the rate improved gradually to a level of 4.9 percent in 2000 and to a peak of 6.2 percent in 2002. In spite of recurring droughts, the economy maintained a fairly high degree of resilience. The overall real GDP growth rate declined only marginally to 5.7 percent in 2003. Subsequently, the growth rate recovered to 6.7 percent in 2004 (Figure: 1).The economy is projected to grow at rates of over 7.0 percent in the medium to long term.

Figure: 1*:* Real GDP Growth (at constant 1992 prices), (%)



2.2 Conventional wisdom suggests that higher levels of economic growth are *sine qua non* for poverty reduction and for meeting the Millennium Development Goals (MDGs). Therefore, given the Tanzania's high population growth rate of 2.9 percent, higher rates of economic growth are necessary to sustain higher levels of *per capita* economic growth so as to make a dent on the country's poverty level. The 2000/01 Household Budget Survey (HBS) report shows that about 36 percent of Tanzanians live below the poverty line, slightly down from the level of about 38 percent in 1991/92.

Table 1: Real Annual GDP Growth Rates (at constant 1992 prices), (%)

Economic Activity	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Agriculture	5.8	3.9	2.4	1.9	4.1	3.4	5.5	5.0	4.0	6.0
Mining and Quarrying	11.7	9.6	17.1	27.4	9.1	10.9	16.6	15.0	17.0	15.6
Manufacturing	1.6	4.8	5.0	8.0	3.6	4.8	5.0	8.0	8.6	8.6
Electricity and Water	6.1	11.1	2.2	5.5	3.9	5.9	3.0	3.1	4.9	4.7
Construction	-14.7	7.9	8.2	9.9	8.7	8.4	8.7	11.0	11.0	11.0
Trade, Hotels and Restaurants	3.5	3.5	5.0	4.7	6.0	6.5	6.7	7.0	6.5	8.0
Transport and Communication	5.9	1.1	4.9	6.2	5.8	6.1	6.3	6.4	5.1	6.2
Financial and Business Services	0.6	0.4	7.7	5.6	4.1	4.7	3.3	4.8	4.4	4.5
Public Administration and Other Services	-2.7	1.6	3.2	2.7	3.5	3.6	3.5	4.1	4.1	4.5
Less: Financial Services Indirectly Measured	-5.4	- 10.0	23.5	8.6	3.4	1.4	2.5	2.8	3.5	8.0
GDP at Factor Cost	**3.6**	**4.2**	**3.3**	**4.0**	**4.7**	**4.8**	**5.8**	**6.2**	**5.7**	**6.7**

Source: Economic Survey, 2004

2.3 Although the agricultural sector, which is the main stay of the economy, was hit hard by droughts, its growth rate only declined marginally from 5.5 percent in 2001 to 5.0 percent in 2002 and later to 4.0 in 2003. However, given good rains and the concomitant good harvest, the sector's growth rate increased to 6.0 percent in 2004. As Table 2 shows, the sector contributes over 45 percent of GDP. In terms of growth, the mining sector has been the best performer. It grew at the rate of 16.6 percent in 2001, declined slightly to 15.0 percent in 2002 and recovered to 17.0 percent in 2003. Its growth rate for 2004 was 15.6 percent. Other relatively good performers are the Construction industry, Manufacturing, and Tourism sectors which, in 2004, grew at the rates of 11.0 percent, 8.6 percent and 8.0 percent, respectively. (Table 1) summarizes sectoral growth performance while Table 2 shows the level of sector contributions to the GDP.

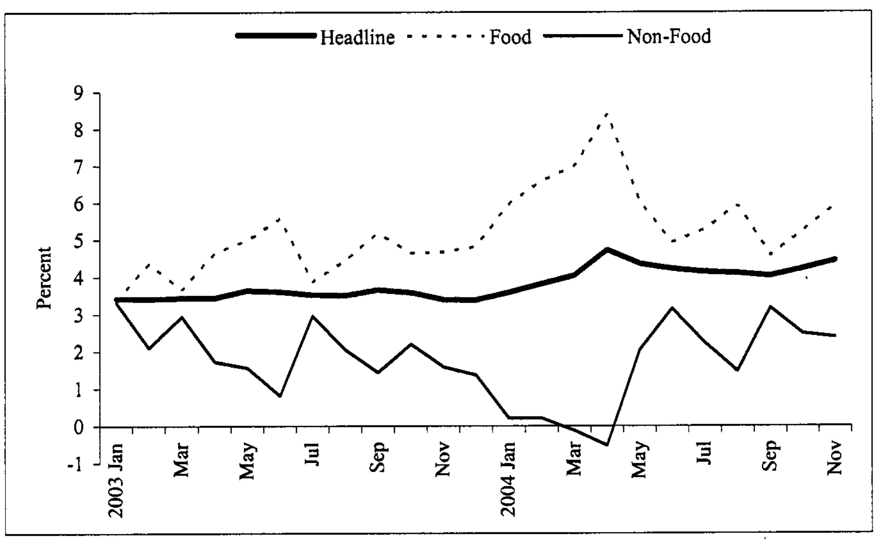
Table 2: Sector Contribution to GDP (at current prices), (%)

Economic Activity	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004*
Agriculture	47.1	48.0	50.1	44.8	45.1	45.0	44.7	47.7	45.0	46.2
Mining and Quarrying	1.3	1.1	1.2	1.5	1.4	1.5	1.6	1.8	2.1	2.5
Manufacturing	7.2	7.4	6.9	7.5	7.3	7.5	7.4	7.3	7.2	7.0
Electricity and Water	2.2	1.9	1.7	1.6	1.7	1.7	1.6	1.7	1.6	1.6
Construction	3.9	3.8	4.4	5.0	5.1	5.1	5.3	5.4	5.6	5.7
Trade, Hotels and Restaurants	14.9	14.3	13.1	12.4	14.4	12.3	12.2	11.9	11.7	11.7
Transport and Communication	5.7	5.6	5.1	4.9	4.9	4.9	4.7	4.7	4.6	4.5
Financial and Business Services	12.6	13.1	13.3	14.3	13.7	13.7	14.1	14.3	14.3	13.7
Public Administration and Other Services	9.1	8.7	10.6	10.9	10.9	10.6	10.5	10.3	9.7	9.3
Less: Financial Services Indirectly Measured	-4.0	-4.0	-3.2	-2.7	-2.4	-2.3	-2.1	-2.9	2.0	2.1
GDP at Factor Cost	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: *Economic Survey, 2004*
* Estimates

2.4 Even with the spectacular rates of growth of the mining sector, the sector's overall contribution to the GDP is only around 2.5 percent, compared to over 45 percent for the agricultural sector. Apart from agriculture, the other major contributor to the GDP is Trade and Tourism which accounted for about 12 percent of the GDP in 2004.

Figure 2: Inflation Developments



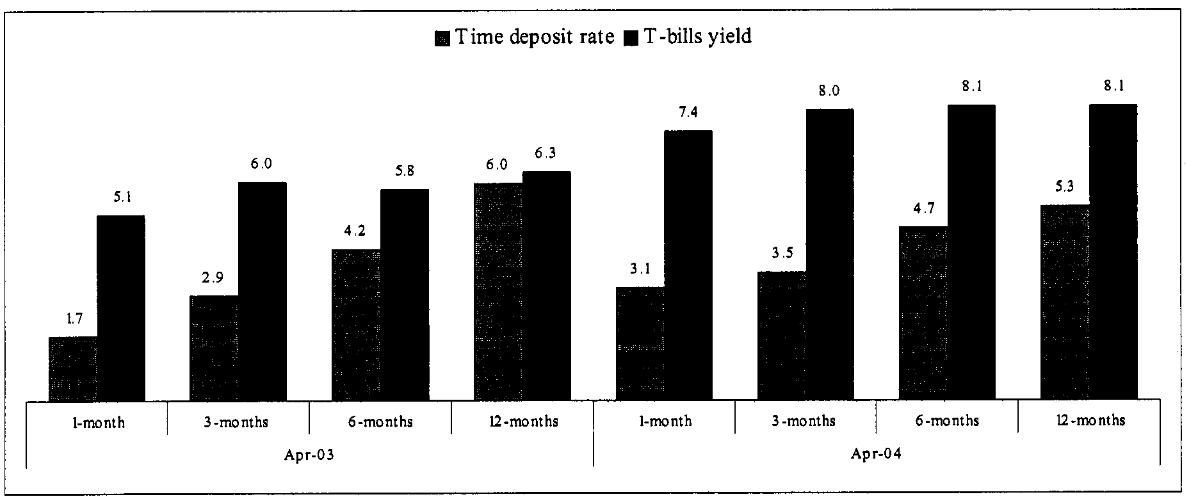
B. GENERAL PRICE DEVELOPMENTS

2.5 During the past decade, Tanzania succeeded in reducing inflation remarkably moving from a high level of 27.4 percent in 1995 to an annual average of 4.5 percent in 2003. During 2004 inflation rate declined further to 4.4 percent (Figure 2). The national target is an inflation rate that is below 4.0 percent *pari passu* with its main trading partners. During 2004, the Government revised the composition of the National Consumer Price Index (NCPI) in line with the 2000/01 HBS results. In the previous 1991/92 HBS results the weight of the food basket was 71.2 percent while in the 2000/01 HBS results the weight of food basket is only 55.9 percent.

C. MONETARY AND FINANCIAL SECTOR PERFORMANCE

2.6 The Bank of Tanzania continued with its tight and contractionary monetary policy stance mainly to contain inflationary pressures. However, extended broad money (M3) which registered an annual growth rate of 18.9 percent in 2003, increased slightly to 19.8 percent in 2004. Similarly, broad money supply (M2) registered an annual growth rate of 19.8 percent in 2004 up from 14.6 percent of the previous period. Regarding foreign currency deposits (FCD), its share to M3 increased slightly from 29.1 percent to 29.4 percent, partly reflecting the depreciation of the TZS exchange rate during this period.

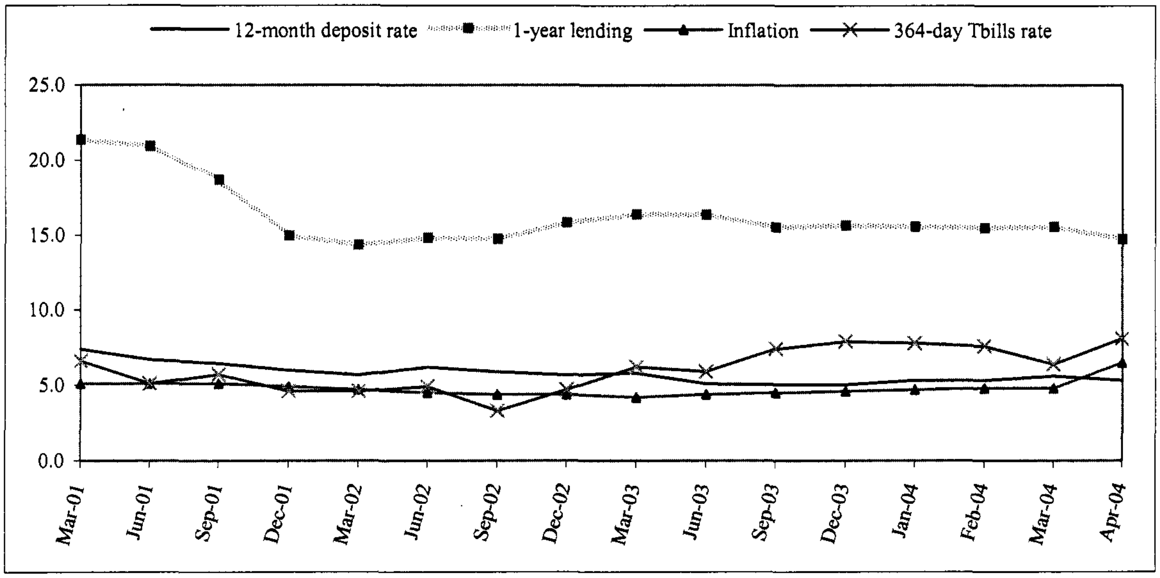
Figure 3: Selected Time Deposits and Treasury Bills Rates (%)



2.7 Commercial banks' credit to the private sector increased to 35.7 percent in 2004 from the level of 31.5 percent in 2003. Banks' claims on Government declined slightly as the latter was increasing its deposits with the Bank of Tanzania. The share of credit to total deposits (private and government) of the commercial banks, which also measures the degree of financial intermediation, improved from 41.5 percent in 2003 to 42.6 percent in 2004. The weighted average interest rate on local currency savings deposits remained unchanged at 2.4 percent while the overall time deposit rate fell marginally from 4.1 percent in 2003 to 4.0 percent in 2004. In line with developments in Treasury bills yields, the 1-month time deposit rate rose slightly to 3.1 percent in 2004, compared with 3.0 percent 2003. The 12-month fixed deposit rate was 5.3 percent in 2004, down from 5.6 percent recorded in 2003.

Similarly, the average negotiated deposit rate for prime customers fell marginally from 7.9 percent to 7.8 percent (Figure 3). Given the current inflation rate of 4.4 percent, savings deposit rates still remain negative in real terms, except for negotiated deposit rates that have remained marginally positive in real terms. Furthermore, yields on Treasury Bills of equal maturity with term deposits were all positive in real terms and significantly higher than the rates paid to fixed deposits. (Figure 4) below shows the trend of interest and inflation rates in Tanzania between 2001 and April 2004.

Figure 4: Selected Interest and Inflation Rates (%)



2.8 During 2001-2004, lending rates exhibited mixed performance. Short-term loans of up to 1-year were charged an average of 14.8 percent, down from 15.6 percent, while 2-3 year loans were charged an average of 11.4 percent up from 9.9 percent in the previous year. 3-5 year credit was charged 12.2 percent, down from 12.5 percent, while the charges for term loans of over 5-year fell from 12.2 percent to 10.8 percent. Hence, the overall weighted average lending rate went down slightly from 13.5 percent in 2003 to 13.3 percent in 2004. However, some banks offered lending rates of about 8.0 percent to prime customers. Thus, interest rate spread between the 12-months fixed deposits and 1-year lending rates narrowed slightly to 9.4 percentage points as compared to 10.0 percentage points recorded in the preceding period.

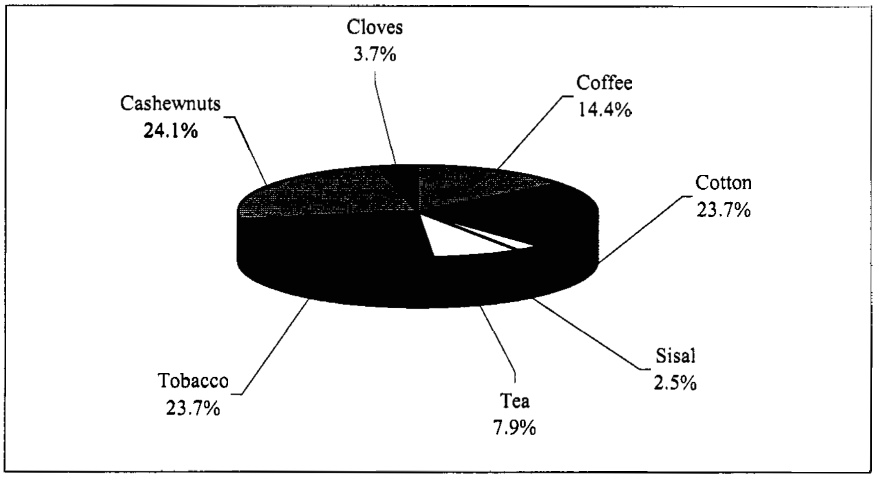
D. The External Sector Performance

Trade and the Balance of Payments

2.9 During the period under review, the trade account registered a deficit mainly due to a big increase in imports as compared to the marginal increase in exports. In particular, traditional exports performed fairly poorly. During 2004, traditional exports remained virtually unchanged at USD 219.4 million compared to the previous year. With the exception of tobacco and cloves that recorded a decline in unit prices, all other traditional exports recorded increases in unit prices as supply of these commodities in the world market declined. During the year, cashew-nut exports amounted to USD

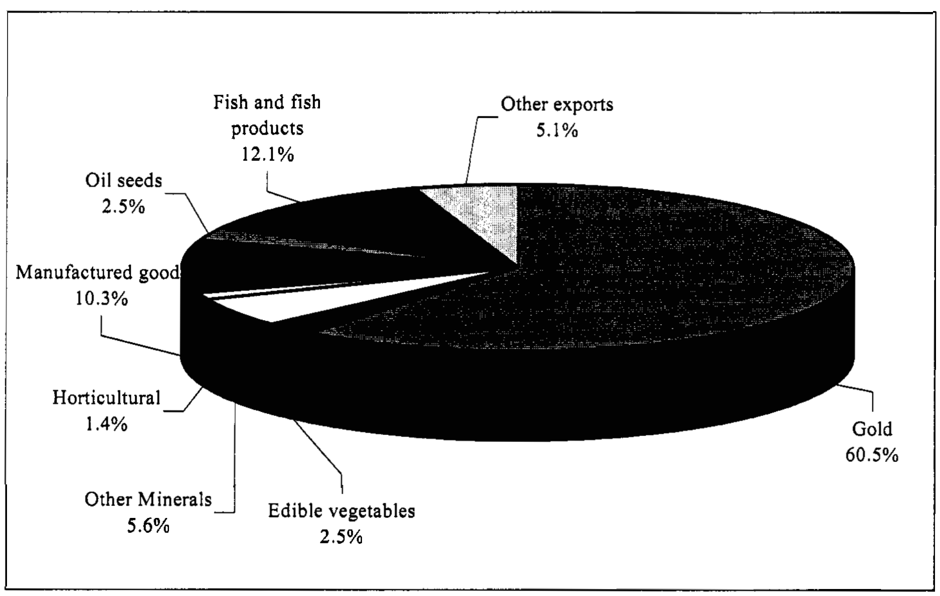
49.2 million, representing 22.4 percent of the traditional exports, while tobacco and coffee exports amounted to USD 47.3 million and USD 42 million, respectively (Figure 5).

Figure 5: Composition of Traditional Exports (by end December, 2004)



2.10 During 2004, non-traditional exports grew by 26.1 percent (USD 955.4 million compared to USD 757.7 million in 2003). Exports of minerals increased substantially from USD 411.2 million recorded during 2002/03 to USD 611.6 million by June 2004, with gold exports alone recording an increase of 55.2 percent. Likewise, exports of manufactured goods increased by 52.4 to USD 107.9 million, largely due to additional exports emanating from new and privatized firms (Figure 6).

Figure 6: Composition of Non-Traditional Exports (by December, 2004)



2.11 Gold exports amounted to USD 565.8 million and accounted for 48.2 percent of exports of goods during 2003/04. Diamond exports amounted to USD 23.6 million, while the remaining mineral export receipts contributed USD 22.2 million. Manufactured goods exports also improved significantly over the year, as annual export earnings increased to USD 107.9 million in June 2004 compared with USD 70.8 million recorded in June 2003. The improvement is mainly attributed to an increase in garments and cigarettes exports. On the other hand, imports rose substantially by 27.5 percent. Most of the increase was from capital, intermediate and consumer goods (Table 3).

Table 3 External Current Account Balance (Mil US$)

	2003	2004 p		% change		December - November		
				Oct-04	Nov-03			
	Nov	Oct	Nov	Nov-04	Nov-04	2002/03	2003/04 p	% Change
Goods Account (net)	**-29.3**	**-75.5**	**-75.2**	**-0.4**	**--**	**-770.7**	**-953.3**	**23.7**
Exports	122.1	140.5	154.4	9.9	26.5	1,092.2	1,304.5	19.4
Imports	151.4	216.0	229.6	6.3	51.7	1,862.9	2,257.8	21.2
Services Account (net)	**-7.8**	**-27.7**	**-18.2**	**-34.4**	**--**	**-37.4**	**-153.3**	**--**
Receipts	55.2	63.3	70.1	10.7	27.0	706.0	799.0	13.2
Payments	63.0	91.1	88.3	-3.0	40.2	743.4	952.3	28.1
Goods and services (net)	**-37.1**	**-103.3**	**-93.4**	**-9.5**	**--**	**-808.1**	**-1,106.5**	**36.9**
Exports of goods and services	177.3	203.8	224.5	10.1	26.6	1,798.2	2,103.6	17.0
Imports of goods and services	214.4	307.1	317.9	3.5	48.3	2,606.3	3,210.1	23.2
Income Account (net)	**-1.7**	**-1.0**	**-0.5**	**-49.4**	**-70.1**	**-34.2**	**-49.8**	**45.4**
Receipts	5.0	7.6	9.7	27.0	94.0	86.6	79.9	-7.7
Payments	6.7	8.7	10.2	18.0	52.1	120.8	129.6	7.3
Current Transfers (net)	**17.6**	**60.1**	**96.2**	**60.1**	**--**	**540.4**	**791.0**	**46.4**
Inflows	22.6	65.2	101.5	55.7	--	603.2	856.3	42.0
o/w General Government	16.6	59.3	95.5	61.0	--	534.9	786.9	47.1
Outflows	5.0	5.1	5.3	3.9	6.7	62.8	65.3	4.0
Current Account Balance	**-21.2**	**-44.2**	**2.3**	**-105.1**	**-110.7**	**-301.9**	**-365.3**	**21.0**

Source: Bank of Tanzania
Note: p - Provisional data

2.12 However, even with the big external current account deficit, the overall balance of payments improved slightly from a surplus of US$ 265.2 million in 2003 to a surplus of US$ 267.8 million in 2004 due to the huge external official transfers.

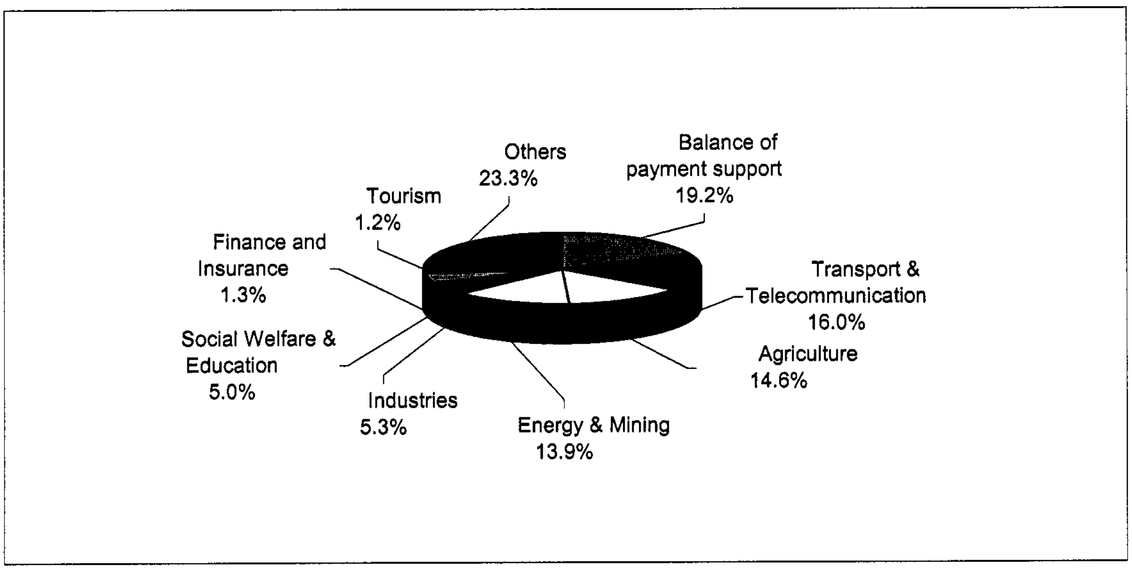
The Exchange Rate and Foreign Reserves

2.13 The TZS continued to experience some minimal nominal depreciations between 2003 and 2004 mainly due to the low levels of exports *vis ã vis* the import demand. However, the currency appreciated, in real terms partly due to increased inflow of external resources and inadequate sterilization mechanism. On the other hand, Tanzania's external reserves increased quite substantially from US$ 1,500 million (6.8 months of imports) in 2003 to over US$ 2,000 million (8.9 months of imports) in 2004.

External Debt Developments

2.14 By June 2004, total external debt stood at US$ 8,123.9 million. Of this, US$ 6,734.0 million had been disbursed—Disbursed Outstanding Debt (DOD) or 82.9 percent of the total while the remaining US$ 1,389.9 million was yet to be disbursed. During this period, the stock of debt increased by US$ 7.0 million mainly due to some additional borrowing, the accumulation of arrears coupled with the exchange rate fluctuations. The major creditors are the multilateral institutions (USD 4,554.8 million or 67.6 percent of DOD). Bilateral creditors were owed USD 1,549.1 million (23.0 percent of DOD). Commercial debt amounted to USD 396.5 million (5.9 percent of DOD) while debt owed to export creditors was USD 233.7 million (or 3.5 percent of DOD). The Government remains to be the largest borrower with USD 6,142.9 million or 91.2 percent of the total debt. Private sector debt was USD 444.5 million or 6.6 percent of the total debt, while parastatal debts stood at USD 146.6 million or 2.2 percent of DOD.

Figure 7: Disbursed Outstanding Debt by Use of Fund



2.15 The bulk of the external debt was used for balance of payment support, which accounted for USD 1,294.5 million, while transport sector accounted for USD 1,080.0 million. Agriculture absorbed USD 983.0 million, energy USD 937.8 million, industries USD 358.8 million, education USD 339.4 million, finance USD 86.2 million, and tourism USD 82.2 million. The remaining USD 1,572.1 million was accounted for by other activities, including rural development, water supply and drainage, fisheries, and computer technology (Figure 7).

3. ACCOUNTABILITY FRAMEWORK FOR CENTRAL GOVERNMENT[4]

A. OVERVIEW OF LEGAL ARRANGEMENTS

3.1 Chapter Seven of the Constitution of the United Republic of Tanzania, 1977 outlines the legislative function and the role of various bodies involved in the management of public finances, specifically the National Assembly, the President and the Controller and Auditor General (CAG). The Constitution also establishes the Public Leaders' Ethics Secretariat and the Permanent Commission of Enquiry[5], which have the power to inquire into the behaviour and conduct of public leaders/servants.

3.2 The Public Finance Act, 2001 and Public Finance Regulations, 2001 define in great detail the roles, functions and responsibilities in management of government revenue and expenditure[6]. In particular it sets out the role of the Accounting Officers (AOs) who are appointed in writing by name and office by the Permanent Secretary (PS) of Finance (in his role as Paymaster General) for each expenditure vote. Each AO is legally and personally accountable for the control of expenditure incurred and revenues received for that vote. Whilst, the Accountant General (ACGEN) is responsible for the compilation and management of the accounts and the custody and safety of the public money and public property of the government.

3.3 The Public Procurement Act, 2001, as amended in 2004, defines the public procurement system and procedures. The Loans, Grants and Guarantees Act, 1974, amended in 2003, defines roles, functions and responsibilities in public sector contracting of loans, issue of guarantees and receipt of grants. Since 2000, new or revised legislation has also been enacted for the Ethics Secretariat and the Commission for Human Rights and Good Governance (CHRGG). However, despite the government's focus on anti-corruption, major revisions to the Prevention of Corruption Act, 1971 are only now being considered.

B. INSTITUTIONAL ARRANGEMENTS

3.4 The fiscal crisis of the mid nineties in Tanzania led to the demand for a strong emphasis on control and financial discipline. Consequently, the Ministry of Finance (MoF) play a central role in the management of public finances and financial discipline. However, in order to improve service delivery and meet the challenges of the NSGRP, there is an increasing demand for the empowerment of

[4] Local government and parastatals/public corporations set up under the new *Public Corporations Act 1992* are clearly excluded. For the purpose of this year's financial accountability assessment, executive agencies established under the *Executive Agencies Act of 1997* and other semi autonomous government agencies such as research institutions, universities etc. are not included.

[5] The functions of the Permanent Commission of Enquiry have been taken over by the Commission for Human Rights and Good Governance.

[6] The legislation sets out in detail the roles and responsibilities of the Minister of Finance, the Paymaster General, the Accountant General, the Accounting Officers and Warrant Holders in MDAs as well as the Controller and Auditor General.

Ministries, Departments and Agencies (MDAs) to be more results oriented within an environment where resources will remain constrained in the medium term. The new procurement legislation also decentralises procurement responsibility to the MDAs giving regulatory and advisory authority to bodies under the MoF.

3.5 The organisations, which have the institutional responsibility for holding government to account for its performance, include the National Audit Office (NAO), which is Tanzania's supreme audit institution and has the critical oversight role, Prevention of Corruption Bureau (PCB), the Ethics Secretariat, the CHRGG, Parliament and its committees. The Good Governance Co-ordinating Unit (GGCU) and the Ethics Division have a monitoring, co-ordinating and advisory role. Whilst the legal-judicial-penal system has an important role to play in ensuring that the legislation described in section 3A is upheld.

3.6 From a holistic perspective, improvements in public financial management (PFM) and accountability encompass not only the Public Financial Management Reform Programme (PFMRP) but also the National Anti-Corruption Strategy and Action Plan (NACSAP), the Legal Sector Reform Programme, the Local Government Reform Programme and as discussed in par. 3.7 The Public Services Reform Programme (PSRP).

C. Human Resource Management

3.7 A motivated, professional and well-paid workforce is essential for the achievement of high standards of PFM, accountability and integrity. The Government's eleven year programme to reform the public service has been designed with the specific objectives of enabling government to provide quality services to the public that are effective, efficient and economically delivered and at the same time ensure staff have the capacity, motivation and means to bring about the required changes. Improved standards of PFM and accountability and the success of the PFMRP are clearly linked with the progress and success of the PSRP. A detailed review of the management of the accounting and auditing cadres is included in Annex B: Human Resource Management of the Accounting and Auditing Cadre the following paragraphs provide a brief summary of the most pertinent issues.

3.8 Three years ago, the legislative framework for human resource management was fundamentally changed with the introduction of the Public Service Act, 2002 and its subsidiary legislation. Within set guidelines and schemes of service, the PSs of MDAs now have delegated powers to appoint, discipline and dismiss the staff on their list of approved posts. This responsibility includes the hiring and firing of accounting and internal audit staff though in the interests of harmonization the ACGEN has, in this financial year 2004/2005, been given authority by the President's Office - Public Service Management (PO-PSM) to continue with placements and transfers of these staff in MDAs.

3.9 Appointments, including promotions, must now be advertised and made only on merit rather than seniority, with the minimum specified requirements for the post being met. An annual staff appraisal scheme, known as the Open Performance Appraisal System, which may lead to either rewards, enhanced increments, for acceptable performance or sanctions, withholding increments, for non-acceptable levels of performance was also introduced in July, 2003.

3.10 Various measures are also being taken to address the issue of low technical capacity amongst key groups. In the Country Procurement Assessment Review (CPAR), 2003 lack of technical capacity was seen as one of the major weaknesses of the entire procurement system. Significant efforts have been made over the last four years by the ACGEN to improve the capacity of technical accounting and internal auditing staff as well as AOs and audit committees. This has been through a range of in service training courses for all levels of staff as well as support for academic and professional qualifications. However, there is still a large gap (approximately 30%) between the number of posts specifying professional accounting qualifications and the number of posts being occupied by professionally qualified staff.

3.11 The ability of the government to recruit and retain suitably qualified personnel depends on both pay and working conditions. In 1999 the Public Service Medium Term Pay Policy (MTPP) was introduced in order to rationalise allowances and significantly enhance public service pay. To date this programme has not been fully implemented. Certain professional skills, such as Information Technology (IT), legal and accounting, which are in high demand outside the public service, can earn significantly higher salaries in the private sector. In order to attract, retain and motivate staff of the required calibre, a Selected Accelerated Salary Enhancement Scheme (SASE), was designed whereby some senior professional staff receive salary enhancements. However, following a Cabinet decision, any extension of the scheme to new officers has been suspended pending a review in March/April 2005.

D. INTEGRATED FINANCIAL MANAGEMENT SYSTEM (IFMS)

3.12 Although not fully operational, the implementation of the first stages of an IFMS has improved the availability, timeliness and usefulness of basic financial information considerably. It has enabled the enforcement of greater control on payment procedures and in particular compliance with cash limits. The achievements made to date should not be underestimated, particularly given the general lack of understanding and at times open resistance to the developments. Complete, accurate and timely information provides the basis for sound PFM and accountability and the enhancement of decision-making capabilities. Whilst the absence of such information hinders the implementation of other initiatives in public service reform such as results oriented management and performance related pay as these rely heavily on fairly sophisticated financial information for their success.

3.13 The ultimate goal of the MoF is an integrated system. The characteristics and status of the government's IFMS is discussed in detail in Annex C: Structure and Status of the IFMS. The following paragraphs highlight some of the key issues. IFMS is based on a modular[7] accounting and planning package produced by EPICOR Software, which continues to be customized to meet the government's needs. The software continues to be supported by Softech, who are the authorised agent. Whilst there are now Systems Development Units at the ACGEN's Department to support users in both central and local government.

3.14 Since 2001, a significant amount of time and effort has been devoted to ensuring the long term sustainability of the system, the integrity and security of the data, and to improving the understanding and technical skills at MDAs. An upgrade of the system's hardware and operating platform was undertaken between November 2003 and January 2004. Such efforts have not always resulted in visible improvements and there is frustration amongst some users about access to, and the capability of the system, particularly the active planner (previously known as the budget manager module).

3.15 In response to some of these concerns, a module has been designed to act as a data warehouse and hold a copy of the data maintained on IFMS. The purpose of the data warehouse facility is to share data with selected users, such as AOs, planning and policy analysis and others, and enable them to use

[7] The following modules have been implemented: Accounts Payable, Accounts Receivable, Purchase Order Commitments, Active Planner (previously Budget Manager), Cash Management, General Ledger, and Report Generator. Several of these have been partly utilised (Accounts Receivable and Active Planner).

the data for further analysis without compromising the security and integrity of the IFMS master files. Training has commenced on the use of the module but it is clear that this powerful database is still underutilized due to an apparent inability of the prospective users and the keeper of the database to map out the information and reporting needs.

3.16 A physical disaster recovery site has been identified and after contractual delays, systems connectivity and equipment should be functional by the end of November 2005. Trial runs of the disaster recovery systems should be completed by mid 2005. In Dar es Salaam IFMS uses a Wide Area Network (WAN) that connects MDAs to the central server at the ACGEN's Department. Connectivity from outside of the city has been subject to a number of technical problems and financial constraints. The intention now is for the regional sub-treasuries, Regional Administrative Secretariat, Parliament and the ministries based in Dodoma to use a Virtual Private Network with a target date for completion of FY 05/06.

3.17 As discussed in paragraph 3.13, the current IFMS is basically an accounting and budgeting system. Interfaces with other non "core" systems such as debt management, payroll and tax revenue[8] have not been implemented. A new budget planning analysis tool is also being introduced for FY 05/06 to compensate for some of the inadequacies in the Active Planner module and to provide an interface capability. Plans to integrate these systems and thus improve the quality of financial reporting are included in the PFMRP.

[8] A wireless link exists with the tax revenue module but not a direct interface yet.

PART II: ANNUAL REVIEW OF BUDGET PERFORMANCE

4. ANNUAL REVIEW OF BUDGET PERFORMANCE

A. AGGREGATE FISCAL PERFORMANCE

Fiscal Deficit

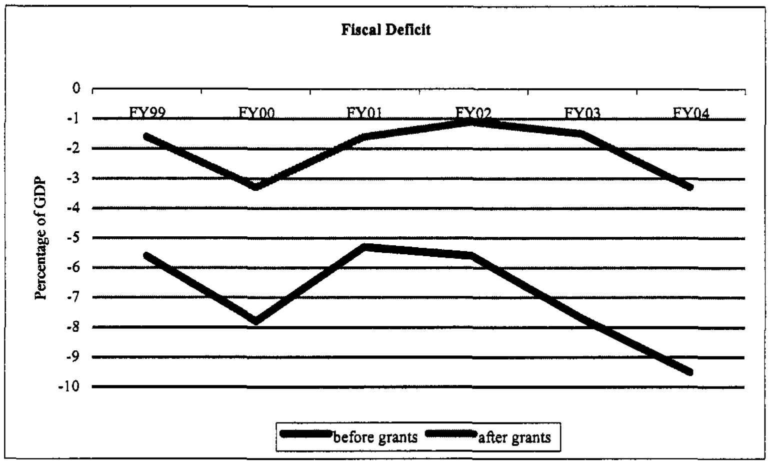
4.1 The record on the level and financing of the fiscal deficit (Table 4) indicates that the Government has continued to implement tight fiscal policy over the recent past, mainly by continuing the use of the cash budget system to manage releases supported by front-loading of budget support, while maintaining quarterly allocations to key spending areas as well as adherence to negative net domestic borrowing. During 2003/04 the fiscal deficit after grants amounted to 3.3% of GDP which was below the PRGF program target of 3.8% of GDP.

Table 4 Fiscal Deficit and Financing, 1999/00 – 2003/04 (% of GDP)

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
Overall balance before grants	-5.6	-7.8	-5.3	-5.6	-7.7	-9.5
Grants	4.0	4.5	3.7	4.5	6.2	6.2
Program (including basket grants)	1.2	1.4	1.5	2.1	2.9	3.3
Project	2.8	3.0	1.6	1.6	2.5	2.2
HIPC grant relief	0.0	0.1	0.6	0.7	0.7	0.7
Overall balance after grants	-1.6	-3.3	-1.6	-1.1	-1.5	-3.3
Financing	1.6	3.3	1.6	1.1	1.6	3.6
Foreign (net)	0.5	1.5	1.2	1.4	2.0	3.9
Foreign loans	1.6	2.8	2.2	2.2	3.0	4.3
Program (including basket loans)	0.6	0.8	0.6	1.0	1.5	1.9
Project	1.1	1.9	1.7	1.2	1.5	2.3
Amortization	-1.2	-1.3	-1.1	-0.8	-1.0	-0.4
Domestic (net)	-0.2	0.1	0.0	-0.3	-0.4	-0.3
Bank financing	0.0	-0.4	-0.2	-0.7	-0.1	-0.7
Non-bank financing	-0.1	0.5	0.2	0.4	-0.3	0.3
Bank and parastatal recapitalization	1.2	1.5	0.1	0.0	0.0	0.0
Amortization of parastatal debt	0.0	0.0	0.0	0.0	0.0	0.0
Privatization proceeds	0.2	0.2	0.3	0.0	0.0	0.1

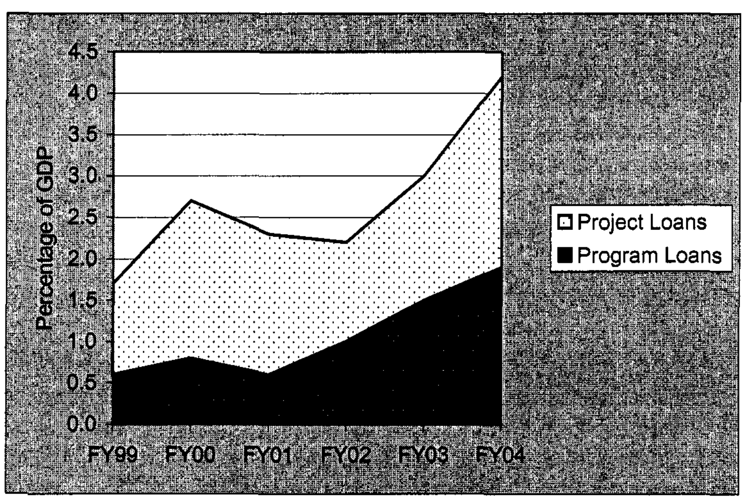
Source: Tanzania Authorities

Figure 8: Trends in the Fiscal Deficit FY99 – FY04



4.2 This reasonably good overall performance partly reflects respectable revenue achievement especially from VAT, income and petroleum taxes. However, it is important to note that the fiscal deficit (before grants) has widened rather fast in the past two years (Figure 8) mainly on account of increased spending on the provision of social services permitted by higher aid inflow (Figure 9). Although it may be desirable to increase spending to improve service delivery, there is need to be rather cautious, and keep watching for possible macroeconomic effects of large aid flows, directed mainly toward social sector expenditures/non-tradables.

Figure 9: Foreign Financing of the Fiscal Deficit



Revenue Performance

4.3 Government continued to implement tax administration reforms geared toward improving efficiency, as well as rationalization of the tax structure. This included pursuit of trade liberalization and regional integration initiatives, aimed at molding the tax regime to better support growth by creating space for private sector to invest and operate, while at the same time expanding the tax base.

4.4 The continued improvements in TRA's tax administration systems and practices have resulted in a rise in the revenue to GDP ratio from 12.1% in 2002/03 to 13% in 2003/04. In nominal terms revenue increased 20% year-on-year to T.Shs.1,459 billion in 2003/04. Actual revenue collections also exceeded budget estimates by 5%. Revenue collections in 2003/04 were T.Shs.1,459 billion compared with a budgeted estimate of Tsh.1,393 billion. This trend continued in 2004/05 with collections being above estimates by 3% for the first half of the fiscal year.

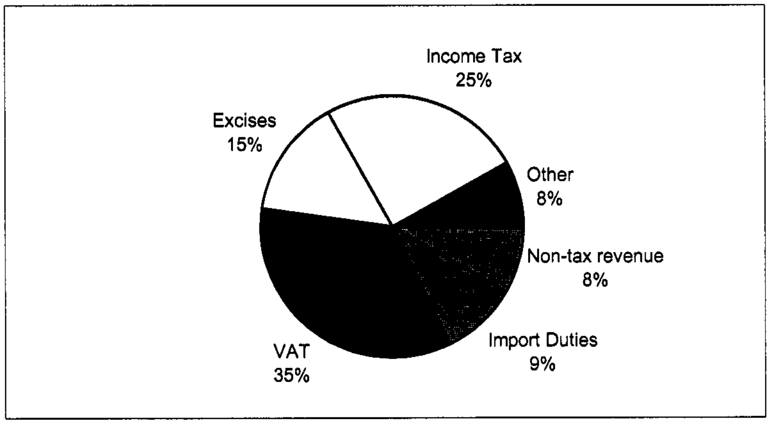
4.5 Annual increases in tax collection have been broadly spread across all sources of revenue with income tax collections being the strongest performer. Income tax receipts in 2003/04 increased by 32% compared to 2002/03. Large increases in both PAYE (38% year-on-year increase) and corporate income taxes (40% year-on-year increase) reflect the expiry of some tax holiday periods, reformed tax laws and better administration through the Large Tax Payers Department. Import duties also performed better in 2003/04 increasing almost 30% year-on-year. Whilst income tax grew faster than VAT in 2003/04, the latter continues to be the largest revenue source – making up 35% of total collections. Income taxes now represent 25% of total revenue. Excises account for 15% of total revenue whilst import duties, non-tax revenues and other tax revenues contribute about 8% each.

4.6 Thus, the good progress made on revenue mobilization suggests that tax administration reforms are paying-off. GoT is urged to stay the course and move ahead with reforms envisaged in the TRA corporate plan and customs modernization plan. This is particularly important for Tanzania to succeed in reducing high donor dependency over the medium to long-term. However, some attention is needed in the area of non-tax revenue where revenue collection performance remains less impressive. Recent revelation of significant loss of visa fees (estimated at Tshs.1.5 billion per annum) collected by Tanzanian embassies abroad suggests room for improved collection of the non-tax revenue category. Efforts to reduce tax exemptions have also been considerably successful except for the mining sector.

Table 5: Summary of Central Government Revenue FY99-FY05 (% of GDP)

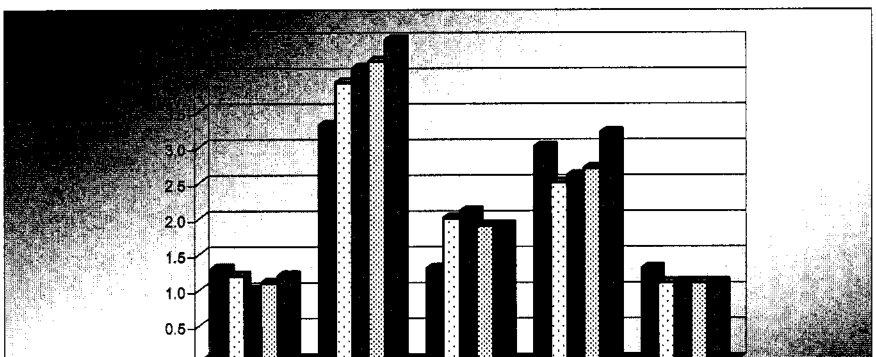
	1999/00 Actual	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Proj.
	11.3	**12.0**	**12.1**	**12.1**	**13.0**	**14.0**
Tax revenue	**10.1**	**10.7**	**10.9**	**11.0**	**11.9**	**12.8**
Import duties	1.3	1.2	1.0	1.1	1.2	1.1
VAT	3.3	3.9	4.1	4.2	4.5	4.9
VAT on domestic G&S	1.6	1.6	1.7	1.7	2.1	2.1
VAT on imports	1.6	2.4	2.4	2.5	2.8	3.2
Excises	1.3	2.0	2.1	1.9	1.9	2.0
Excises on domestic G&S	1.0	0.9	0.8	0.8	0.8	0.8
Excises on imports	0.3	1.1	1.2	1.0	1.1	1.1
Income tax	3.0	2.5	2.6	2.7	3.2	3.7
PAYE	1.1	1.2	1.4	1.3	1.6	0.0
Corporate	0.7	0.6	0.7	0.8	1.0	0.0
Other taxes	1.3	1.1	1.1	1.1	1.1	1.1
Non-tax revenue	**1.2**	**1.3**	**1.2**	**1.1**	**1.0**	**1.1**

Figure 10: Main Sources of Revenue 2003/04 (% of Total Revenue)



4.7 With the exception of the steady growth of VAT, Tanzania's tax structure has not changed significantly over the past five years (Figure 11) VAT, income tax, and excises have remained the dominant and growing sources of revenue, averaging about 4%, 2.8% and 2% of GDP respectively.

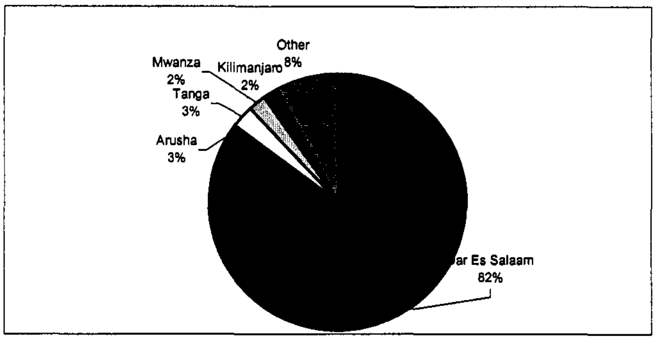
Figure 11: Tax Structure since 1999/00 (% of GDP)



	Import Duties	VAT	Excises	Income tax	Other taxes
FY00	1.3	3.3	1.3	3.0	1.3
FY01	1.2	3.9	2.0	2.5	1.1
FY02	1.0	4.1	2.1	2.6	[illegible]
FY03	1.1	4.2	1.9	2.7	[illegible]
FY04	1.2	4.5	1.9	[illegible]	[illegible]

4.8 On average, over 80% of total central government revenue is collected in Dar es Salaam (Figure 12). Only four other regions provide 2% or more of total central government revenue – Arusha (3.2%), Tanga (2.8%), Mwanza (2.4%) and Kilimanjaro (2.1%). However, the pattern of regional shares is changing gradually especially for income tax. For instance, Dar es Salaam region used to account for about 78% of income tax revenue during the latter half of 1990s but now accounts for only about 68%. This development partly reflects the growth of manufacturing in other regions, which in turn calls for increased collection effort outside Dar es Salaam.

Figure 12: Total Revenue by Regions 03/04



4.9 In spite of the good progress made on revenue mobilization, major challenges remain for the medium to long term. One key challenge relates to the fact that domestic revenue mobilization is still substantially low relative to the huge expenditure needs (due to widespread poverty) leading to high donor dependency (41 percent of the budget). Large aid-dependency is risky in the short-term if government-donor relations are fragile but also risky in the long-term to the extent that such support leads to an increase in public spending of a permanent nature, such as payment of teacher salaries. Therefore, continued focus on expanding the tax base through the creation of space for private sector to invest and operate is imperative.

4.10 Precaution has also been voiced that the recent surge in grants and highly concessional loans could be crowding-out domestic revenue effort insofar as they are viewed by the government as free resources. Developments in the revenue effort since 1999/00 indicate that aid flows have been steep-chasing the domestic revenue effort. The wedge between domestic revenue effort and aid flows has narrowed markedly from about 6% to 3% of GDP between 1999/00 and 2003/04 (Figure 13). However, evidence of the expected effects of large aid inflows (appreciation of the real exchange rate, decline in exports and FDI, crowding out domestic savings, increase in demand for non-tradables,) in the recent past has been negligible. A 2004 study by the IMF indicates that the REER has depreciated since 2002 in parallel to the depreciation of the NEER

4.11 (Figure 14) FDI has remained at about 15% of gross fixed capital formation over the past three years, while exports increased to about 17.8% of GDP in 2003 compared to 15.5% of GDP in 2001. However, domestic savings declined from about 13% of GDP in 2002 to 9.7% of GDP in 2003. The risk of increased aid flows resulting adverse macroeconomic effects, has probably been minimized by pursuit of sound exchange rate management, constant Government-donor dialogue, and GoT commitment to the revenue targets agreed under the PRGF program. Nevertheless, Tanzania's high donor-dependency remains an issue, given that currently, a large proportion of aid goes to non-tradables and that total external debt has been on the upswing since 2001 increasing from US$6.8 billion to US$7.5 billion by December 2004 (Figure 15).

Figure 13: Tanzania: Revenue Effort Vs Aid

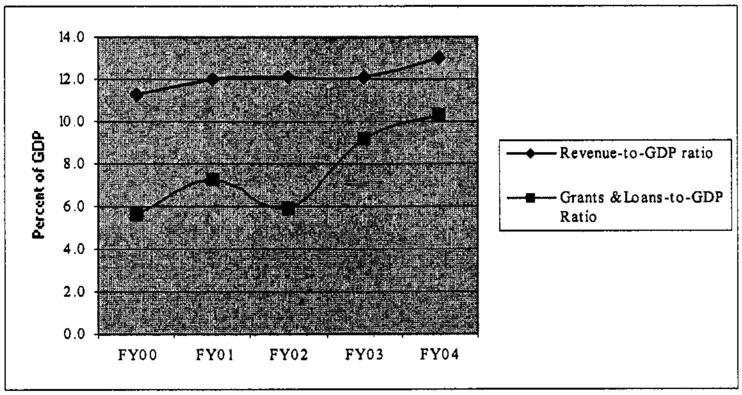


Figure 14: Real and Nominal Effective Exchange Rate, 1990-2004

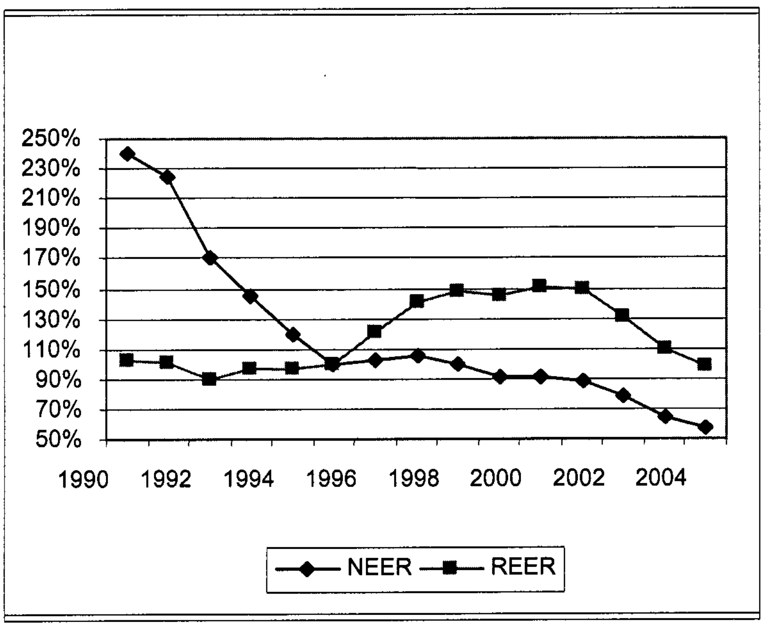
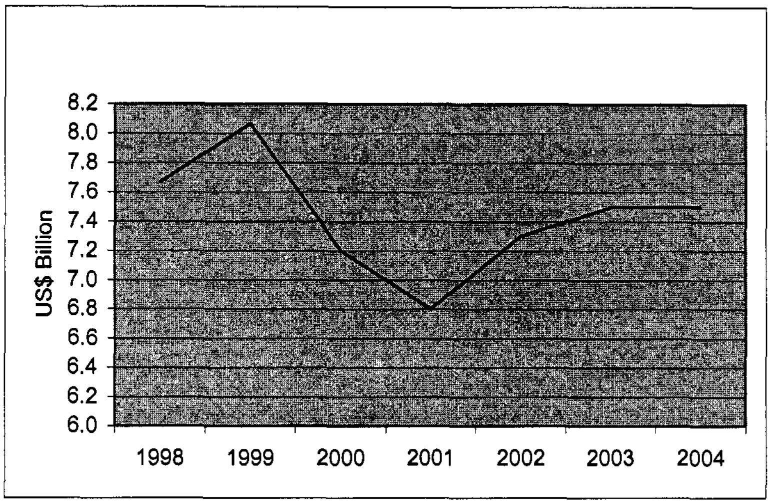


Figure 15: Total External Debt

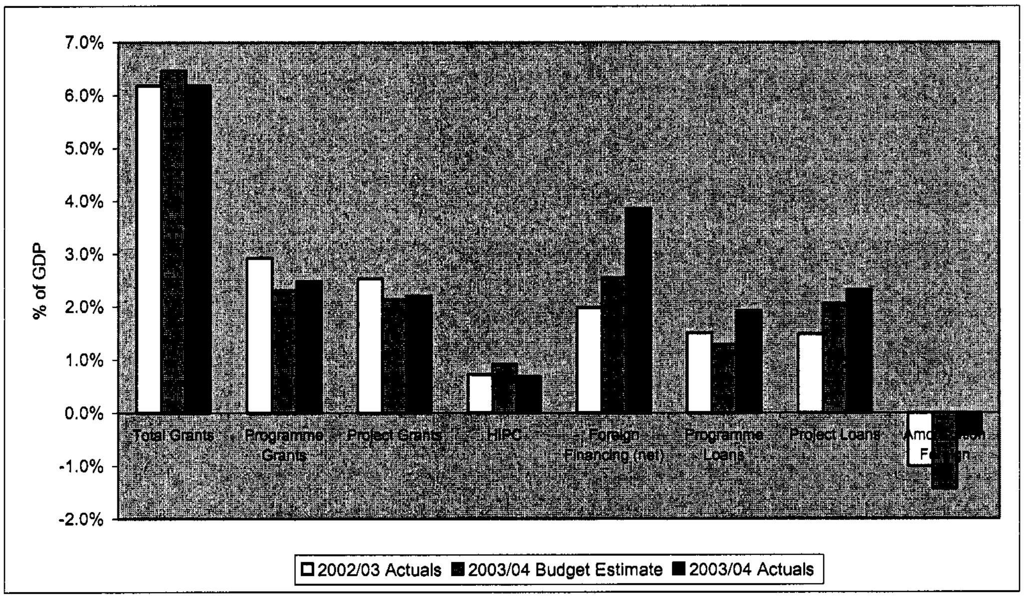


Source: World Bank LDB (2005)

4.12 Therefore, besides the absorption issue, the macroeconomic effects of large aid flows will need to be managed carefully in the medium term. This implies that in addition to matching the demand side and supply response in order to avoid adverse impact of large aid flows on competitiveness, it is important to ascertain robust growth and higher domestic revenue mobilization for fiscal sustainability. It is also imperative to develop the private sector by, *inter-alia*, ensuring that the private sector does participate as much as possible when aid funds are channeled through the public sector.

4.13 The composition of grant flows during 2003/04 reveals that basket funds, HIPC resources and foreign loans are unpredictable. Grant assistance remained constant at 6.2% of GDP whilst foreign net financing almost doubled from Tshs.200bn (2% of GDP) to Tshs.434bn (3.9% of GDP). The increase in foreign net financing was driven by a 74% rise in project loans, a 43% rise in program loans and a fall in amortization. However, grant assistance was 4% below budget in 2003/04 whilst net Foreign Financing was 51% above budget. Program and project grants were slightly above budget by 7% and 3% respectively, but both basket grants and HIPC grants were about 25% below budget. The education basket in particular was almost 50% below budget as a result of utilization of funds in 2003/04 from late 2002/03 disbursements. Program loans were 50% higher than budgeted whilst basket loans were 97% lower than budgeted. Foreign amortization was 72% lower than budgeted. Therefore, more attention is needed to improve the predictability of foreign aid.

Figure 16: Foreign Grants and Financing



Government Expenditure

4.14 Table 6 shows that GoT spending increased from 19.8% of GDP in 2002/03 to an estimated 22.5% of GDP in 2003/04. This increase is attributable to, inter-alia, a substantial increase in transfers to TANESCO to stabilize power supply, purchase of the Government aircraft and replenishment of the Strategic Grain reserves (SGR). Wages and salaries claimed 4.1 percent of GDP in 2003/04 compared to 4.0% in the previous year. Compared to 2002/03, expenditure on goods and services and transfers saw a significant increase by about 1.9 percentage points of GDP. Development expenditure also increased from 5.0 percent of GDP in 2002/03 to 5.7 percent in 2003/04.

Table 6 Government Expenditure, 1999/00 – 2003/04 (% of GDP)

Central Government Operations	1999/00	2000/01	2001/02	2002/03	2003/04
Total expenditure and net lending	18.6%	17.0%	17.6%	19.8%	22.5%
Recurrent expenditure	11.8%	12.8%	13.6%	14.8%	16.8%
Wages and salaries	4.2%	4.0%	4.0%	4.0%	4.1%
Interest payments	1.9%	1.7%	1.4%	1.0%	1.0%
Domestic	1.2%	1.0%	0.7%	0.6%	0.6%
Foreign	0.7%	0.7%	0.7%	0.4%	0.3%
Other goods and services and transfers	5.8%	7.1%	8.2%	9.8%	11.7%
Development expenditure and net lending	5.3%	3.7%	3.4%	5.0%	5.7%
o/w Expenditure financed domestically	0.3%	0.5%	0.6%	1.0%	1.2%

Source: Tanzania Authorities

4.15 There are significant differences in expenditure data for the first half of 2004/005. While the BER for fiscal quarter 2 shows that total expenditure for the first six months was Tsh.1641 billion, the Expenditure Flash report indicates total expenditure to have been Tsh.1119 billion. Taking a simple measure of budget implementation as the ratio of actual expenditure to budget estimates, the two sources show a very significant difference. While BER for fiscal quarter 2 shows that for the first six months of 2004/05 the ratio is about 51.3 %, the Expenditure Flash report suggests only about 33.4%[9]. The BER also shows that the observed difference largely reflects a huge variation in actual development expenditure between the two sources. The BER for fiscal quarter 2 shows actual development expenditure of Tsh.670.8 billion while the Expenditure Flash report shows Tsh.160.6 billion. According to the BER, Tshs.552 billion or 82% of actual development expenditure for the first half of 2004/05 was foreign-financed. Given that domestic financing of the development budget was Tshs.118.8 billion, these numbers imply that the amount of foreign financing of the development budget captured in IFMS and reflected in the Expenditure Flash report at the end of December 2004 was only Tshs.41.8 billion, which is only about 7% of the amount reported in the BER. Government is encouraged to reconcile the two sources and continue with the efforts (together with Development Partners) to improve capturing of donor support in IFMS.

4.16 As is well known, public expenditure control has often turned intractable in pre-election years in many countries. It is not uncommon for the central government budget to be used to attract voters. An attempt to track candidates for expenditure aberrations in the run-up to October 2005 general elections shows a rather inconclusive picture at the moment. What is clear is that the common vehicles for expansionary fiscal policies around elections (i.e. immediately visible categories of public expenditure) have exhibited more vitality recently. Examples include the large increase in development spending, settlement of pension liabilities and teacher salaries, as well as other transfers such as fertilizer subsidy. However, much as these could be pointing to mounting pressure to increase spending to gain electoral advantage, it is difficult to reach a definitive conclusion since they are within the expenditure program approved by Parliament. Nevertheless, the key message here is that GoT is encouraged to adhere to the commitment control system in the run-up to the October general elections so as to maintain fiscal prudence.

4.17 There are a number of proposed/already initiated big construction projects that could be risky or have cumulatively adverse implications on the fiscal framework. These include the new national stadium (US$43 million); new Parliament building being constructed on a build-lease-transfer model with the National Social Security Fund (NSSF); Songwe airport (US$17 million of which about 68% is to be financed by BADEA and OPEC); and Mwanza airport (US$15.3 million). The first three projects cited above are in the budget. Others that have been hinted include Kigamboni Bridge and the proposed Umoja Bridge to Mozambique. An issue of critical importance is the need to ensure that Tanzania's public investment program remains strategic, especially in terms of its potential to stimulate growth, while maintaining fiscal prudence. Even if potential liabilities to the Government as a result of implementation of some of the proposed projects (e.g. Kigamboni bridge) could be minimized through the envisaged partnership between a public company (NSSF) and a private investor (i.e. the private investor ensures that the investment is secure and viable and presumably carries the business risk), GoT is urged to ascertain that there is in place a robust screening process to

[9] Ratio of Actual Expenditure July-Dec 2004 to Budget Estimates 2004/05

	Recurrent	Development	Total Expenditure
EFR	0.42	0.15	0.33
BER	0.48	0.61	0.51

safeguard quality of such big public investment projects, giving priority to those that are strategically important for scaling-up growth, while at the same time remaining conscious about possible fiscal risks in the medium to long term and that they have the potential to contribute significantly to economic growth. The likely medium to long term fiscal implications of these big projects should be explored fully before embarking on implementation.

4.18 Compared to other low income countries in Sub-Saharan Africa with about the same GDP per capita level, Tanzania scores quite well in terms of the low level of fiscal deficit but lags behind in terms of domestic revenue effort and capital spending: Specifically, compared to Ghana and Uganda, it is clear that over the period 2001-2003, Tanzania did best in terms of running lower fiscal deficits relative to her comparators. However, Tanzania still lags behind Ghana in terms of revenue effort and even Uganda prior to 2004 (Table 7). It also emerges that while GoT spends only about 21.4% of total government expenditure on capital investment (including net lending); Ghana and Uganda spend much more (30.7% and 40.1% respectively). The data indicates that Tanzania also spends less on wages and salaries compared to Ghana.

Table 7: Tanzania's Fiscal Performance Compared to Ghana and Uganda

	Average 2001-2003		
	Ghana	**Tanzania**	**Uganda**
Total Govt Exp & Net lending less repayment (% GDP)	29.4	17.3	23.6
Govt expenditure: Other goods & services (%Total exp.)	9.2	31.0	29.4
Govt expenditure: wages & salaries (%Total exp.)	26.7	21.4	20.8
Govt expenditure: capital & net lending (%Total exp.)	30.7	21.4	40.1
Deficit after grants (% GDP)	-3.2	-1.7	-4.7
Govt Revenue (% GDP)	19.5	11.2	11.7
Indirect taxes (% Total revenue)	64.3	59.2	70.9
Taxes on International trade & transactions (% total revenue)	22.3	38.4	39.2

Source: Computed from African Development Indicators 2005, The World Bank

B. STRATEGIC RESOURCE ALLOCATION

4.19 A review of actual expenditures as per Appropriation Accounts for 2002/03, 2003/04 and quarterly BERs for the first half of 2004/05 show total expenditure to have increased from 18.5 percent of GDP in 2002/03 to 21.6 percent of GDP in 2003/04 (Table 8). Total expenditure is expected to increase further to 26.9 percent in 2004/05.

4.20 Most of the increase in recurrent expenditure recorded in 2003/04 was for the MDAs compared to regions and districts. Recurrent expenditure to the supply votes rose from 11.5 percent of GDP in 2002/03 to 14.0 percent in 2003/04 (or a 3.5 percent increase). Over two-thirds of the increase in supply votes spending (equal to 2.2 percent of GDP) went into funding the recurrent spending by MDAs while one-third (equal to 0.3 percent of GDP) funded recurrent spending by the regions and districts. Debt service increased slightly, by 0.1 percent of GDP between 2002/03 and 2003/04.

4.21 Recurrent expenditure on all functions within the supply votes and on consolidated fund services (CFS) increased during the 2003/04.

Table 8: Composition of Public Expenditure (as % of GDP), FY00-FY05

VOTE	1999/00 Actual	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Budget	2004/05* Actual
Recurrent Expenditure	12.8	13.6	14.9	14.1	16.8	18.1	7.7
Debt Service	4.2	3.4	3.2	2.6	2.7	3.8	0.9
Supply Votes	8.6	10.1	11.7	11.5	14.0	14.2	6.8
Recurrent Central	6.3	7.4	8.8	8.5	10.7	10.9	5.0
Recurrent Regions and Districts**	2.3	2.7	2.9	3.0	3.3	3.4	1.8
Development	1.5	2.1	2.7	4.5	4.8	8.8	1.3
Total Expenditure	14.3	15.7	17.6	18.5	21.6	26.9	9.0

* July - December 2004

** Transfers from the central government to regions and local authorities

Source: Appropriation Account (FY00 - FY04), Expenditure Flash Reports (FY05)

4.22 The major increase in expenditure for the supply votes was on administration (1.3 percent of GDP), followed by social services (0.7 percent) (Table 9. Other increases are economic services (0.3 percent), productive services (0.2 percent) and defense (0.1 percent). Expenditure on CFS increased by only 0.1 percent of GDP.

Table 9: Functional Recurrent Expenditure (actual, as a % of GDP), FY00-FY05

VOTE	1999/00 Actual	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Budget
SUPPLY VOTES	*8.6*	*10.1*	*11.8*	*11.4*	*14.0*	*14.2*
Administration	2.1	2.3	3.5	2.8	4.1	4.1
Defense and Security	2.0	2.2	2.1	2.2	2.3	2.3
Social Services	3.6	4.4	4.7	4.8	5.5	5.5
Economic Services	0.7	1.0	1.0	1.1	1.4	1.8
Productive Services	0.3	0.4	0.4	0.5	0.7	0.6
Consolidated Fund Services	***4.2***	***3.5***	***3.2***	***2.6***	***2.7***	***3.9***
Total Recurrent	**12.8**	**13.6**	**14.9**	**14.1**	**16.8**	**18.1**

Source: Appropriation Account (FY97 - FY04), Expenditure Flash Reports (FY05)

4.23 Within the social sectors a major increase in recurrent expenditure during 2003/04 was on health and allocations to regions, each of which increased by 0.3 percent of GDP. Allocation to higher education increased only marginally from 0.6 percent to 0.7 percent, while allocation to basic education remained stagnant at 0.4 percent and allocation to water declined from 0.2 percent to 0.1 percent of GDP. Allocations to regions were directed mostly to funding the provision of basic services (primary education and health). Recurrent allocations to social sectors are budgeted to remain at 5.4 percent of GDP in 2004/05.

Table 10: Social Sector Actual Recurrent Expenditure (% of GDP) FY00 – FY05

VOTE	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05 Budget
Education	0.3	0.4	0.4	0.4	0.4	0.4
Water	0.0	0.1	0.1	0.2	0.1	0.2
Health	0.5	0.5	0.6	0.5	0.8	0.8
Teachers Service Comm.	0.0	0.0	0.0	0.0	0.0	0.0
Science, Tech.& H Ed	0.4	0.6	0.6	0.6	0.7	0.6
Tanzania Commission for AIDS					0.0	0.0
Regions	2.3	2.7	2.9	3.0	3.3	3.4
Total	3.6	4.3	4.7	4.7	5.4	5.4

Source: Appropriation Account (FY97 - FY04), Expenditure Flash Reports (FY05)

4.24 During the first half of 2004/05 ppriority sectors as a group received about 51% of the budget estimates for the full year. However, expenditure on roads and HIV/AIDS amounted to only 39.6% and 40.2% of their respective 2004/05 budget estimates. Expenditure on water and on justice and legal services was 48.8% and 42.8% respectively.

4.25 Development expenditure by sector recorded in the Appropriation Accounts show an increase from 4.5 percent in 2002/03 to 4.8 percent in 2003/04, partly due to a greater share of donor-funding being captured in the appropriation accounts and also due to improvements in project implementation performance. Most of the increase in development expenditure in 2003/04 occurred in social services (increase of 0.2 percent of GDP) followed by productive services (0.1 percent), and economic services (0.1percent). The budget for 2004/05 projects a significant jump in development spending to 8.8 percent of GDP. As pointed out in previous PERs, development expenditure in Tanzania increases/decreases with an increase/decrease in donor support since foreign aid finances about 90% of total development expenditure. The overall size of development expenditure also remains small.

Table 11: Sectoral Development Expenditures (actual, as a % of GDP)

VOTE	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05 Budget
Administration	0.3	0.4	0.9	1.4	1.4	2.7
Defense and Security	0.0	0.0	0.0	0.1	0.1	0.1
Social Services	0.5	0.8	0.9	1.6	1.8	3.5
Economic Services	0.6	0.6	0.7	1.2	1.3	2.0
Productive Services	0.2	0.2	0.2	0.2	0.3	0.4
Total Dev. Expenditure	1.5	2.1	2.7	4.5	4.8	8.8

Source: Appropriation Account (1996/97 – 2003/04), Expenditure Flash Reports (2004/05)

4.26 Actual public expenditure pattern by region[10] shows, among others, that there is opportunity to improve on the growth and poverty impacts of public expenditure through better regional targeting to

[10] This analysis gives only a partial picture since a significant amount of recurrent and development expenditure in the regions goes through ministerial votes. Unfortunately the budget books do not permit disaggregation of ministerial votes by region.

address geographic disparities. Data on actual expenditure by region over the period 1999/00 – 2003/04 (Appendix Tables 1a and 1b) indicate that recurrent expenditure has been relatively more evenly distributed across the regions than development expenditure. 11 regions out of 20 together claimed 64.6% with each of these receiving between 5% and 7% of actual annual recurrent expenditure by region. The highest beneficiary of recurrent expenditure (Mwanza region) received an average of 7% p.a. while the least beneficiary (Lindi Region) got an average of 3%. The recurrent expenditure for each region also seems to have been fairly stable.

4.27 By contrast, development expenditure exhibits significant cross-regional variations. On average 71.6% of annual regional development expenditure was spent in only 7 out of the 20 regions. The highest beneficiary (Kagera Region) received about 26.5% annually while the least beneficiary (Rukwa Region) got only 1.1%. It is not quite apparent why Kagera Region has been getting over ¼ of total development expenditure by region. Each of the seven highest beneficiaries got above 5%. It is also interesting to note that almost all the regions (6 out of the 7) that were the major recipients of development expenditure were also among the 11 top recipients of recurrent expenditure. Even more important is that, excluding Dar es Salaam and Kilimanjaro regions (which have relatively better infrastructure), it turns out that the regions that receive less than 2% each of total annual development expenditure, these are also found to have the highest poverty rates. This is fairly consistent with findings of a recent study on Public Investment and Poverty Reduction in Tanzania (IFPRI, April 2005) which shows, among others, that there is opportunity to improve on the growth and poverty impacts of public expenditure through better regional targeting[11]. However, this should not be construed to suggest that development expenditure need to be even across regions or higher in regions with high poverty rates.

4.28 Alignment of public expenditure to support the growth focus of NSGRP needs to be sharpened. In particular, a clear bias toward more and quality-spending on infrastructure (transport, power, communications, and irrigation) is imperative for faster and sustained growth. One of the key pillars that guided the preparation of the new poverty reduction strategy (NSGRP) is that a frontal and large-scale growth effort is necessary if the national poverty reduction targets of reducing poverty by 2010 are to be achieved. There are therefore, at least two preconditions for scaling-up and sustaining growth in Tanzania. First is the need to scale-up interventions on infrastructure, covering transport, power and communications. However, given (i) that prior to NSGRP, expenditure on social sectors (education, health, water) has been the core of Tanzania's poverty reduction strategy, and (ii) the geographical spread out of economic activity, then a better balance in effort and resource allocation becomes imperative. Second, given the primacy of agriculture in the economy, the other pre-condition for growth is to improve profitability of agriculture including re-orienting the fiscal regime to support commercial and subsistence agriculture, as well as public investment in irrigation infrastructure.

4.29 The pattern of development spending by sector during the 1990s has shown no clear bias toward infrastructure. Instead, it has tended to be spread widely and thinly across the sectors as shown in the figure 7 below for 2003/04. Furthermore, a preliminary assessment of the extent to which these preconditions for scaling-up growth were dealt with in the budget guidelines (2006/07-2008/09) also

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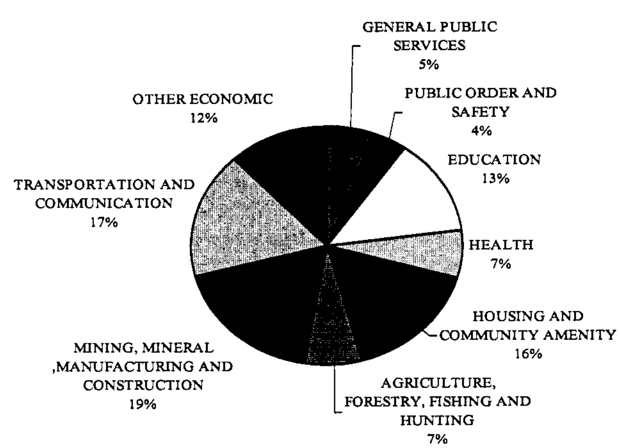
[11] Investments in roads and agricultural research are found to have a large impact on per capita incomes. It is estimated that Tshs.1 million spent on roads or agricultural research raises about 27 and 40 poor people out of poverty respectively. Unlike education investments, roads and agricultural research have much more diverse impacts across regions, with the impacts of roads being more favorable in the Southern Highlands and Central and Western Zones, while agricultural research is found to be more advantageous in central and southern Tanzania.

shows no major departure in favor of infrastructure. Overall, our impression is that GoT begun well by apportioning 39% of proposed total budgetary allocation for the growth and reduction of income poverty cluster and another 43% for the improvement quality of life and social well being cluster. Although the BG document is not detailed enough to permit analysis at item level, there are indications that the proposed allocations for infrastructure do not square-up with the frontal growth effort envisaged under NSGRP. For example, the proposed allocation to the roads sector for 2005/06 is only 3% above the 2004/05 provision. Recently, there have been GoT initiatives to explore various financing options for supplementing public investment in infrastructure such as infrastructure bonds, and special infrastructure facility utilizing proceeds of liquidity mopping-up operations by BoT. These options should be carefully examined in the context of ongoing financial sector reforms that target financial deepening. Moreover, the financing strategy will need to be integrated into the macroeconomic framework. Other aspects that will need to be more clearly defined, include project selection, handling of project risks and due diligence of legal, regulatory and institutional frameworks. Targeting local institutional investors (pension funds, insurance companies and financially strong LGAs) seem to have greatest potential, at least initially.

4.30 Although the BG proposes to increase overall allocation to agriculture by 46% compared to the previous year, the priority areas for public expenditure identified to be critical for turning-around agriculture remain a long wish-list (18 policy commitments). Besides, some of the commitments (e.g. subsidizing targeted inputs) are not fully compatible with the objective to facilitate the development of the market. GoT is encouraged to ensure that targeted input subsidy is accompanied by a clear program to rectify underlying problems that the subsidy is compensating for especially poor infrastructure. Otherwise the demands on the budget could grow rapidly. Overall, there is need to re-assess the entire fiscal incentives framework (allowances, remissions, exemptions) for agriculture that is given through the different Acts.

Figure 17: Development Expenditure by Sector 2003/04



C. BUDGET CONSISTENCY WITH ACTUAL EXPENDITURE12

4.31 A key objective of the last PER was to make an assessment of the consistency of policy, planning, budgeting, and actual expenditures in Tanzania. With respect to budget execution and the budget, the findings pointed at two major weaknesses in 2002/03, namely (i) substantial deviations between the budgeted and actual amounts of general budget support on the revenue side and (ii) funds retained for reallocations (mainly salary adjustments and contingencies) under vote 50 on the expenditure side. At the same time, priority sectors were generally protected from expenditure cuts in the course of budget execution. Deviation analysis at sub vote level showed substantial variances in the past and significant improvement in 2002/03[13].

4.32 There are many possible reasons for budget deviations. In 2003/04 there were at least four main sources: The first cause refers to reallocation warrants which Government uses to make reallocations across votes if need be. Such reallocation requires Parliamentary approval and caters for things like increases in the world market prices for oil. The second relates to MDAs requests for intra-vote reallocation with approval by MoF. This category of reallocations initially increased with the introduction of MTEF when some MDAs could not budget properly. Subsequently MDAs training on planning and budgeting has increased capacity in this respect. The third source of budget deviation has been the provision for contingency, which is a holding item under vote 50 (MoF) to cater for salary adjustments (including allowances) and other items which are not yet firmed up by the time the budget is finalized for submission to the National Assembly. The fourth source of deviation was the supplementary budget to cater for drought-related expenditures, the abolition of nuisance taxes at the local government level, as well as other expenditure items as discussed below. Although budget deviations are inevitable, large and widening across-the-board variances indicate a lack of budget predictability and realism, which undermines the public expenditure management systems and in turn has adverse effects on spending managers when planning and implementing activities.

4.33 In 2003/04, the contingency component of vote 50 (Ministry of Finance) / sub vote 2001 came to Tshs.59.6bn or 3.7% of the total recurrent budget as approved by Parliament. Compared to 2002/03 this translates into an absolute decrease by Tshs.15bn. Actual expenditure of sub-vote 2001 is stated as merely Tshs.3.7bn (up from Tshs.2.9bn in 2002/03). However, it must be noted that the contingency funds were utilised for a wide array of measures besides the main expenditure items identified in the 2003/04 supplementary budget (i.e. strategic grain reserve, energy sector, electoral commission, and government aircraft). In this context, ***reallocations*** for suppliers' debts stood out at almost Tshs.55bn. As in previous years, salary adjustments (including allowances) featured strongly. Part of the reallocations were also used for the implementation of the Anti Corruption Strategy.

[12] Source for recurrent budgets up to 2003/04 is MoF Budget Books (budgets as approved by Parliament). The Source for recurrent expenditures up to 2003/04 is the IFMS The source for development budgets and expenditures up to 2003/04 is the Consolidated Appropriation Accounts

[13] The index of budget deviation used is the sum of absolute differences between the approved budget and actual expenditure level expressed as a percentage of the total budget

4.34 In the 2004/05 budget the contingency amounts to Tshs.61.1bn. thus, having increased by Tshs.5.4bn. or 9.7% compared to 2003/04. The first reallocation warrant of 2004/05 indicated reallocations from the contingency (vote 50 / sub vote 2001) amounting to Tshs.15.3bn. The largest part (Tshs.9.8bn) was allotted to the Ministry of Foreign Affairs and International Cooperation (Vote 34) with Tshs.8.5bn earmarked for the rehabilitation of buildings, followed by the Ministry of Communication and Transport (vote 62) with Tshs.3.4bn assigned to the Tanzania Government Flight Agency. Tshs.0.9bn went towards the implementation of the Anti Corruption Strategy. From the reallocation warrants alone, it is difficult to come to a final conclusion. However, the items listed above do not seem to qualify as unforeseeable transactions. It remains unclear why the major items listed above were not budgeted for in the first place. This suggests need for proper budgeting to reduce provisions for the 'contingency' in vote 50 to cater for items that are not really 'force majeur' incidents:

4.35 Regarding the consistency between approved budgets and actual expenditure, the degree of deviation fluctuates substantially dependent on the level of aggregation of the analysis. According to Consolidated Appropriation Accounts the overall budget deviation in 2003/04 for MDAs amounted to -10.2 % (-Tshs.278bn.) with a recurrent expenditure variance of – 0.8% (Tshs.16bn.) and a development expenditure variance of – 32.6% (Tshs.262bn.). Recurrent expenditure data derived from the IFMS shows a budget deviation of + 1.3% (Tshs.19bn.) compared to the approved budget. However, once the overall recurrent budget is broken down to expenditure by function, a different picture emerges:

Table 12: Recurrent Expenditure by sub vote (in bill. Tshs.)

	2000/01 Approved Est.	2000/01 Actual exp.	2000/01 diff	2000/01 Budget variance (%)	2000/01 Approved Est.	2001/02 Actual exp.	2001/02 diff	2001/02 Budget variance (%)	2002/03 Approved Est.	2002/03 Actual exp.	2002/03 diff	2002/03 Budget variance (%)	2003/04 Approved Est.	2003/04 Actual exp.	2003/04 diff	2003/04 Budget variance (%)
Administration	219	196	**-24**	-10.8	241	278	**37**	15.2	345.9	246	**-99.9**	-28.9	414	466	**52**	12.6
Defence & security	159	163	**4**	2.7	174	182	**9**	5	211.2	195	**-16.2**	-7.7	255	262	**8**	3.1
Social service	120	117	**-2**	-2	142	128	**-14**	-9.8	181.6	182	**0.4**	0.2	240	229	**-11**	-4.6
Economic Service	59	74	**15**	25.8	67	87	**20**	30.8	115.8	113	**-2.8**	-2.4	112	162	**50**	44.6
Productive	28	27	**-0.4**	-1.6	32	32	**-0.4**	-1.3	47.9	50	**2.1**	4.4	64	83	**19**	29.7
CFS	294	263	**-31**	-10.5	333	276	**-56**	-17	323.5	266.34	**-57.16**	-17.7	409	309	**-99**	-24.2
GRAND TOTAL	879	841	**-31**	-4.3	988	984	**-4**	-0.5	1225.9	1052.34	**-173.56**	-14.2	1493	1512	**19**	1.3

Source: MoF Budget Books, IFMS, and own computation

4.36 Despite an overall variance of merely 1% in 2003/04, at functional level recurrent budget deviations fluctuate between – 24% (CFS) and +45% (economic services). With the exception of 2002/03, previous years were also affected by relatively wide ranges of variances. In the past four years the following overall trends could be observed: 'Defence and security' tended to overspend their estimates slightly, while 'economic services' over-spent substantially (double-digit deviations)[14]. The exceptional budget deviation of +30% for productive sectors in 2003/04 resulted from the supplementary budget allocation for the strategic grain reserve. On the other hand, social services and productive sectors have under-spent to some extent since 2000/01. CFS spending generally was well below target, largely caused by under-spending of debt services. As to 'administration' no discernable pattern of systematic over/under-spending is observed.

[14] In 2003/04 the latter was predominantly caused by the purchase of a government aircraft budgeted as recurrent expenditure (which raises questions about the validity of budget classification).

4.37 In 2003/04 budget deviations ranged from – 52% (vote 55 / Commission of Human Rights and Good Governance) to + 1.011 % (vote 61 / Electoral Commission). While 35 votes (69% of all votes) performed within a reasonable range of -10% to +10%, 16 votes (31% of all votes) exhibited larger fluctuations. Even when discounting the votes which were significantly affected by the supplementary budget (agriculture / food security, electoral commission, communication / transport), 13 votes (25% of all votes) showed substantial variances from their initially approved budgets. When applying the index of budget deviation as the sum of absolute differences between the approved budget and actual expenditure at vote level expressed as a percentage of the total budget (with the budget as approved by Parliament not taking into account any reallocations subsequent to parliamentary approval), the following outcome (Table 13) emerges for 2000/01 to 2003/04.

Table 13: Recurrent Budget Deviation at Vote Level

2000/ 01	16.0%
2001/ 02	24.1%
2002/ 03	22.1%
2003/ 04	23.9%
2003/ 04 (excl. 'force majeur' items, namely additional spending in votes 43/agriculture and 58/energy)	22.6%

Source: MoF Budget Books, IFMS, and own computation

4.38 The above deviations provide an indication about inter-vote reallocations. In 2002/03 a significant improvement could be noted, which initially was attributed to the rationalization of in-year reallocation processes. Even when discounting the drought-related expenditures of the supplementary budget, the situation deteriorated substantially in 2003/04.

4.39 At vote level, the analysis covering the past four years implies that a number of votes are generally 'over-spenders' while others are 'under-spenders' (Table 14).

Table 14: Over-spenders and under-spenders

'Over-spenders'	'Under-spenders'
Vote 23 Accountant General[15]	Vote 22 Public Debt
Vote 31 Vice President	Vote 46 Ministry of Education
Vote 32 President's Office – Civil Service Dept.	Vote 50 Ministry of Finance
Vote 34 Ministry of Foreign Affairs	Vote 51 Ministry of Home Affairs
Vote 42 Office of the Speaker	
Vote 57 Defence & National Security	
Vote 60 Industrial Court of Tanzania	
Vote 61 Electoral Commission	
Vote 62 Ministry of Communication & Transport	

[15] See explanation on p. 17.

4.40 Turning to sub vote level, the trend outlined at vote level is further exacerbated: While spending at individual sub vote / program level merits further scrutiny from a sectoral perspective, an outlook on overall budget implementation derived from actual expenditures at a lower level of aggregation appears to be more useful when addressing overall budget predictability. The index introduced during the 2003/04 PER and applied above at vote level is shown in Table 15 for sub-vote level.

Table 15: Recurrent Budget Deviation at Sub vote Level

2000/ 01	22.6%
2001/ 02	26.3%
2002/03	25.2%
2003/ 04	27.2%
2003/ 04 (excl. 'force majeur' items, namely additional spending in votes 43/5002 and 58/3001)	25.9%
2003/ 04 (excl. add. suppl. budget spending in votes 61/1001 and 62/2001)	21.6%

Source: MoF Budget Books, IFMS, and own computation

4.41 As at vote level, budget variances at sub-vote level substantially rose in 2003/04 even when discounting the spending on non-drought related supplementary items (voters' registry, government aircraft). Intra-vote reallocations significantly increased; hence, the management of resources was probably less effective than in 2002/03. As a consequence, some spending managers most likely faced serious problems when trying to implement their planned activities. This development points to an expenditure programming problem. Analysis with respect to possible deviation patterns at sub-vote level is ongoing; related findings will be presented in next year's public expenditure review.

4.42 Intra-year budget reallocations have become widespread most likely because of under-budgeting in some areas and at least to some extent due to some political spending pressures. Overruns in areas not covered by the 2003/04 supplementary budget were financed by cuts in others, which distorted the original budget intentions and weakened the public expenditure management systems.

4.43 As pointed out in previous PERs, the tendency for expenditures to be clustered in the fourth quarter was also observed in 2003/04. This trend most likely reflects weaknesses in procurement planning on the part of MDAs (unrealistic cash flow plans) which in turn raises some doubts on the efficiency of government spending. In an attempt to address this problem, MoF has issued a circular to the effect that MDAs will no longer be able to carry forward their financial commitments for a particular financial year into the next. Furthermore, all funds for the fourth quarter of 2004/05 were issued by end-March, 2005.

4.44 In general, although there could be some credible explanations behind a number of the observed deviations, weaknesses in planning and budgeting remains one of the main causal factors. For example, the seeming over-spending in Vote 23 reflects in and out moneys put there for control purposes to cater for expenditures on the Treasury Voucher system, payment of utilities bills for entire government, settlement of bank charges for all Government bank accounts, insurance, staff loans etc. As for vote 22, in principle data on projected debt relief is available. However, more effort is needed to utilize it in budgeting. All in all, improving budget formulation and management to decrease intra-year budget reallocations is a critical step forward. Greater Parliamentary scrutiny of the reallocations and enforcement of expenditure controls is also imperative.

D. HUMAN RESOURCE PLANNING, WAGE BILL MANAGEMENT AND PAY REFORM ISSUES

4.45 Civil service and related pay reform remains a critical issue for Tanzania. The transition to a market-based economy requires a transformed civil service to manage the economy in the era of globalization and ensure efficient provision of public services. Key among the imperatives is capacity to recruit and retain skilled staff, which implies a salary structure that is in line with the existing labor market conditions. At the same time, it is also critical to ensure that attempts to raise the wage bill are sustainable and consistent with the macroeconomic and fiscal framework. The latter has been the main reason for Government being rather cautious to decentralize the human resource planning and wage bill management away from PO-PSM and MoF, leading to a heavier burden on the two ministries.

4.46 Although the Human Capital Management Information System (HCMIS) became operational in April 2000 under the joint management of MoF and PO-PSM, the integration of staffing levels and financial resource allocations remains rather weak. Typically, PO-PSM has not been able to come to closure on salary adjustments/pay enhancement amounts, by the time the BG and budget proposals are finalized. The ceiling for wages shown in the BG is rather limited as it is based on the existing employment situation. The main reasons for the inability to timely conclude on the salary increase for the subsequent fiscal year include, limited capacity particularly in LGAs to prepare well articulated human resource needs, which have to be verified by PO-PSM prior to negotiation with MoF. Human resource planning is complicated partly by the high demand in the labor market for professionals such as paramedics and medical assistants compared to supply. Implementation of the monthly cash budget system has also tended to limit staff recruitment. In practice MoF only reveals information on new salary increments around June. GoT is urged to move ahead in decentralizing the HCMIS to MDAs to improve on establishment control and to ensure wage bill monitoring and planning in order to achieve higher levels of compliance and accountability. GoT also needs to build capacity for human resources management in LGAs.

4.47 Recently, there has been a surge in expenditure on employment allowances which may be linked to exploitation of allowances under other charges for remunerative purposes. This development is fraught with some dangers that potentially fragment the pay system and undermine sound wage bill management. Specifically, the increased use of allowances is not only an inefficient way to alleviate the problem of low pay in public service, but also that such allowances tend to compromise equity and skip the tax net. The list of allowances is long and includes more obvious duty facilitating allowances such as per diems to other employment allowances such as medical and dental refunds. A study of allowances that was undertaken by Government in October 2004 analyzed the nature and extent of the problem but did not lead to operational recommendations. GoT is encouraged to complete the review of allowances and consider rationalization/consolidation of some of the allowances with pay. In addition, GoT need to explore other pragmatic ways to address the pay issue, including carrying out a critical review of the composition of OC and consider the possibility of moving resources out of OC to PE. This seems plausible to the extent that the observed clustering of public expenditure on OC at the end of the fiscal year could be reflecting inefficient resource allocation.

E. Leakage in the PEDP Financing and Expenditure Chain

4.48 A summary of the key findings of a research done in 2003 by PCB on implementation of the PEDP covering Arusha, Coast, Mwanza, Mbeya and Tanga regions points to corrupt practices in the PEDP funding chain. These include: cost ineffective purchases of school materials (under instructions from DEOs and District Treasurers. Some of the sources of construction materials were owned by council officials and politicians) and construction of class rooms. (ii) Some schools use money earmarked for the purchase of school supplies for administrative costs such as allowances for school committee members; and (iii) In some LGAs, receipt and expenditure of PEDP funds are not transparently displayed as required PCB/Government is commended for carrying out the research and taking follow-up action on similar cases, including arraigning the culprits before the court of law as was the case for Musoma District Council officials who are facing charges of embezzlement of council funds to the tune of over Tshs.1bn (The daily News, Saturday February 26, 2005). PCB/GoT is urged to scale up the exercise of tracking leakage of public resources covering more LGAs and the entire financing chain. Government is also advised to consider undertaking a review of the entire grant transfer framework to get a better understanding of the loopholes and root causes, including clarity of instructions in the chain and institutional arrangements between MoF, PO-RALG, and MoEC in the process. The Daily News is also commended for being at the forefront in publicizing such cases and urges other news media to follow suit.

PART III: PUBLIC RESOURCE MANAGEMENT AND ACCOUNTABILITY

5. ALIGNING RESOURCES WITH THE NSGRP: REVIEW OF THE FY05 BUDGET GUIDELINES

A. TRANSLATING THE NSGRP INTO MEDIUM TERM BUDGET STRATEGY

5.1 The 2004/05 PEFAR was undertaken in the context of a comprehensive review of the first poverty reduction strategy (PRS) that had been under implementation since 2000 and subsequent preparation of a revised strategy - christened as the 'National Strategy for Growth and Reduction of Poverty (NSGRP)' also known as MKUKUTA in its Kiswahili acronym. Unlike the first PRS which focused on a core of six priority sectors, the MKUKUTA is outcome-based and is structured around three clusters of growth and reduction of income poverty, improvement of quality of life and social well being, and governance and accountability. As such, the alignment of public expenditure to support and guide implementation of the new strategy was considered necessary. An important focus of this report is therefore on how to strengthen the budget process during the transition phase to a results-based approach, building on initial thinking begun during the 2003/04 PER external evaluation. Particular focus is on the need to ensure consistency of the budget process and mould the Budget Guidelines into a budget strategy document. The PEFAR report therefore documents and pre-appraises how GoT addressed this concern especially in terms of progress made and lessons learnt on linking the budget with NSGRP, and alignment of sector PERs with NSGRP. Furthermore, this report devotes attention on GoT's initial attempt to align public expenditure to scale-up and sustain growth since one of the key pillars of NSGRP is that a frontal and large-scale growth effort is necessary if the national poverty reduction targets and related MDGs of reducing poverty by 2010 and 2015 respectively, are to be achieved.

5.2 During the last year Tanzania has developed a new PRS and, in line with the focus of last year's PER external evaluation has made impressive efforts to enhance the link between policy and resource allocations by strengthening the formulation of medium term budget strategy.

5.3 The development of the National Strategy for Growth and Reduction of Poverty (NSGRP) represents a shift away from the sector based prioritization used in the last PRS to a broader based strategy using an 'outcomes-approach'. The 'outcomes-approach' encourages an inter-sector approach toward achieving specific cluster outcomes on growth, improved quality of life, good governance and equity.

5.4 In the Budget Guidelines (BG) this year, Government has made significant efforts to link the NSGRP and sector strategies more explicitly with budget allocations. To do this GoT has developed and used a new Strategic Budget Allocation System (SBAS) to indicate the poverty cluster interventions (targets) and the respective actors (sectors) who will be required to collaborate during the implementation of their activities.

5.5 A review of the achievements so far in this process covered three key aspects, relating to (1) the overall fiscal framework on which the BG is based (2) observations on the budget process reform from a brief survey of MDA's experience (3) suggested areas for consolidation of the reform.

B. OVERALL FRAMEWORK

5.6 The following issues were noted regarding the overall macro framework:

5.7 In the short term there is a need to more accurately match expenditure plans with available resources for the upcoming financial year. While domestic revenue projections are realistic and likely to be met this year's external financing projections are overly optimistic. As a result the overall government expenditure plans for FY06 will need to be reduced by up to 1.9% of GDP from 28.7% of GDP to around 26.8% of GDP. This will mean the overall budget ceiling will need to be reduced by 6.7% with subsequent implications for all MDA's.

5.8 There is still need to develop the strategic nature of the Budget Guidelines so that they become a more comprehensive instrument for guiding public finances over the medium term. In particular it would help to:

(j) Establish projections for the appropriate level of Government activity in the economy over the medium /long term given the particular policy focus presented within NSGRP and taking into account the absorptive capacity of the economy.

(ii) Develop funding scenarios over the medium term – domestic financing and foreign financing projections. Identify funding gaps and establish the macroeconomic implications of the various scenarios.

(iii) Given uncertainties with both domestic and foreign financing develop upper and lower funding scenarios and ceiling implications in the medium term.

(iv) Integrate human resource issues and in particular the wage bill within the Budget.

C. CONSOLIDATED VIEWS FROM MDAS

5.9 The main points which emerged from discussions with a number of MDAs, (mostly with Directors of Policy and Planning and staff) on how the revised budget process was seen from sector level were the following:

5.10 MDAs viewed the reform positively: the process involved substantive consultation with MOF earlier in the cycle, (including an early review of prior year's experience) which allowed MDAs to make a more substantial input to preparation of the Guidelines than in previous years.

5.11 MDAs appreciated the flexibility allowed to prepare their submissions against categories drawn from the MKUKUTA or the MDA's own strategic plan.

5.12 While some MDAs faced difficulties in directly aligning with MKUKUTA cluster strategy categories, most found that categories from the MTEF formed an effective basis for linking to MKUKUTA. For some the exercise effectively amounted to a simplified form of MTEF preparation, earlier in the cycle.

5.13 Several MDAs noted that while previous sector PER studies had been used to some degree, future PER work could be more useful by being more focused and timely.

5.14 While most MDAs found the process positive in translating their immediate strategy into resource plans, they noted weaknesses in dealing with crosscutting areas. The process identified strategies in which more than one agency had an input, but so far has not included means of developing the coherence of combined inputs. Some felt that MoF could do more to assist this aspect of the process; others recognized that other coordination processes might be needed.

D. SELECTED AREAS FOR DEVELOPMENT OF THE BUDGET GUIDELINES

5.15 There are some suggested areas where the current process might be strengthened for the next cycle. The recommendations presented below are offered in part as preliminary suggestions to be taken further in Government's own review of the reforms later this year. In making these suggestions, it is recognized that budget procedures have been subject to many frequent changes in recent years. The main thrust of further work should therefore focus on consolidating the recent reforms, rather than major new directions.

Expenditure classification issues

5.16 One of the more ambitious aspects of the BG exercise was the attempt to move directly from cluster strategies based on a system of outcome classification in the NSGRP to a system of expenditure classification which can be used for budget preparation. In most cases, MDA's relied heavily on the expenditure classification already used in the MTEF and attempted to link the NSGRP cluster strategies to these categories. In sectors where the MTEF process is longer established, developing a workable classification appeared to be an easier task. However, the resulting classification in the most detailed level of the BG appears to be an uncomfortable mix of outcome based categories, programs and activities, which most MDAs recognized stood in need of further rationalization.

5.17 Prior to the next budget cycle, there is now an opportunity to carry out further reform of the expenditure categories used in the link between NSGRP and MTEF. The MTEF categories in any case could benefit from rationalization to develop a simpler and more strategic approximation to a program classification. The opportunity presented by the challenge of the NSGRP, and the related work in developing the NSGRP implementation plan, offer a key opportunity for ensuring greater coherence in the definition of the key programs within the MTEF.

Decision making process:

5.18 In principle, the revised budget process enabled Cabinet to decide the broad budget strategy early in the process, determining a binding framework for subsequent preparation of the annual budget and more detailed development of the MTEF. This remains a key objective for the reform, although this year, in practice, the questions remaining around the macro framework, noted above, will entail revision in the BG numbers at sector level prior to the budget.

5.19 Cabinet's approval of the BG comprised endorsement of vote level ceilings, along with the aggregate allocation to NSGRP expenditure in each MDA. The estimates were built up from allocations at the level of sub-vote, disaggregated by cluster strategy, but these were not reported in the Cabinet paper. Instead, the paper emphasized allocations by the three broad clusters of the NSGRP, although the rationale for allocations at this highly aggregated level is not easily demonstrated. It may be preferable in future to focus more on deciding allocations at the vote level, with simplified MTEF / program allocations being provided to Cabinet as background information on derivation of the allocations by MDA.

Sector PERs:

5.20 Revision of the budget process and the challenge of linking the NSGRP and budget raise new questions on the role of sector PERs. MDAs emphasized that sector PERs were useful in BG preparation, but could have been more focused on the specific challenge of reviewing past sector experience and contributing initial analytic input to the task of developing BG submission.

5.21 On timing of sector PERs, the WG decided to postpone further work last year in order to get new sector PERs better aligned with the BG cycle. Some have doubted whether sector PERs need to be repeated annually. However, if sector PERs are intended to be the base for the annual exercise of BG preparation and an analytic platform for annual sector reviews, it may be better to approach the design of sector PERs with these requirements in mind, keeping them short and focused. Like the PER work at national level, they may be designed to provide two types of output (1) brief summary analysis of recent developments or other updates needed annually (2) more detailed analysis of selected topics of current relevance, contributing to a cumulative sector analysis over several cycles

5.22 Sector PERs vary considerably in quality and in the degree to which MDAs and other stakeholders make effective use of the analysis. The health sector PERs are widely recognized to be of high quality and a key contribution to effective sector review processes. Some of the factors which may be responsible include the following.

- Designed and commissioned with full involvement of key sector staff and relevant stakeholders. In other sectors, groups responsible for PER design and implementation do not include key actors, may not coincide with the relevant sector group and may not cover all agencies relevant for the sector.
- the PER is established, over the course of several years, as a key input for the annual health sector review, providing a critical forum for scrutiny of its findings and vocal demand for appropriate analysis

5.23 The PER WG could address the opportunity that now exists to tighten the focus of PER studies, perhaps by defining some generic requirements to be included in all PER TORs, linked to the demands of the revised BG process, and the need to support well informed sector review processes. The PER work program could also help on the difficulties of handling cross cutting areas, either by requiring sector PERs to clearly identify key linkages and requirements/assumptions regarding programs outside the sector, or by commissioning specific cross sector studies.

SBAS development

5.24 One of the key contributions to strengthening the budget guidelines exercise has been MoF's timely development of relevant software, in the Strategic Budget Allocation System (SBAS). This achievement is strongly appreciated, recognizing that in a matter of a few months, MOF had succeeded in developing new software from scratch, familiarizing all MDAs with its use and implementing the revised BG procedure primarily through the micro and macro modules of SBAS. However there is the challenge of ensuring interface between SBAS and the IFMS. To this end the budget preparation options within EPICOR might ensure greater coherence of Government systems. MoF is well aware of this issue and has taken steps to ensure full integration with EPICOR in the following cycle.

5.25 Installed in 2003 and ready to be used, is the Data Warehouse. It is a module designed to hold a copy of data held on IFMS. The objectives of the system are to allow selected users, such as AOs, Planning and Policy Analysis Departments in the MoF and others, to draw on IFMS information. While some users have already been trained, it is clear that this powerful database is until now not fully utilized. Government is therefore urged to fully utilize this utility.

5.26 MOF also have plans to develop SBAS further during the next few months, to add two further levels to the existing resource allocation modules. Level 2 will develop analysis of activities, in line with development of the NSGRP implementation plan, while Level 3 is intended to establish links with the M&E framework. These developments, which promise significant contributions to the accountability framework for NSGRP implementation, are welcome. Combining these developments with a careful review and rationalization of the system of classification used the BG/MTEF (discussed above) will help to ensure a significant improvement in coherence.

5.27 Further development of SBAS should also address the need to incorporate human resource planning in preparation of the BG next year.

Cross cutting areas

5.28 While the NSGRP identifies many areas in which more coherent strategies require closer collaboration across agencies and across sectors, this has so far not led to major changes in institutions to address this challenge. Government's proposals for the NSGRP implementation plan have recognized this gap but not so far identified priority cross cutting areas on which to focus. Similarly, the revised budget process has not so far led to stronger cross agency coordination, although most MDAs recognized this as a key gap.

5.29 The gap is perhaps most obvious in the area of growth, which was recognized as a central emphasis of the NSGRP, an emphasis which is far less evident in the allocations proposed in the BG. This is apparent in the relatively low to the major infrastructure, especially the road sector, in the BG , the lack of major increase in public investment and the lack of articulation of clear growth strategy and its implications for resource allocations, including options for infrastructure financing. It will be very important to address these gaps as far as possible and define the work program for a better treatment of these issues in the next BG.

5.30 More generally, strengthening the treatment of cross cutting areas will be a key challenge for consolidation of the revised budget process and its link with the NSGRP implementation.

Consultation

5.31 Government has chosen to use the BG as the instrument for translating broad NSGRP objectives into specific prioritized programs consistent with available resources. Given the consultation process surrounding the NSGRP, this choice of instrument increases the need to ensure that deliberation on budget strategy also takes place in a transparent manner with a similarly high level of access and participation. Several points seem relevant here.

- MDAs noted the widening of involvement in the BG Committee this year, and welcomed a generally more open approach to the BG preparation within the executive. However, consultation within the PER WG was not very satisfactory. The Budget Guidelines (BG) has still not been formally discussed in the WG.
- The PER WG group is one means of facilitating dialogue with civil society and development partners, but given the key role of the instrument it would be good to give attention to other means of consultation, including dialogue with Parliament
- Use of the PER macro group: The PER macro group with its membership including BoT, TRA, MoF, PO-PP, Breton Woods, PRBS representatives and NGO's is well placed to deal with many of the issues where the BG needs improvement. In particular the group would be able to deal with domestic and external financing issues and many of the strategic issues including the macroeconomic impacts of aid and absorptive capacity issues. Key element for success is the development of a work plan and regular ongoing discussions.

Linkage with other processes

5.32 PRS/NSGRP: In the course of developing a new PRS Government has evolved a distinctive approach to use of the PRS instrument and the related processes. First Government has chosen to use the budget process, and specifically the BG exercise, as the primary means of prioritizing NSGRP objectives. Second, regarding NSGRP implementation, Government appears to have decided to use existing sector strategies as the building blocks of NSGRP implementation, while intending to address some of the gaps in crosscutting areas with further work. Third, the budget process also appears to be seen as a key means of linking NSGRP, implementation plan and M&E framework, in part through the further development of SBAS.

5.33 As an overall approach to fitting the PRS concept to domestic institutions, this proposal has considerable merit. Some cautions may be in order:

- At present, it has not been very clearly articulated (especially the second and third elements noted above): this is now urgently needed, to ensure that all stakeholders are working to the same script. In particular it will be very important to ensure that this perspective on evolution of Government institutions is fully taken into account in the development of the PRBS and the Joint Assistance Strategy.
- One of the risks in relying on the budget process as an integrating mechanism will be that budget concerns dominate a broader policy perspective. The advantage of using the budget process more aggressively to integrate policy, resource allocation and M&E is that it provides a fixed annual cycle of review and decision making around which other processes can work: it can provide an integrating backbone for other processes of policy dialogue, consultation, etc. but should not replace them.

6. FINANCIAL MANAGEMENT SYSTEMS

A. REVENUE MANAGEMENT

Current revenue system

6.1 Subject to the provisions of Article 135 of the Constitution, Section 11 of the Public Finance Act, 2001, requires that all revenues or monies raised for purposes of the government be paid into the Consolidated Fund. Section 12 (1), however, provides that the Minister in charge of Finance may establish by an order published in the Gazette, and tabled in the National Assembly a special fund that is not part of the Consolidated Fund, to receive funds for a specific purpose. The legislation covering the administration of revenues is set out in Sections 57-83 of the Public Finance Regulations, 2001. Importantly, these Regulations, identifies AOs as responsible for ensuring that adequate controls are put in place for prompt collection and proper accounting of government revenues.

6.2 The detailed analysis of revenue performance is contained in section 4. However, as (Table 16) below shows, tax revenue ranges between 10 - 12% of GDP

Table 16: Revenue Performance (% of GDP) 97/98 – 03/04

Central Government Operations	FY98 Actual	FY00 Actual	FY02 Actual	FY03 Actual	FY04 Budget.	FY04 Proj.
Tax Revenue	11.0	10.1	10.9	11.6	12.0	12.0
Non-tax Revenue	1.0	1.2	1.2	1.2	1.1	1.2
Total Revenue	*12.0	11.3	12.1	12.8	13.1	13.2
Total Expenditure	15.7	*17.4	17.6	20.8	22.5	23.7
Balance before Grants	**-3.7**	**-6.1**	**-5.5**	**-8.0**	**-9.4**	**-10.5**
Grants	3.0	4.5	4.5	6.5	6.3	6.5

* Net of parastatal recapitalization
Source: IMF and Tanzanian authorities

6.3 ***Non-tax revenues*** are not significant, being only 1% of GDP. As in 2001, some of these revenues continue to be collected by the individual MDAs and banked in a Pay Master General's revenue account in the relevant MDA. The funds are then swept monthly into the exchequer revenue account. Later, revenue is released to these MDAs based on an agreed retention formulae whilst at other MDAs revenues are collected and retained by the institution providing services, for example, secondary school and training college fees, hospital user fees, and water facility charges. For these MDAs, the controls have improved since the 2001 CFAA as revenues are transferred to special accounts and to use the funds they must be transferred to the sub-treasury.

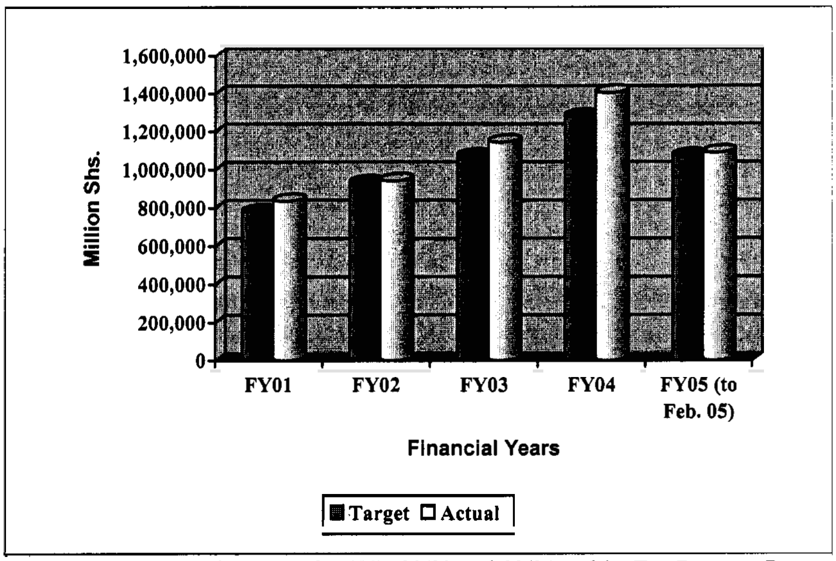
The Tanzania Revenue Authority

6.4 The Tanzania Revenue Authority (TRA) is responsible for collecting tax revenues. It deposits these revenues, to the exchequer revenue accounts through a series of bank accounts from district to national level. TRA reports collections to MoF through a monthly Tax Collection Report, together with copies of bank reconciliations for the central TRA collection accounts. From the monthly reports the MoF accrues revenue in IFMS, manually, a situation that has not changed since the 2001 CFAA. An interface between TRA's revenue collection and accounting systems and IFMS would ensure that tax revenue data is received faster by the MoF, as well as eliminate duplication of data entry by ensuring that data is entered only once by TRA.

6.5 The Tanzania revenue Authority Act, No.11, 1995 gives TRA the mandate to assess, collect and account for government revenue as well as to administer effectively and efficiently, all tax revenue laws of the central government. TRA's Vision is to be 'A Modern Tax Administration'. In line with this vision, TRA has developed a Corporate Plan for the period 2003/04 – 2007/08 to guide it in implementing its mission.

Figure 18: Tanzania Mainland: Revenue Performance against Targets

6.6 As illustrated in the figure, opposite, TRA's revenue performance against targets has been commendable. During the FY 04/05 (period to February 2005), Income Tax, VAT, Customs and Excise, and Large Taxpayers Departments have either met or surpassed their set targets by attaining 103.2%, 104.8%, 101.7%, and 99.9% respectively.



Source: TRA's Annual Reports for FY's 02/03 and 03/04 and its Tax Revenue Report for February 2005.

Current developments and progress at TRA

6.7 The improved performance of TRA is expected to continue as it undertakes the major projects, set out in its Corporate Plan, to enhance its tax administration systems and practices. For example, in 2004/05, TRA aims to modernize its operations in Customs, integrate its operations to enhance performance, roll out the district One Stop Centres and Motor Vehicle Registration Centres and strengthen the Large Taxpayers Department.

6.8 The controls for tax revenues, as outlined by the TRA management, have improved considerably. Revenue collection targets are monitored daily. These targets are front loaded, which provides a major incentive for revenue collections. Increased focus on audits, also, has allowed TRA to capture those previously evading or avoiding taxes. The implementation of the Tanzania Inter-bank Settlement System at the Large Taxpayers Department has commenced. New procedure for payment of taxes through banks was started in 2004/05 in 20 regions. The tax structure has been reviewed to lower the level of tax evasion and avoidance and make tax exceptions more transparent. The new Income Tax Act, 2004 was passed in July 2004. A major step forward in reducing the impact of exemptions was taken with the promulgation of the regulations under this Act. These include new limits on the discretionary authority of the Minister of Finance to grant exemptions for income taxes.

6.9 In the area of Customs, administration procedures such as Destination Inspections, Direct Trader Input, Management of bonded warehouse and the Computerized Risk Systems are other initiatives that, once fully implemented, are expected to improve customs revenue administration. The implementation of a WAN to link TRA headquarters to its operational centres and to support the implementation of the planned migration to ASYCUDA++ is a major unfinished business at the TRA. However, the rather low project implementation capacity – about 35% performance level[16] - needs to be improved if benefits from these initiatives are to be realized more rapidly.

6.10 As it continues, modernizing its operations TRA is investing heavily in training its staff in modern tax administration best practices and is in the process of reviewing its employee remuneration scheme. As an executive agency which operates outside the boundaries of public service pay regulations, it is able to attract and retain more competent staff.

Key recommendations

6.11 As TRA, strives to increase the tax-revenue-to-GDP-ratio to between 15 to 16%[17], in the medium term, the existing system needs to be improved by implementing the following key recommendations which are consistent with the aims of the TRA board:

- To fully benefit from systems enhancement efforts in its Customs and Excise Department, as well as the planned migration to ASYCUDA++ it is important that the WAN that links TRA headquarters to its operational centres be implemented. Importantly, TRA should enhance its capacity to implement ongoing projects and prioritize the implementation of initiatives.

- TRA should develop a computerized automated interface to upload tax revenue data to IFMS. In addition, appropriate integration of tax revenue collection systems within TRA and with other departments of government, will be required as TRA pursues its objective of expanding the tax base.

- TRA should finalize the ongoing remuneration study and implement, where appropriate, recommendations arising thereon. Such efforts should go in tandem with enhancement of existing staff performance system as well as ongoing staff training initiatives.

[16] Quarterly Implementation Report for the Period Ending September, 2004 of TRA's Corporate Plan, 2003/4 – 2007/8.

[17] PER External Evaluation 2004.

B. Debt Management

Recent developments and current situation

6.12 ***Debt statistics***. The responsibility for maintenance and updating of public debt statistics normally rest in most countries with the MoF. In Tanzania in the late 1980s, owing to the weak capacity of the MoF at that time, the government requested the Bank of Tanzania (BoT) to remedy the chaotic state of debt statistics, assemble the scattered loan documents, and create and maintain a database of public and private debt, external and domestic. The BoT did so, with assistance from the Commonwealth Secretariat, and has continued to maintain and update the debt database, which is currently quite large, with over 3,000 loans using the Debt Recording & Management System (known as CS-DRMS 2000+). In 2002, with the issue of the National Debt Strategy (NDS), the government decided to build the debt statistics and management capacity of the MoF, in order to eventually transfer to it full responsibility. Accordingly, a debt database[18] was created in the ACGEN's Department, for purposes of staff training but resting on the same information collected by the BoT.

6.13 Monthly external debt reports are in the BoT Monthly Economic Review (and the BoT website), and quarterly reports are published on the website of the MoF, which also publishes monthly reports on domestic debt. While some discrepancies exist between the information from BoT and MoF, they are not large and are mainly due to the different timing of updating of the information. In October 2004, the government decided that the transfer of responsibility to the MoF (ACGEN) would take place within three years, and efforts at capacity-building are currently being made to that end. In the interim, for prudential reasons, the BoT will continue to maintain and update the debt database, until the government determines that the MoF has adequate capacity and safeguards. (The BoT will, of course, retain responsibility for private debt statistics.) Thus, while there are separate offices in the BoT and the MoF, the information base is the same and coordination between the staff of the two institutions is close. At the level of principals, such coordination is assured by the National Debt Management Committee (NDMC), described below.

6.14 ***Debt strategy and management***. Subsequent to publication of the NDS in 2002, certain amendments to the 1974 Loans, Guarantees and Grants Act, were made and became effective in July 2003. The thrust of these amendments was to raise the prudential quotient of external borrowing, and to streamline accountability by (i) giving exclusive borrowing authority to the MoF, but only (ii) upon concurrence of a NDMC.

6.15 The MoF may delegate loan signature authority, in case of need, to authorities in Zanzibar (Zanzibar may receive directly foreign grants, but not loans, which must be on-lent by the Union Government) or to other Ministers or to Ambassadors.

6.16 The NDMC is chaired by the PS of Finance, and comprises the President's Office of Planning and Privatization, the Attorney General, PMO, Foreign Affairs, the ACGENs for Tanzania and Zanzibar, and the Zanzibar PS of Finance. The Technical Debt Analysis Committee of the Policy

[18] All external debt is captured by the ACGENs' Dept in the CS-DRMS. One component of domestic debt, namely marketable instruments, is also captured in this system. However, other major components of domestic debt, being contingent liabilities, compensation for losses, pension liabilities and sundry domestic debt are still captured on Excel spreadsheets.

Analysis Department of the MoF acts as the NDMC Secretariat. After some initial delays, the NDMC has begun meeting regularly on the prescribed quarterly schedule.

6.17 While the MoF, in cooperation with the BoT, has been gradually putting in effect the National Strategy, it decided in late 2004 to take a more comprehensive approach to implementation. After an October 2004 workshop of the key stakeholders (mainly the members of the NDMC), the MoF began preparing a National Debt Strategy Implementation Action Plan, which, at the time of drafting of the present report, was nearing completion. Also nearing completion is a second debt sustainability analysis, which was jointly done by the BoT and the MoF, with the assistance of the Macro Economic and Financial Management Institute. Such analysis is expected to be updated annually every March, as part of the broad background to the budget for the subsequent fiscal year.

Major issues and opportunities

6.18 ***Debt statistics***. The MoF capacity, once established, will need to be maintained, both in terms of retaining staff and in the need for periodic training in new systems. However, to date, staff retention has been a problem with some competent personnel leaving government service soon after they are adequately trained.

6.19 As noted, the issue in Tanzania's debt statistics is not inconsistency between different debt databases, but the divergent timing and disparate format of information provided by donors. While estimates of project aid disbursements are included in the budget documents, difficulties persist in accounting for such disbursements. Some discrepancies in this respect are common throughout the developing world, stemming from the different definition of "disbursement" from the donor's and the recipient's viewpoints. However, the issue has been especially problematic in Tanzania, indirectly owing to the disappearance of a coherent public investment programming system and the lack of the associated monitoring of financial project execution. Since 2001, significant efforts have been made by the ACGEN to standardize reporting by donors, and improve the reliability and timeliness of project aid disbursement data. As shown in section 6C the aid-reporting situation has improved, but the state of affairs remains unsatisfactory.

6.20 ***Debt management***. Actual debt service payments amount to less than one percent of current government expenditure. Since 1999, the overall debt stock has been reduced as a result of the Enhanced Highly Indebted Poor Countries (HIPC) Initiative — the cumulative debt relief provided by multilateral creditors amounted to US$220 million as of end-June 2004, 82% which was from IDA. The total cumulative relief provided by Paris Club creditors as at the same date amounted to US$692 million. Additional debt relief by Non-Paris Club creditors had also been provided. Nevertheless, as the table below shows, total debt commitments total well over US$8 billion, of which almost US$7 billion have been disbursed. Although the debt situation in Tanzania does not carry the same weight and urgency as in some other developing countries, the issues remain important and do require systematic attention.

Table 17: Tanzania – External Debt (30 June 2003 & 31 October 2004) in Millions of US$

Item	June 2003	Oct 2004
Disbursed	**6,233**	**6,834**
Bilateral	1,814	1,742
Multilateral	4,088	4,694
Commercial	331	398
Undisbursed	**1,374**	**1,491**
TOTAL DEBT COMMITTED	**7,607**	**8,325**

Source: Bank of Tanzania.

6.21 Of bilateral debt, after the latest Paris Club only the debt owed to Brazil and Japan needs to be finalized – but the amount is a substantial US$1 billion. Also in need of treatment and resolution is the official debt owed to non-Paris Club members, primarily China and the Arab countries, totaling about another US$1 billion, and there is a commercial debt overhang close to US$400 million. In addition, the stock of multilateral debt, now approaching US$5 billion, calls for constant attention. As mentioned earlier, a debt sustainability analysis is to be produced annually by the MoF in time to feed into the budget for the next fiscal year.

6.22 The challenge of debt management in Tanzania is primarily not one of placement and maturity management, but one of (i) negotiations vis-à-vis a number of external entities and, equally important, (ii) prudent scrutiny of proposals for new borrowing to ensure that debt-servicing capacity would be increased by more than the cost of borrowing. This latter issue is intimately linked to the weakness in government appraisal and approval procedure for new investment projects, and to the neglect of the linkages between different sectors' investment expenditure.

6.23 ***Contingent liabilities***. The annual budget speech contains reference to the government borrowing policy, including policy on guaranteeing new loans. The latest budget speech, for 2004/05, enunciated clearly the policy of not providing guarantees for any external borrowing, but of considering the award of selective guarantees for domestic borrowing (mostly by public enterprises). Also, at the end of the fiscal year, the PS of Finance, in his capacity as Paymaster General, compiles a list of all outstanding loan guarantees, and submits it under his signature to the CAG, who in turn reports on it in his annual report to Parliament. The annual budget presented to the National Assembly, however, includes only the estimated aggregate amount of new borrowing and loan guarantees. These practices do not adequately address the fiscal and governance risks typically associated with official loan guarantees. Also refer to sections 4 and section 6F in this regard.

Recommendations

6.24 Concerning debt statistics, the utmost prudence will need to be exercised before terminating the BoT concurrent maintenance of the debt database. Also, the staff retention issue in the MoF calls for attention. Concerning debt management, the National Debt Strategy and the institutional arrangements for tightening up on new borrowing appear on target and are well under implementation. Indirectly, however, the actions taken in respect to new borrowing point to the need for revitalizing a medium-term public investment programming process that can provide the analytical foundation on which to build a prudent and productive borrowing policy for Tanzania. Finally, significant tightening is required in the budgetary treatment of loan guarantees.

- Design a continuous training program to be put in place before the full transfer of responsibility for debt statistics to the MoF, in order to assure that qualified staff will be continuously available to replace leavers.

- Include as an annex to the annual budget documents, beginning with the budget for 2005/06, (i) a list of all outstanding loan guarantees (by beneficiary, amount, maturity and loan terms), and (ii) a statement of the specific government criteria that will guide the award of new loan guarantees during the fiscal year.

- Review and strengthen government procedures for investment project preparation and appraisal, preparatory to revitalizing a comprehensive medium-term investment program consistent with government policy priorities and available financing.

- Compile data on frequency and magnitude of defaults on past loan guarantees since 1995, with a view to quantifying the risk associated with different borrowers, and eventually provide an evolving basis for setting a budgetary reserve against the expected loss from the calling of new guarantees.

C. External Resource Management and Aid Coordination

Current system and ongoing developments

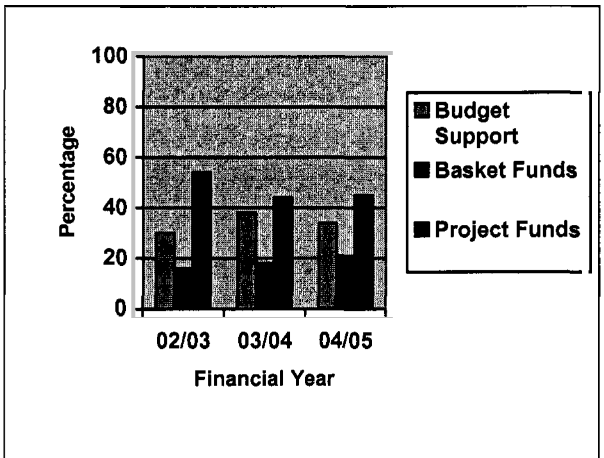
6.25 As discussed in the previous section, the legal and regulatory framework for the planning, obtaining and management of external debt is provided by the Constitution, Public Finance Act, 2001 and the Loans, Guarantees and Grants Act, 1974 (as amended) and the National Debt Strategy. Since the launch of the Tanzania Assistance Strategy (TAS) in June 2002, information sharing between the government and DPs on the volume and nature of aid has improved. This is also facilitated through the PER and MTEF processes during which external aid priorities and needs are matched with commitments from DPs within the macro-economic policy framework. Also, the Poverty Reduction Strategy, now succeeded by the National Strategy for Growth and Reduction (in Kiswahili MKUKUTA), sets out the governments' priorities. All foreign developmental assistance including loans, grants, aid in kind and technical assistance should be within the framework of the MKUKUTA. A key perspective shared by the GoT is that ten years from now Tanzania will be less dependent on external financing. This will demand concerted efforts by government in terms of more effective management of development assistance.

6.26 Tanzania receives development assistance from many bilateral and multilateral donors and Non-Governmental Organisations (NGOs). External resources account for about 45% of the national budget. External aid coordination and the establishment of a more conducive relationship between government, domestic stakeholders, and donors has been an important element of Tanzania's development agenda since 2002. This is achieved through the joint TAS/Harmonisation Group chaired by the MoF. Key elements for rationalizing donor assistance include the move towards sector development programs (already in place for education, health, and agriculture and under preparation for water and roads) and general budget support. These aid modalities are seen as appropriate mechanisms for increased donor coordination, better integration of donor assistance into government systems and processes, enhanced ownership, and reduced transaction costs. The local Development Partners Group, established in 2003/04, is the principal mechanism for ensuring overall coordination among DPs in support of government programs. Sadly, very little has been achieved over the past few years in strengthening the accountability of external aid channelled through NGOs and Community Based Organisations through submission of their annual accounts.

6.27 MoF's External Finance Department is responsible for the coordination of aid resources and management of a related database on Excel. It prepares quarterly and annual reports while estimates of project funds are included ex ante in the budget documents and throughout the budget process. The estimates of inflows are integrated in the expenditure ceilings of the annual Budget and MTEF. The data is collected from DPs and verified with MDAs while discounting factors are applied to some projected project expenditures, based on the past trends in the aid disbursements.

6.28 There is consensus that inclusion of external resources in the government budget and annual accounts enhances effective implementation and monitoring of the poverty reduction efforts. DPs' increased trust in the PFM system is reflected in the shift of support from investment lending to budget support and basket funding as shown in the budgeted numbers in the figure below.

Figure 19: Percentage of Aid Flows by Modalities



Source: Tanzania Assistance Strategy: Annual Implementation Report FY 03/04

6.29 External grants and loans received as budget support as well as basket funds[19] are fully accounted for. In response to the authorities' strong request to channel support through the exchequer system[20], some donors have converted a significant share of their annual funding to either untied budget support or basket funds established for sector-specific activities. In 2004/05, this support, which excludes HIPC relief, is expected to account for 55% of the total assistance (34% budget support + 21% basket funding), compared to 31% in 2001/02. Consequently, reporting on donor funded activities has significantly improved during the period.

Managing and accounting of donor funds

6.30 While the total aid flows reflected in the government budget increased from Tshs.586,042 million in 2001/02 to Tshs.1,292,361 million in 2004/05, difficulties continue to persist in accounting for foreign financed components of project spending. This is mainly due to inadequate reporting by donors. Often, donors do not provide complete information to the government on *all types* of aid assistance and therefore reporting on cross-sectoral benefits, technical assistance costs and in kind aid flows are particularly difficult. For aid disbursements to projects and baskets in the budget estimates,

[19] A government programmme is funded by more than one DP by way of depositing their contributions to and disbursing payments from one bank account (pooling of funds) rather than from bank accounts for individual donor funds.

[20] In FY 01/02 the ACGEN issued a circular outlining the accounting and reporting process. Subsequently training seminars for accounting officers of relevant MDAs as well as donor organizations were organized by the ACGEN's Department.

71% of the forecast was recorded as received through the exchequer system for 2003/04. This percentage increases to about 85% when the influence of general budget support is included.

6.31 In addition, some donors continue to disburse funds directly from the project accounts under their control. In the past three years, however, the ACGEN has made significant efforts to facilitate the capture of donor funded projects in the IFMS. As a result, there are no current difficulties in recording projects that use the national system, or for projects that provide information in the format required by the ACGEN. However, despite these efforts, about 45% of aid flows in 2004/05 are project funds with the bulk of donor financed projects remaining outside the IFMS – an estimated 25 percent of project expenditures were reported to the ACGEN in 2002/03. Taking this into account, the GoT estimated that potentially about 45% of foreign aid will be managed using national procedures in 2004/05. However if it were assumed that basket funds do fully use national systems then the proportion using national procedures increases to about 66%. This undermines the preparation of a budget based on comprehensive resources and jeopardizes the efficacy of public expenditures. As a result, the development budget estimates are incomplete.

6.32 As mentioned in the previous section, the ACGEN's Department also keeps custody of all loans, grants and guarantee agreements and maintains a register in accordance with the Public Finance Regulations, 2001. While external aid is recorded in the CS-DRMS 2000+ system it is not yet interfaced with the IFMS. It is understood that efforts have been undertaken to take this forward (refer to Annex C: Structure and Status of the IFMS in this regard).

Aid harmonization issues

6.33 The timely receipt by DPs of reliable audited accounts of programmes/projects is an important fiduciary objective that also enhances the harmonisation agenda. The reporting and monitoring systems are often designed to meet DPs' specific needs rather than support the priorities of partner countries. This is often achieved by setting up of "ring fenced" implementation units within MDAs. An additional problem is that duplication of reporting and monitoring systems is making demands on partner countries' limited resources which impair their ability to rely on useful and timely information for their own development strategies.

6.34 DPs therefore have a collective responsibility to enhance efforts to harmonise for example disbursement procedures and accrue the benefits associated with a simplification and standardisation. In addition there is a need to harmonise accounting, recording and auditing requirements of foreign assistance projects and programmes. This would for example do away with the need for separate sets of accounts and separate audit opinions on Statement of Expenditures and bank balances as the practice of issuing more than one audit report involves unnecessary duplication of work. To further this agenda, government's audited accounts should follow the best practices outlined by the Organisation for Economic Co-operation and Development – Development Assistance Committee (known as OECD-DAC) Guidelines and Reference Series booklet entitled Harmonizing Donor Practices for Effective Aid Delivery. For example, the "whole of government" accounts submitted to Parliament should have sufficient disclosure of source of all budget support/grants received.

Key recommendations

6.35 While a number of the main recommendations from the 2001 CFAA have been/are being implemented, the following ones are suggested to complement the current actions included in the PFMRP:

- New investment projects should be managed within existing government systems and not allowed to set up "ring-fenced" implementation units.
- DPs to ensure MoF is fully informed of disbursements of loans and grants.
- ACGEN to consider inclusion in the consolidated financial statements enhanced disclosures on external assistance in accordance with a proposed International Public Sector Accounting Standard (IPSAS) currently being developed by the International Federation of Accountants.
- DPs should increasingly harmonise disbursement, accounting recording and auditing requirements through simplification and standardization.

D. CASH MANAGEMENT

Current system

6.36 The Minister of Finance's 2004/5 Budget speech refers to the need to maintain and improve the "cash budget system". According to an earlier budget speech "the system of cash budget has improved discipline in public finance management, and has reduced misuse of funds which was rampant in the past". Now the modus operandi for cash releases is for priority sectors and protected votes to be given cash funds on a quarterly basis, and other sectors to receive funds on a monthly basis, with indications of likely availability of funds in subsequent months. It should be noted that the NAO is the only vote that receives its cash releases semi-annually. Currently only about 15% of votes are provided with quarterly releases, of which just over half are for priority sectors

6.37 MDAs prepare cash flow plans each year, which are submitted to MoF, who in theory then attempts to release funds according to these needs, rather than releasing $^{1}/_{12}$th of the annual budget each month. In practice recurrent funds tend to be released on the basis of the payroll and one twelfth of other charges as requested by the line ministries. Development funds are released following screening of requests by the budget department of the MoF.

6.38 The Budget Ceiling Committee is scheduled to meet in the first week of the month to discuss the allocation of funds (both recurrent and development) and approve the ceiling. Allocations are based on approved budget. In practice the ceiling committee meetings are often delayed to the second week of the month with an associated delay in the receipt of funds by the MDAs.

6.39 The consolidated cash position of all government bank accounts is provided on a daily basis by the BoT. Forecasts of cash inflows and outflows are updated for the monthly budget ceiling meeting. This involves a review of updated revenue forecasts and the progress of budget implementation. These considerations also form the basis of any domestic borrowing plans.

6.40 The Tanzanian government has been operating a single treasury account for a number of years as part of its centralised payment system. In addition to improvements in fiscal discipline associated with a central payment system[21], the existence of a single treasury account means that there are fewer bank accounts with idle balances, thus helping to minimise borrowing needs. However as discussed in

[21] Ministries in Dodoma that are not connected on-line forms part of the central payment system through the regional sub-treasury.

paragraph 7.4 separate bank accounts still exist for the Ministry of Defence, the Prime Minister's Office, and Office of the President, NAO and the National Service[22]. Whilst other MDAs maintain a wide range of other revenue and expenditure accounts including donor project accounts.

Assessment of the situation

6.41 As noted in the CFAA 2001, the cash rationing system has been successful in bringing government expenditures in line with resource availability since it was introduced in 1996. As shown in section 2, in recent years deviations between allocations and outturns have been reduced and the predictability of releases has improved significantly, particularly for the priority sectors. However, MoF is aware that the monthly cash release system has undesirable consequences in terms of predictability of funding for the line ministries and thus their effectiveness, including for service delivery.

6.42 Solutions to this problem are to be found at three levels. Firstly, in continued use of conservative resource forecasts so that budget appropriations can be fully financed during execution. Secondly, continued improvements in cash planning, both in MoF and in MDAs, starting with those MDAs that absorb a substantial share of expenditure and have considerable fluctuations in their in-year spending patterns, so that expenditures are programmed, where possible, to fall during those periods of the year when resources are available. Thirdly, earlier PER documents note that GoT can only move away from cash rationing if some form of bridging finance is made available which would smooth out variations in resource availability. GoT remain concerned about the cost of the various options and the potential for financial indiscipline. Further discussion of this issue is contained in section 2.

E. PUBLIC PROCUREMENT MANAGEMENT

Summary of key findings and recommendations for central government

6.43 The CPAR conducted in 2003 and further analysis carried out in the Fiduciary Risk Analysis in 2004 identified a number of critical weaknesses in the procurement process that are discussed below. Studies in 2001 estimated that at the national level about 20 percent of government expenditure on procurement was lost through corruption, mainly through kick-backs and bogus investments that have to be written off.[23] Considering that public procurement accounts for about 70 percent of the entire government expenditure budget[24,] this translates to a loss of Tshs.300 billion (US$ 300 million) per year. Clearly such a loss is economically unsustainable. This section looks briefly at some of the key issues raised by the various assessments and provides a brief update on some of the key actions that have recently been taken by the government to ensure that the procurement system provides value for money. Procurement issues relating to public access to information, ethics and corruption, records management and the role of the CAG are discussed in more detail in the relevant sections.

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[22] Of these MDAs it is only the State House and Defence that are still using IFMS on a stand-alone basis due to security considerations. The others are linked to the main server.

[23] S.J. Chavda, Challenges and the way forward in combating corruption in the construction industry in Tanzania. Proceedings of Ministry of Works Workshop on Corruption Prevention in Construction Industry – April 2001.

[24] Tanzania's total annual expenditure budget is estimated at app. Tshs 2.0 trillion (equivalent to US$ 2 billion). According to the NAO about Tshs 1,400 - 1,500 billion or just over 70% is expended annually by the government through public procurement.

6.44 The GoT is fully aware that its public procurement is still weak and needs to be strengthened. In response to particular concerns in the CPAR about the dual regulatory and executive role of the Central Tender Board, a new Public Procurement Bill was approved on November 12, 2004 and received Presidential Assent on February 8, 2005. The new Act is due to come into effect by mid April 2005. The new Regulatory Authority will be empowered to carry out its monitoring and regulatory role, which will include maintaining a public register of firms and individuals who have been blacklisted for corrupt practices and the maintenance of a comparative database on unit costs in public and private procurement to ensure that value for money is being achieved. The Regulatory Authority will be established on the same date that the new Procurement Act comes into effect.

6.45 Other weaknesses that were observed during the assessments included: lack of procurement planning in government financed procurements; weaknesses in the advertisement of tenders; non compliance of contract award procedures and criteria; poor records management and a weak complaints and administrative review process. Choice of procurement methods is often at the discretion of the AO and leads to the excessive use of the restrictive competitive quotation or single source method, even for procurements with a value above the set thresholds. The basis for the selection of the required three firms under competitive quotations is unclear and provides ample opportunity for abuse.

6.46 For those tenders, which use the open competitive process, the notices are scattered in local and East African papers and there is no central media for advertisement of tenders or awards. The CPAR team was also informed that the rules and procedures for bid submission and opening are often not adhered to. Instances reported include breaches of confidentiality and collusion between the procuring entity and bidders, leading to competitors' bids being revealed before the official opening and bidders being allowed to replace their bids based on this information.

6.47 Despite all these shortfalls in the system, bidders rarely complain, this is evidently because the procedures for complaint are not well known, regulations are not enforced and there are inadequate sanctions. In addition records management is very poor and records on tender evaluation are not systematically kept by the procuring entities; this limits the NAO's ability to audit the procurement process and for the PCB to have sufficient evidence for prosecution.

6.48 Lack of capacity is seen as one of the major weaknesses of the entire procurement system. Procurement is handled, often improperly, by untrained, non-specialist staff. The government has relied on the Government Stores for its expertise in procurement but Government Stores has neither the funds nor the organizational capacity to do so. Procurement is not recognized as an established profession within the public sector and does not present an attractive career path. Furthermore, there is a need to develop in consultation with the National Board of Materials Management which is primarily concerned with supplies, a professional procurement body, which would promote procurement standards and professional integrity.

6.49 Improvement in procurement is a key component of the PFMRP and funds are being provided by the African Development Bank (AfDB) and World Bank to help address the main issues. The action plan for the procurement component includes the majority of the recommendations contained in the CPAR. In addition funds are being provided through the Business Environment Strengthening Initiative to improve the capacity of the Business Regulatory and Licensing Agency to maintain relevant details on the ownership and management of companies. Whilst as noted in section 7A, records management in government is being addressed through the PSRP.

6.50 The establishment and staffing of the Regulatory Authority and the Public Procurement Appeals Authority are key activities in the procurement component of the PFMRP as is the establishment of a procurement cadre. As discussed in section 1.3, the ability of the government to carry these activities forward is dependent on its ability to recruit and retain suitably qualified personnel.

F. Payroll and Pension Management

Payroll system

6.51 The computerized Integrated Human Resource and Payroll Management System (IHRPMS) went live in 2000 but as indicated in the November 2004 joint PRBS/PRSC review it was not fully operational until FY 03. The system is now responsible for the management of the monthly payroll for nearly 300,000 central and local government employees. Employees of parastatals, executive agencies and other semi autonomous government agencies are not included in this employee database. MDAs have direct responsibility for originating payroll information, for checking the proposed payroll for their staff and for requesting cheques for payment through the appropriate bank. Three other bodies are also involved:

- PO-PSM – managing the establishment and personnel records; some review of the reasonableness of the payments made; and management of the computer system.
- Computer Services, MoF – inputting amendments to the payroll data.
- Government Budget, MoF – responsible for checking that budget provision and cash availability are appropriate for the needs of the payroll.

6.52 The Human Resources and Payroll Group aims to support co-ordination between the government bodies involved and oversee medium term payroll reforms. In 2004 there were plans to pilot changes to the payroll system, whereby 5 ministries would enter payroll changes directly. However, there have been delays with the procurement process of version 8 of the IHRPMS and upgrading of equipment which was required to provide a more robust, secure and user friendly platform to support the rollout. Thirty months have passed since the procurement process was initiated. Failure to procure in envisaged time has now rendered the equipment that were targeted for upgrading to be outdated, and consequently new equipment will have to be procured. The initial pilot of 5 MDAs is expected to be in place by the end of 2005 once the schedules for the procurement process and subsequent installation, configuration and conversion have been firmed up. Meanwhile, the installation of high speed quality printers has already commenced and will help to support the pilot rollout process by enhancing the responsiveness of data feedback to employees and to their employers.

6.53 Although identified as an activity within the PFMRP, links between the IFMS and the payroll system have not yet been achieved. This is discussed in more detail in Annex C: Structure and Status of the IFMS. Similarly plans to prepare and train staff on payroll procedures have not been implemented, presumably awaiting the decentralised input of payroll data.

6.54 Although no technical audit of the software has been carried out by the NAO, the software used for IHRPMS is generally considered to be robust. In addition to those ghost employees identified during the system implementation, existing controls now significantly reduce the possible incidence of ghost employees. Although the NAO conducts an audit of parts of the payroll system, no complete payroll audit has been undertaken and there is no regular procedure for checking the accuracy of payroll data.

6.55 It is recognised that there are some delays in processing amendments and even at the central government level it may take one or two months for new starters or staff transfers to be actioned on IHRPMS. There are also significant salary arrears and the situation appears to becoming worse over time, for example, in the Ministry of Education the Chief Accountant estimated that there were arrears amounting to Tshs.10 million for promotions of secondary school teachers over the last two years. However, in July 2004, cumulative government salary arrears since the early nineties were estimated to be around Tshs.20 to 30 billion. It is understood The ACGEN also took control of payment for teachers' salaries by processing payments centrally and then distributing cheques directly to teachers in all regions. The National Microfinance Bank has been directed to cash the teacher cheques immediately. As a result Tshs.9 billion of the Tshs.12 billion backlog in teachers pay has now been paid. A similar system is being worked on for pensions.

6.56 MDAs have responsibility for reconciling the payroll figures for their staff from one month to the next by reviewing computer generated exception report generated for payroll changes. However, it is understood that little evidence is available that this control procedure is followed. Plans to conduct monthly numeric reconciliations of the change in total pay from one month to the next to the authorised amendments have not yet commenced. MDAs do however check the payroll each month before the monies are sent to the relevant banks. Manual adjustments are made, as required, for example if staff have transferred, left or died (additions cannot be made). Cheques are then raised through IFMS for the relevant banks based on the adjusted payroll. The majority of government employees in Dar es Salaam are paid through direct transfers into their bank accounts. However, countrywide around 80% of government employees are still paid in cash by appointed banks or pay points.

6.57 Currently many employees do not receive their payslips on a timely basis, which makes it difficult for them to confirm the accuracy of their salaries. Furthermore payslips for employees stationed outside Dar es Salaam have to be collected each month, which is a costly and time consuming exercise. High capacity printers have been procured and recently delivered, which should go some way to reduce the time needed to print pay-slips from the current three weeks to five days.

6.58 An establishment listing was printed for each vote and sub-vote in November 2004; this informed the budget preparation for 2005/06. However, as noted in paragraph 6.51 all central government employees are not on the system. Furthermore complete data on the actual size of personal emoluments or the remuneration of individual positions is difficult to obtain as all allowances are not paid through the IHRPMS.

Pension system

6.59 There are several acts which cover the provision of public sector pensions including: (i) the Parastatal Pensions Act, 1978; (ii) the National Social Security Fund Act, 1997; (iii) the Political Service Retirement Benefits Act, 1999. There are two major types of pension provision, funded and unfunded. For the funded pensions, there are five pension funds, as follows: (i) National Social Security Fund; (ii) Government Employees Provident Fund; (iii) PPF (Parastatal Pensions Fund) Pensions Fund; (iv) Public Service Pension Fund; and (v) Local Authority Pension Fund.

6.60 The government retains the residual risk that these funds will not have adequate resources to meet all their pension obligations. In addition, the Consolidated Fund is responsible for public sector employees who retired before the year 2000; political leaders (presidents, ministers and Members of Parliament); and the army. In the first category, payments of Tshs.15 billion were made for the first half of 2005. These pensioners were to have been paid for only 10 years, but from January 2005 the government extended their pension provision to life.

6.61 As planned under a new initiative, GoT is reviewing public sector pension provisions, including the need for a supervisory agency for the various pension funds, the need to facilitate transfer of employees between post served by different funds (or from the private sector), reducing the number of funds, introduce a periodic actuarial review of each of the pension funds and estimate the future pension commitments of the Consolidated Fund.

Conclusion and key recommendations

6.62 As planned under a new initiative, GoT is reviewing public sector pension provisions, including the need for a supervisory agency for the various pension funds, the need to facilitate transfer of employees between post served by different funds (or from the private sector), reducing the number of funds, introduce a periodic actuarial review of each of the pension funds and estimate the future pension commitments of the Consolidated Fund

6.63 The introduction of the IHRPMS has significantly improved the management of the payroll for the majority of central and local government employees. A number of planned reforms are described above and it is recommended that these are actually implemented as soon as possible. Issues relating to pay policy are discussed elsewhere in the report. The following recommendations are intended to support the maintenance of a high level of data integrity and provide improved information for decision making purposes.

- Improve the administration of personnel and payroll to facilitate prompt amendments.
- Review the design of the data input forms to facilitate accurate and complete input.
- On a twice yearly basis, require managers at each pay-station to confirm the employees which should be paid.
- Increase proportion of employees who are paid salaries direct into their bank accounts.
- Pay more allowances, for example, housing and clothing allowances through the payroll.

7. ACCOUNTING, REPORTING, MONITORING AND CONTROL

A. INTERNAL CONTROLS

Current system of internal control

7.1 ***Regulatory framework.*** The Public Finance Act, 2001 provides for AOs to be responsible for maintaining appropriate control over payments and receipts related to their vote. The Public Finance Regulations, 2001 also require AOs to "establish and maintain an effective system of internal control" -11(3)(d). In addition, occasional Treasury Circulars are issued as required. Training has been provided to finance staff on the Public Finance Regulations. AOs have also received training on the Act and Regulations as well as procurement legislation.

7.2 ***Commitment Control.*** A commitment control system (CCS) was introduced in July 2001 under which a local purchase order (LPO) is required for purchasing of goods and services. Official LPOs are produced by entering the details in IFMS and so creating a commitment. The system restricts the production of an LPO to financial codes with adequate funds available to pay for the goods or services. The LPO's are issued only once the resources are released, thus making it virtually impossible for the arrears to accumulate.[25] Informal arrangements with suppliers identified in earlier PERs cannot be eliminated completely but is being addressed by seeking information from the public on unpaid bills on a quarterly basis.

7.3 The major exception is public utilities (water, electricity and telephones), which do not require an LPO[26]. However allocations, earmarked for the utility payments, are blocked from being diverted by MDAs to other uses. In the fiscal year 2002/03, a system of quarterly monitoring of the status of payments for the utility services was also introduced. The reports summarize the value of the utility bills outstanding by vote at the end of each quarter. However, the reports fail to identify the age of these bills. To verify the information provided by the MDAs AOs on the utility bills outstanding, the ACGEN's Department solicits information on the status of payments from the utility companies. Minor accumulations of the utility arrears do occur occasionally, when the MDA's allocations for the utility payments are exhausted and reallocations are required before further releases can be made. Generally the amounts are relatively small. However, the payment arrears for utilities for the Ministry of Defense and National Service votes totaled Tshs.828 million at 31 December 2004.

7.4 ***Bank reconciliations.*** The various bank accounts monitored daily by the ACGEN, are reconciled each month. The reconciliation of the main recurrent account for the month ending 31

[25] This applies equally to those ministries which retain their own bank accounts, because their budget numbers are locked. Also the ACGEN periodically checks flash reports on budget execution for these ministries to ensure that line items are not overspent.

[26] For ongoing service contracts an annual LPO is prepared which has to be re-entered each year. For multiple order contracts an LPO is created for each delivery.

December 2004 had been completed by mid-February 2005. The clearance of reconciling items on the miscellaneous deposits accounts remains a challenge with some items dating back to June 2004. These bank reconciliations are reviewed by the ACGEN and then made available for external audit by the resident NAO staff in the MoF. Electronic bank statements and a facility on IFMS are used to facilitate the follow up and resolution of reconciling items.

7.5 Even those MDAs, which are part of the central payment system maintain there own bank accounts, for example, for donor funded projects or to collect internally generated revenue. Prior written permission has to be obtained from the ACGEN before a bank account is opened — according to the ACGEN this requirement is strictly complied with by the BoT and commercial banks throughout the country. These accounts are also reconciled each month and are usually reviewed by the relevant chief accountant. Copies of these bank reconciliations are sent to the MoF (Policy and Analysis) and to the ACGEN. The latest available CAG report for 2002/03 comments on the late reconciliation of bank accounts by the Regional Administrative Secretariats and the associated sub-treasuries. This issue will be resolved once the connectivity through the envisaged Virtual Private Network is established (also refer to paragraph 3.16).

7.6 Segregation of Duties. Current procedures generally ensure adequate segregation of duties between the authorization of transactions, their recording and the custody of the associated assets. In addition, each ministry has an examinations (or pre-audit) section within the finance department with responsibility to check each payment voucher prior to payment as part of the normal internal control procedures. This is a separate control and does not form part of the regular work of internal audit units which reports to the AO (see also section 7D).

7.7 ***Fixed Assets***. The Public Finance Regulations require records of all fixed assets to be maintained in addition to inventories of each location. A contract is currently being awarded for consultants to value Government assets and to advice on a standard format for asset registers. While the Director Electrical and Mechanical in the Ministry of Works maintains records of all government vehicles it does not remove the responsibility of AOs to manage resource under their control in terms of the Public Finance Act.

7.8 ***Records and Archives***. Government records and archives are governed by the Records and Archives Management Act, 2002. The Records and Archives Section of Public Service Management, in the Office of the President develops and issues retention and disposal schedules of each type of official document. Improved records management is a key component of the PSRP and in 2004; visits were made to all MDAs to determine whether recommendations were being implemented. Public Finance Regulations specify the retention periods for accounting records (between three and seven years – 139 (2)), however, chief accountants generally consider that such records should be kept for at least five years. As noted in the CPAR and in the latest available CAG report, the importance of ensuring that complete documentary evidence is maintained for all payments in order to demonstrate proper accountability for public funds spent cannot be over emphasized.

Key recommendations

7.9 Internal controls have improved since the CFAA 2001 and most of the recommendations contained in the 2001 report have been implemented or are already included in the PFMRP. However, the fact that according to the CAG in 2002/03 Tshs.50 billion (out of a total of Tshs.1,836 billion) had incomplete or no documentary evidence to support the authenticity of the expenditure incurred, shows the importance of the PSRP initiative to improve filing and general records management.

7.10 The following recommendations are intended to support the ongoing initiatives:

- Further efforts should be taken to reduce payment arrears for public utilities, especially for the defence and national security votes.
- Further efforts should be made to ensure that the bank reconciliations undertaken by the ACGEN's Department are completed within one month of the period end.
- The process of introducing effective asset management should include physical verification and review of the condition and use of assets.

B. Data Integrity, Security, and IT Contingency Plans

Review of current situation

7.11 The ACGEN, as part of the Integrated Financial Management and Accountability Project (IFMAP)[27] has recently succeeded in bringing to fruition two major developments concerning data integrity, security and contingency plans for the IFMS. The first is a draft Security Policies Document that is in the final stages of preparation and the second a Disaster Recovery Plan, which is being implemented.

7.12 The draft Security Policies document and related procedures was developed in consultation with stakeholders in MDAs and covers the following main areas:

- Environmental conditions for IT installations.
- Controlling physical access.
- Controlling logical and network access to information and systems[28].
- Controls over systems operations and administration.
- Security classification of information and data.
- Security management of data and information, back-up and recovery, archiving, control over documents and reports.
- Disaster recovery and business continuity plans.
- Maintaining commercial software, combating cyber crime.
- Personnel issues, training and staff awareness.
- Handling security weaknesses and incidents.

[27] The IFMAP is a Swedish funded project focusing on a number of selected activities in the PFMRP.

[28] Data integrity is secured through, *inter alia,* protocol of access which is controlled by the ACGEN and audit trails of all inputs.

7.13 The next stage in this process is an independent evaluation of the security plans, which is understood to be in hand. Once the security policies and procedures are finalised and formally adopted training of users will be essential to ensure that the controls and verification of compliance are implemented correctly and can be monitored. The objective is to first test the policies in practice and then develop detailed procedures. These IFMS security policies and the related procedures are an essential element of internal control, ensuring data integrity, and as such consideration should be given to them being included as part of the Public Finance Regulations with separate procedures manuals.

7.14 With all computer installations it is important to have contingency plans that will enable the systems to operate in the event of breakdowns of power, hardware and software as well as the main operational centre being destroyed by a major disaster. For IFMS the former are already in place but there has been no formal plan for disaster recovery. Consequently, the ACGEN, as mentioned earlier, has recently initiated a plan for a disaster recovery site that will enable IFMS to continue to operate should the main servers and other equipment at the ACGEN's Department suffer a major disaster. The consequences of such a disaster would also be serious to MDAs as they have no facility to process their data, only the ability to send and receive. It could take weeks or even months before new equipment is procured, installed and made operational.

7.15 The standard solution to minimise the adverse impact of a major disaster is to set up a Disaster Recovery Site at a remote location. Site options are normally referred to as cold, warm and hot indicating the degree of back-up immediately available. A cold site is the minimal cost solution with minimum back-up whereas the other extreme is a hot site fully equipped and ready to run, with data continuously updated. After considering the various options it was decided that the intermediate "warm" level back-up would be most appropriate at a remote location from the main IFMS computer centre with data being updated daily from the main centre. Because of the sensitivity and confidentiality of some of the information contained in IFMS it has been decided that government should own all its disaster recovery facilities rather than use the facilities of a private sector service provider.

7.16 An important issue, which is an integral part of initiating recovery, should a major disaster occur, is to know exactly what to do. As part of the draft IFMS Security Policies document there is a need for specific sections dealing with disaster recovery and business continuity plans. Respectively, these plans are needed to describe how the Disaster Recovery Centre is to be brought into operation and then the business of how IFMS will be brought back to normal working conditions. It is understood that the contract for the supply of the Disaster Recovery Centre equipment has been awarded and the target date for Centre operation is November 2005.

Key recommendations

7.17 To ensure that the positive action taken by the ACGEN for more effective internal control for IFMS, is built upon and properly implemented it is recommended that:

- As soon as the Security Policies document is finalised, it be made mandatory for all IFMS users to adopt it and comply with its requirements.

- The Security Policies document to be used as the basis for developing security procedures for all categories of IFMS users and support staff and an ongoing training programme for users of the Security Policies and Procedures is established.

- The Disaster Recovery Plan and the Business Continuity Plan be documented as part of the Security Policy requirements with training given to key staff that has responsibility for implementing the plans.

- The deadlock about the proper use of the Data Warehouse as mentioned in Annex C: Structure and Status of the IFMS should be resolved.

C. MANAGEMENT AND ANNUAL FINANCIAL REPORTING

Current Arrangements

7.18 Government's annual accounting and financial reporting requirements are regulated by the Public Finance Act, 2001 and the Public Finance Regulations, 2001 issued as subsidiary legislation. Accounting procedure manuals have been issued for ministries and sub-treasuries.

7.19 Government accounts are maintained on a modified cash basis. Commitments are recognized during the year (see also paragraph 7.2) as an important expenditure control function and associated liabilities reported in the annual financial statements. It should however be noted that these commitments exclude all development expenditure commitments that may arise as a result of a supplier/contractor providing goods and services at a specific date (when the accompanying liability should be recognized), for which payment is incurred by the DP or the government at a later date.

7.20 The Government does not currently adopt any specific accounting standards. However, the formats of the financial statements are specified in the Public Finance Act, 2001 and Public Finance Regulations, 2001 and should include information that is classified on an economic and administrative basis. The IPSAS, *Financial Reporting under the Cash Basis of Accounting*, issued by the International Federation of Accountants, 2003 is the most applicable international standard. ESAAG, the regional body for accountant generals, recently undertook a survey on the extent of preparedness by governments for the implementation of this standard. The GoT was considered to be the second best in the region in this respect.

7.21 The IFMS has provided the GoT with the capacity to produce timely central government fiscal reports with minimal delays. Also chief accountants in the MDAs in Dar es Salaam have access to the central database maintained by ACGEN and so can monitor their commitments and payments in real time. Two standard reports are available to assist with this process. In addition, expenditure reports are produced each month. A summary version provides information on the original and revised budgets for each vote, the funds which have been made available by the MoF and details of cumulative payments. This report is issued to ministers, AOs, BoT, IMF and the World Bank.

7.22 The State House and Defense are still using IFMS on a stand-alone basis due to security considerations. Also, as stated earlier in this report, regional sub-treasuries, the Regional Administrative Secretariat, Parliament and Ministries based in Dodoma are still unconnected with the main server. They all provide data to the ACGEN's Department on diskettes which is then merged on a spreadsheet with data from the other MDAs. As a result the reports are not produced until around two weeks after the end of the month rather than three to five days which would be possible if all these entities were on-line.

7.23 Quarterly Budget Execution Reports are produced by the Policy and Analysis Department of the MoF. These are issued to DPs and enable one common set of financial statements to be provided.

These reports have been produced each quarter for the last three years and are published on the MoF's website, usually within one or two months of the quarter end. The reports include a commentary on revenue received and payments made, an economic analysis of payments and receipts, foreign grants and financing and a summary of expenditure in the seven priority areas agreed in the Poverty Reduction Strategy Paper.

7.24 The annual consolidated financial statements of the central government should be submitted to the Minister of Finance and the CAG within the four months period required by the Public Finance Act[29]. Section 25 (1) of the Act specifies the contents of such a set of accounts. The consolidated financial statements prepared by the ACGEN until the year ended 30 June 2003 have not fully complied with all the requirements of the Act. As a result the CAG's audit opinion was limited to the information submitted to him and therefore incomplete — separate audit opinions were issued on the individual components of the accounts rather than one consolidated opinion. The ACGEN made an immense improvement with the preparation of the consolidated financial statement for the year ending 30 June 2004. It complies in all material respects with the requirements of the Act and it is hoped that the CAG will issue one audit opinion on these accounts. Section 25 (2) of the Act requires every AO to submit to the CAG in respect of each vote, revenues and moneys for which he is responsible a set of financial statements within three months of the year-end[30]. The CAG raises any significant issues in his annual audit report to Parliament and expresses separate audit opinions on the financial statements submitted by each AO.

7.25 The National Bureau of Statistics provides estimates of a functional analysis of government expenditure in line with the requirements of the IMF's Government Financial Statistics (GFS) Manual. This information is then published by the President's Office of Planning and Privatization as part of the government's annual Economic Survey. The Policy and Analysis Department of the MoF collates the information for the IMF GFS returns.

Conclusions and key recommendations

7.26 PFMRP includes a number of activities relating to financial reporting including the need for AOs and their financial staff to be trained on the accounting manuals by the National Board of Accountants and Auditors (NBAA). In addition in order to support improved financial reporting and financial accountability, the existing system needs to be improved by implementing over time the following key recommendations:

- The financial statements should include economic, functional and programmatic analyses.
- Notes to the financial statements should explain the basis of the accounts, any departures from applicable accounting standards and any significant variances from the annual budget.
- MoF to work with finance staff in line ministries to develop further standard reports to be made available from IFMS.

[29] The Act was revised in 2003 to reduce the time from six months to four.

[30] For the year ended 30 June 2003 the CAG received 66 out of 68 financial statements within the original statutory deadline of four months. The Act was revised in 2003 to reduce the time for submission of MDA accounts from four to three months.

- Work towards producing an annual reconciliation of the fourth quarter budget execution report and the annual audited financial statements.
- The Government's financial statements to include the following elements as required by the Public Finance Act, 2001:
  - a statement of source and application of funds for the Consolidated Fund
  - a summary statement of stores and other assets for each Vote.

D. INTERNAL AUDIT

Recent developments and the current situation

7.27 The 2001 CFAA identified a number of problems with the effectiveness of internal audit, and primarily: the ambiguity of the internal audit mandate, with the associated lack of formal training; work programs limited to recurrent financial systems; and severe weakness in human resource capacity.[31] Partly to compensate for these problems, the government had established in October 2000 a Technical Audit Unit (TAU), to carry out performance audits on development projects, and a Stock Verification Unit (SVU), to verify and control all government property including stores.

7.28 These problems are in the process of being addressed and significant steps have been taken to transform the approach to internal audit from reviewing individual transactions to recommending improvements in control systems. Thus, the Public Finance Regulations, 2001 define the role of internal audit as independent appraisal of the adequacy and effectiveness of internal controls, and an Internal Audit Manual consistent with that definition was produced in 2004.

7.29 The ACGEN's Department has produced a scheme of service for internal auditors, separate from accountants. The scheme, to be effective as of July 2005, has been agreed with and created by the PO-PSM. It allows for an eventual total of 374 internal auditors across the MDAs and the Regional Administration, allocated to each partly on the basis of the respective volume of transactions and geographic reach, and to be hired in each MDA when it deems necessary. Meanwhile, the quality of staff is being enhanced. About 50 of the weaker internal audit staff have left the service and some more qualified staff has been recruited. In 2001 there were only four qualified accountants (Certified Public Accountants - CPAs) among internal auditors. There are now 14 and another five are in the final stages of qualifying. Although no internal auditor as such has so far been recruited, there have been a few transfers to fill gaps. All the current 70 internal audit staff has received training based on the Internal Audit Manual[32].

7.30 Finally, the departmental audit committees required by the 2001 Public Finance Act have now been established in virtually all MDAs, pursuant to Treasury Circular No.9 of 2003/04 (of 8 March 2004), and have begun functioning in most MDAs. Among their functions, the audit committees provide advice to the AO on internal audit matters and on tracking the departmental responses to concerns raised by the CAG. (As discussed in section 8B, lack of responsiveness to CAG findings is

[31] Indeed, transfer of staff to internal audit was often viewed as a punitive measure, and internal audit thus came to be seen, fairly or unfairly, as a dumping ground for non-performers.

[32] This included a five-day course in February 2005 for over 20 chief internal auditors. The PFMRP includes training for internal auditors on IFMS. An electronic copy of the Internal Audit Manual should be made available to all internal audit sections and relevant sections placed on the MoF web-site.

the major obstacle to the effectiveness of external audit in Tanzania.) The audit committees are composed of 3-5 senior managers as members, one of whom is appointed by the PS of Finance (who shall not be an employee of the institution under audit) and the others by the AO. In addition, the chief internal auditor and the chief accountant are expected to attend meetings but are not members, and the external auditor is invited to attend but to present concerns rather than participate in discussions.

7.31 The ACGEN has contracted an institution to provide training to all audit committees in 2004/2005. The minutes of the audit committees are received and monitored by the ACGEN's Department, with about 95% of MDAs committees meeting quarterly. From reviewing the minutes it is evident at this early stage of its establishment that there is a large variance in quality, with some committees undertaking in depth follow up of the audit queries, whereas others have been discussing the establishment and terms of reference of the committees. In an attempt to strengthen the process of sanctioning of civil servants for financial mismanagement, government has prepared a draft set of *Public Finance (Surcharge and Penalties) Regulations* which is expected to be promulgated in 2005.

7.32 Accordingly, as of early 2005, many of the regulatory, institutional, and programmatic measures on which to build an effective internal audit function had been put in place. In addition, the internal controls in the IFMS have been strengthened, as discussed in Annex C: Structure and Status of the IFMS. Actual further progress will depend on actions yet to be taken, and will require clarification of a number of issues, mentioned next.

Major issues and opportunities

7.33 Although the aim of internal audit is to provide the individual AO with advice on internal control systems and operational efficiency, the underlying institutional objective is to strengthen the AO's own accountability for resource protection, efficiency and effectiveness. Thus, as internal audit begins to function, the rationale for the ad hoc entities created to compensate for its earlier weakness (the TAU and the SVU) will disappear and responsibility should rest directly with the AO concerned[33]. Also, the current responsibility of the ACGEN as incubator for internal audit throughout the government should, in time, be moved up and out of the ACGEN's Department.

7.34 While the Public Finance Regulations, 2001 explicitly define internal audit as "*a service to the Head of the unit involved...by evaluating ...internal controls...and conducting operational/value for money audits...*" (par. 33.), they also call on the internal auditor to "*report on the adequacy of action by management*" (par. 34(1) (g)), and give the ACGEN authority to "*inspect the internal control and audit functions displayed by the Accounting Officers*" (par .29 (2) (b). Such inspection authority is limited to assuring that internal auditors are allowed to operate independently and without limitation on their access to information (par. 29(3)). Nevertheless, there is an inherent tension between the role of internal auditors as advisors to the AO and their responsibilities to the government for overall internal control across MDAs, which will need to be carefully managed.

7.35 Rapid implementation of current staffing plans would not be desirable – even if it were realistic. International experience shows that staff and other inputs must expand *pari passu* with institutional capacity, i.e., with the evolution of the "rules of the game", managerial attitudes, and the applicable incentive framework. In particular, new skills received by the staff through training will degrade quickly unless they are actually used in the working environment. Accordingly, the government

[33] However, although the primary responsibility for protecting public assets rests with the respective MDA management, the maintenance of a national asset registry is a normal function of the Ministry of Finance.

intends that the implementation of the formation of internal audit units in each MDA will be gradual, depending on the needs of the MDA.

7.36 Finally, the evolution of internal audit should be coordinated with the formulation of performance indicators in the sectoral MTEFs, and should interact positively with the CAG's new value-for-money (VFM) audits (see 8B), to produce greater results-orientation within each MDA and in the PFM system as a whole. Without closing the public expenditure management loop with meaningful evaluation, progress in systems and efficiency cannot become continuous. MDAs in Tanzania currently lack any internal monitoring and evaluation (M&E) capacity. Thus, the initiative on internal audit could be combined with the creation of a small M&E capacity.

Recommendations

- Take specific steps to end any residual involvement by internal auditors in the authorization of expenditure.

- Expand internal audit slowly, as and when justified by absorptive capacity in each MDA; consider appoint a single chief internal auditor with responsibility across several smaller bodies; and broaden entry requirements to accept degrees in other relevant disciplines, as well as experience in management.

- Use the Internal Audit Manual sections on systems-based audit as the basis of further training, with practical examples related to the specific MDA, and give to all new entrants orientation training, including the basics of M&E.

- As and when justified by the progress in internal audit, transfer the TAU and SVU staff to the appropriate MDA, and abolish the TAU and SVU.

- As and when internal audit is firmly established, move the responsibility for internal audit and standards and oversight up and out of the ACGEN's Department.

8. EXTERNAL ACCOUNTABILITY AND OVERSIGHT

A. INTRODUCTION

8.1 A number of organisations have the legal and institutional responsibility for holding government to account for its performance including the NAO, PCB, Parliament and its committees. The media and the public also have a critical role in overseeing the activities of the government, whilst professional accounting and procurement bodies as well as the PO-PSM have an important role to play in ensuring the integrity of the public service.

8.2 The credibility of the various oversight bodies will ultimately be determined by their ability to enforce compliance with the relevant regulations and impose sanctions (or refer to the relevant prosecuting body) on those institutions and individuals who do not comply with the laws and regulations.

8.3 The credibility of the government's efforts to improve financial accountability and mitigate fiduciary risk depends not just on the independence and capacity of the oversight bodies but also the fairness and effectiveness of the legal-judicial-penal system. There are therefore important linkages between the reform of PFM and the Legal Sector Reform Programme as well as those discussed in section 3 between PFMRP and public service reform.

B. EXTERNAL AUDIT

Recent developments and current situation

8.4 External audit is carried out in Tanzania by the NAO, led by the CAG[34]. NAO is a member of the International Organisation of Supreme Audit Institutions – INTOSAI and the African Organisation of Supreme Audit Institutions – AFROSAI. As a member of INTOSAI, it is expected to apply auditing standards promulgated by that body. As the lynchpin of public financial accountability, external audit has received a lot of internal and external attention in recent years, including from DFID, the EC, the IMF, SIDA, and the World Bank - as well as in the ongoing in-country dialogue through the PFMRP. This section provides a synthesis of the key points of consensus and an assessment of the current situation, and advances a number of recommendations which, although largely new, are consistent with the thrust of earlier assessments.

8.5 Since 2001, the capacity of the NAO has been somewhat strengthened, its authority and scope have expanded, and its functioning has improved to some extent. Responsiveness to NAO audit findings, however, has gotten worse.

8.6 Concerning *capacity*, an organizational restructuring in May 2002, followed by a major job evaluation exercise, led to recruiting additional staff into the redefined positions. The qualifications of

[34] The NAO sister institution, the Tanzania Audit Corporation, has been dissolved, and its functions of auditing public enterprises were absorbed into the NAO in FY04/05.

NAO staff have thus been raised, with 33 of the revised audit positions now filled by professionally-qualified accountants, although the target of 101 staff (out of the total 318) qualified as public accountants or equivalent (e.g. business degrees) by 2007 is far from being met. The compensation structure, however, which is part of the overall government structure under the Public Service Act, 2002, continues to provide insufficient incentives for the best-qualified staff and managers.

8.7 Persistent problems with *computerization* remains. Most staff has only acquired skills on data capturing and word processing. While the ACGEN has provided training to the NAO staff on the EPICOR application to enhance their understanding of the system, access to the IFMS from the NAO offices has not been established due to limitations inherent to the infrastructure of the building – this is being addressed but will take some time. As a result the NAO staff is not equipped nor trained to apply computer assisted audit techniques. Plans are underway to train four teams of four members each in these techniques through a partnership agreement with one of the big four audit firms[35]. It is envisaged that these teams will be deployed to apply their newly acquired skills on the TRA audit for FY05. Rather than training all NAO staff, the plan is to establish a group of specialists who will provide computer assisted audit support to the audit teams in the MDAs. The quality and effectiveness of audit work will also be improved by applying modern audit techniques, including risk analysis, random sampling and system audits such as payroll and procurement. This has finally begun to be addressed effectively in late 2004, with the assistance of a SIDA-supported project, although time-consuming manual audits will have to continue through at least 2005.

8.8 Concerning the auditing of the operations of the NAO itself, the latest audit on the accounts for 2001/02, revealed only one adverse finding, i.e., the miscoding of some expenditure items. Action has been taken to correct the mistake. The auditor for the accounts of 2002/03 and 2003/04 has already been appointed and the audit is to be completed in the very near future.

8.9 Concerning the *authority and scope* of NAO activity, the Public Finance Act, 2001 strengthened the independence and role of the CAG, gave it greater control over its budget, and expanded the scope of its activity to include VFM audits. The CAG is responsible for auditing and reporting on the accounts of all MDAs, public authorities, other bodies and persons who receives money from the Consolidated Fund or for public purposes. It is understood that the CAG is not limited in any way to access to classified information for purposes of fulfilling his statutory obligations. The capacity to carry out VFM audits has only recently begun to be put in place. Combined with the groundwork laid to strengthen the internal audit function (see section 7D), and the attention given to performance measures in the MTEF process, VFM audits could stimulate significantly the overall results-orientation of the public expenditure management system in Tanzania. Care should be taken, however, lest this expansion of activity detract attention from the still considerable problems of compliance and financial integrity – which must remain at the core of the CAG's concerns. Accordingly, the current practice of outsourcing many audits of public enterprises, at their expense, ought to be followed also in respect of VFM audits. The NAO should therefore strengthen its capacity to design, contract and monitor VFM audits conducted by private firms, rather than attempt to build all such capacity internally. Doing so will require some expansion in the NAO budget for the purpose of financing VFM audits and special studies, and some tightening of quality control procedures[36].

8.10 Concerning the *functioning* of the NAO, the above actions have been in part responsible for an improvement in audit timeliness and outcomes, as shown in the table below.

[35] The teams will attend a two-weeks training course and then be deployed in the field to apply the newly acquired skills under supervision of audit managers from the audit firm.

[36] As in many other countries, the majority of donor-funded projects are audited by private firms.

Table 18: Timeliness and Main Findings of NAO reports

	FY01	FY02	FY03	FY04 (expected)	FY05 (target)
% of central government accounts submitted late*	17	15	3	< 3	<2
CAG Annual Report submission delay **	10months	10months	7months	3months	On time
% of MDAs with clean audit certificates	**34**	**33**	**46**	...	...
% of MDAs with qualified audit certificates	39	49	53	...	...
% of MDAs with adverse opinions	27	17	1	...	...

* **Compared** to due date of October 31 of the same calendar year.
**Compared to the due date of March 31 of the following calendar year.
Source: Elaborated from National Audit Office data, various years.

8.11 The improvement in timeliness of completion of the NAO Annual Reports, and thus of their submission to Parliament (through the Minister of Finance) and the President[37], is partly a result of the decreased incidence of late accounts, which after steadily declining for three years, dropped dramatically between FY02 and FY03. Largely due to the efforts of the ACGEN, late completion of public accounts is becoming a thing of the past in Tanzania, at least at central government level. As noted above, the application of time-consuming manual and outdated audit techniques, that had hampered the timeliness of NAO report completion, is now starting to be resolved, with the help of SIDA. Thus, the NAO states that it will complete its report for FY04 no later than June 2005, three months after the due date (and within the HIPC-Assessment and Action Plan benchmark), and that it aims at completing before end-March 2006 the Report for FY05, and the subsequent ones. *This will be a test of the NAO resolve and readiness to make other audit improvements, because timeliness of reporting is the first prerequisite for audit effectiveness.*

8.12 Equally noteworthy is the improvement in audit outcomes, with the number of clean audit certificates rising in recent years to almost half the total, and the percentage of adverse opinions dropping steadily since FY2000, and sharply between FY02 and FY03, with all but one opinion upgraded to a qualified audit certificate.

8.13 However, the quality of the audits themselves could be improved, especially in the direction of better documentation of audit files, more systematic training and supervision of auditors, and, most important, a clearer focus on major issues. The Annual Report in particular would benefit from a stronger treatment of cross-cutting issues and key problems. The CAG has already begun to take action to improve audit quality. The current audit briefs to the PAC now include an assessment of the responses given on audit findings. The content and structure of the report are being made more user-friendly, dealing with the major cross-cutting issues but also in sufficient detail to compare MDA financial performance over the years and against each other, and with executive summaries. Also, the management audit reports will include responses by auditees to promote compliance. The intention is to effect these changes beginning with the audit report for the 2004/2005 year. Much of the qualitative improvement can be made without additional staff or other resources, and would not be constrained by the current salary structure. Other improvements, as recommended below, will call for targeted assistance.

[37] As required by Article 143 of the Constitution.

Major issues and opportunities

8.14 Regrettably, the progress in audit and accounting described above has not resulted in substantive improvements in *accountability*. It is not acceptable that more than half of the Appropriation Accounts still cannot be awarded a clean audit certificate (Table 18). It is even less acceptable that the CAG observations are generally ignored – let alone answered satisfactorily – and that the same issues have to be raised in report after report without action or even recognition. To quote from the CAG report on FY03 (para.18): *"Many Accounting Officers pay little regard to matters reported upon, and issues that demand financial accountability continue to be ignored. Disciplinary action against offenders is largely ignored...I have again reiterated on issues appearing in my previous reports, that have not been acted upon, to serve as a reminder that Accounting Offices have a duty to rectify outstanding mattes raised in audit reports and during PAC hearings."* It is not surprising that some interlocutors relate that in recent years the traditional apprehensiveness of external audit has given way to indifference.

8.15 Nor are the improprieties minor. Between 1999 and 2002, over TSh72 billion, or about TSh24 billion a year on average, were lost through negligence, embezzlement and theft. This state of affairs does not seem to have improved since then, with TShs.50 billion worth of unvouched or improperly vouched expenditure in FY03 alone[38].

8.16 The effectiveness of external audit may be constrained either by structural limits to NAO independence, or by lax government enforcement of the applicable regulations, or by weak legislative response to audit findings. The answer, not surprisingly, is found in all three – although government responsibility for inaction is by far the heaviest factor.

8.17 ***De facto independence of the CAG.*** Normally in most other countries of the Anglo-Saxon administrative tradition, the head of the supreme audit institution is directly appointed by and is directly responsible to the Parliament; receives its budget from Parliament; and has full operational autonomy. In Tanzania, the Constitution prescribes direct CAG appointment by the President (although nothing precludes the President from acting only upon recommendation by Parliament); the CAG reports to Parliament through the MoF; the NAO budget is part of the overall government budget; and NAO staff is subject to the same conditions and terms of service as government employees in general. Superficially, these provisions may appear to be inconsistent with an independent and robust external audit function. A closer look, however, yields a different conclusion. First, the constitutional procedure for removal of a CAG, even for cause, is detailed and complex enough to assure his or her effective independence, after initial appointment. The Minister of Finance is obliged by law to transmit the CAG annual report to the National Assembly within seven days of the next sitting of the Assembly, failing which, the CAG can do so directly; the provision, therefore, serves merely as an early warning of major problems. Moreover, in practice, nothing prevents the CAG from sending other communications directly to the Speaker of Parliament or the chairman of the PAC. The Public Finance Act provides for the NAO budget to be set by Parliament, albeit in consultation with the MoF and the PAC. Moreover, the NAO budget request is routinely met, and the release of the cash is made semi-annually into a CAG-controlled account. Finally, and most telling, although NAO reports could certainly be improved in a variety of ways, they show no evidence of timidity or "pulling punches". Thus, in actual fact, the only major limitation to the independence of

[38] Moreover, expenditures can be vouchered properly even though the goods or works contracts may have been awarded improperly, and the sums involved could be much larger than those identified in the CAG reports.

CAG arises from its lack of autonomy in personnel management and in compensation[39]. Accordingly, the real constraints to audit effectiveness lie in the lax enforcement of the existing laws and regulations rather than in the laws and regulations themselves.

8.18 ***Government inaction.*** As section 8D discusses in detail, inefficiencies and delays in the judicial system are a factor hampering the fight against corruption. Lack of sanction for the non-compliance and financial improprieties uncovered by the CAG could conceivably be excused on those grounds. However, the Public Finance Act gives the Minister of Finance clear authority to pursue personal restitution of funds, if he is satisfied that the officer concerned is responsible for the impropriety, based on an administrative (not judicial) proceeding. Moreover, the Public Service Act, 2002, provides for various administrative sanctions, including termination of employment. Thus, there is no legitimate reason for lack of vigorous follow-up and sanction by the government of what is a grave neglect of basic duty – or worse. The functioning of the departmental Audit Committees, described in section 7D, should help in the future to track the rate and sufficiency of response to audit findings[40]. Nonetheless, a major improvement in responsiveness to audit findings and thus in financial integrity will require fresh resolve from the top political leadership, and a link between such responsiveness and the career prospects of the individuals concerned.

8.19 ***The role of Parliament.*** The improvement in timeliness of completion of the CAG annual report, if it continues, should give the Public Accounts Committee a better platform on which to conduct hearings on the report. However, as discussed in section **B**, a separate problem is the reluctance or refusal of the Speaker of Parliament to allow parliamentary debate on PAC reports. Moreover, steps are needed to bring forward the relevant audit findings - not only ex post after the conclusion of the fiscal year, but ex ante, during the parliamentary debate on the budget for the following fiscal year. Even then, the near total lack of staff support for the PAC and the various budget committees will hamper parliamentary scrutiny of the intended and actual use of public funds. However, the need for technical staff is relative to the length and technical nature of the reports tabled. While legislative capacity is being gradually built, the reader-friendliness of CAG reports can be much improved. As discussed in paragraph 8.25 a simple change in standing rules and procedures of Parliament is required to immediately open PAC hearings to the public and media, with individual exceptions in specific cases.

8.20 ***A more responsive and proactive NAO.*** There are a number of practical initiatives the NAO itself can take to improve its reporting, raise the profile of external audit, enhance transparency, and raise contestability of government actions. Some are recommended below. As noted earlier, the NAO is already taking action in this direction.

8.21 Aside from the improvements the NAO can itself make, the timing of implementation of the other recommendations to strengthen the external audit function will of course depend on priorities and other commitments of the government. The transition to a new presidential administration after October 2005 would provide a suitable occasion.

[39] However, the physical placement of external audit staff (resident auditors) within the MDAs is anomalous and a source of concern, as their independence requires arm's-length relationship. While the space in the NAO building is not sufficient to accommodate all staff, it should however be noted that the supervision of these teams is performed by senior audit staff resident in the NAO building.

[40] The participation to those committees by the external audit staff, however, should be handled very carefully. As mentioned in section 7 A.D, while external audit staff may be invited to attend meetings of the audit committee, they should do so exclusively for the purpose of presenting an issue of concern and should thereafter excuse themselves from the discussion.

8.22 Whether or not the government finds merit in the particular recommendations that follow, the external partners are uniformly of the view that to reduce fiduciary risk in Tanzania, and hence buttress the case for budget support, demands that the effectiveness of the external audit function be strengthened. None of the recommendations below call for legislative or regulatory changes, and several do not require additional staff or other resources. It is likely that donor assistance can be obtained to allow implementing the remaining recommendations, but these initiatives should be to the maximum possible extent designed by NAO management and executed by existing staff. However, although all the recommendations are pertinent to the effectiveness of the external audit function, some are beyond the capacity of the NAO itself and/or require action by other organs of government.

Recommendations

- NAO should cull from the management letters cross-cutting themes and major problems and submit «advance reports» before end-December of each year, beginning in 2005, and attach to the Annual Report a short «executive summary» focussing on the key issues and identifying the responsible MDAs - in plain English and Kiswahili suitable for non-technical readers including Members of Parliament and the media.

- NAO should compile an inventory of adverse audit findings and of responses obtained, MDA by MDA, and thereafter regularly monitor the response rate to audit observations, with a summary assessment of the responses – such information to be tracked as an indicator in donor programs and by the GGCU.

- All hearings of the PAC should be opened to the public, with individual exceptions for specified reasons.

- Prepare «audit briefs» on each MDA, for the benefit of Parliament during the debate on the budget for the subsequent year, beginning with the budget for FY07

- Introduce as an item in the annual confidential evaluation of Accounting Officers' performance the adequacy of their MDA responses to external audit observations, as assessed through the Minutes of the respective Audit Committee.

- Adopt as formal practice by Presidential decision that Presidential appointments of future CAGs will be made upon recommendation of Parliament.

- Provide the PAC with the funds to hire at least two staff qualified in management, accounting, economics or other relevant subject.

C. Legislative Scrutiny

Current committee structures and responsibilities

8.23 In January 2001, the National Assembly amended the standing orders and created sectoral budget committees. The mandate of sector committees is to: (i) review budget proposals and budget performance of their sector ministries; (ii) conduct a post-mortem review of audited accounts; (iii) review the performance of relevant public institutions/ parastatals; and iv) oversee draft legislation. The Finance and Economic Affairs Committee acts as a sector committee for the MoF and President's Office, Planning and Privatization. In addition, it reviews the annual consolidated government budget before submission to the National Assembly.

8.24 The rationale for the creation of sectoral budget committees was to increase parliamentary participation in the budget formulation process. However involvement of the parliamentary committees in the budget process still comes towards the end of the process, usually a month before the June budget session. The Economic Outlook and Annual Plan and the Budget Speech are normally presented in the second week of June. The process of debating and approving the appropriations usually means that the budget is approved two months after the beginning of the financial year.

8.25 Parliamentary committees meetings are generally held in camera in accordance with section 88(7) of the standing rules and procedures, but at the discretion of committee members the public may be allowed to attend special hearings. However, parliamentary sessions are generally open to the public. NGOs, civil society organizations (CSOs), lobby groups and individuals may express their views to Parliament and contribute to policy formulation through the presentation of papers. Minutes of such meetings are recorded in Hansard and are available to the public.

8.26 Parliament receives a quarterly report on budget execution from the MoF. These reports provide an overview of macro-economic developments, together with summary tables on monthly and quarterly revenue collection and expenditures, related to estimates for the period.

8.27 Three committees: the PAC, Investment and Public Corporations Committee (IPCC) and the Local Authorities Accounts Committee (LAAC) have special oversight roles. The 15 member PAC is responsible for reviewing the CAG's report for all central government accounts. The chairperson of PAC has to be appointed from amongst members of the opposition. One other member of the opposition, a specially elected Member of Parliament is on the committee.

8.28 The PAC is assigned 60 days for their work (14 days before a parliamentary session and 14 days after). Parliamentary committee members are not involved in the preparation of their budget and are not generally aware of the funds made available to the committee. Travel funds are generally not available outside Dodoma and Dar es Salaam. Considerable difficulties are experienced in obtaining funding to carry out special investigations, and funds were only made available by cutting down on other work and through pressure from external stakeholders.

8.29 The technical-professional capacity of committee members to deal with the subject matter of their remit is generally recognized by themselves to be weak and in Tanzania no professional research support is provided such as it is in other countries. The opposition pays for their own researcher who provides technical support to the chairman of the PAC. The PAC is assigned a clerk but this is primarily clerical and administrative support.

8.30 Reports received by PAC include:

- Unaudited financial statements of individual MDAs and annual accounts of the ACGEN;
- Detailed audit report from the CAG; and
- Stock Verification Report from MoF.

8.31 As shown in the table below the PAC completed its review of the 2002/03 CAG's report during the November 2004 parliamentary session and has tabled its report with the Speaker. According to the chairman of the PAC, the position with respect to the debate of the other reports is as set out below.

Table 19: Status of PAC reports

Report	Tabled with Parliament	Debated by Parliament	Comments/Action
2002/3 PAC report	Yes	No	None
2001/2 PAC report	Yes	No	None
Special report on Ministry of Energy and Minerals[41]	Yes (February 2004)	No	PAC chairman has advised the Director General of the PCB that a report has been tabled[42]
Special report on PMO (TVT)[43]	Yes (February 2004)	No	None
Special report on Ministry of Education[44]	Yes (January 2002)	No	None

8.32 The reason for the delay by the Speaker in allowing parliamentary debate of the PAC reports is not known. Furthermore, it is understood that the PAC issues directives for actions to be taken by the relevant authorities but that relevant sectoral budget committees have not followed up on the issues raised in these reports and no action has been taken by any government body. As noted in section 8D, the PCB is following up the findings of the 2002/3 CAG report for Local Authorities so clearly there is no requirement for the reports to be debated by Parliament before action can be taken.

8.33 The chairman of the PAC has written to the CAG requesting the status of recommendations in the CAG's earlier reports, but is still awaiting a reply. The situation with respect to the reports of the IPCC and the LAAC has not been reviewed. The need for an inventory of outstanding queries is discussed in more detail in the recommendations of the prvious section.

Conclusion and recommendations

8.34 Despite the introduction of sectoral budget committees, parliamentary oversight in the budget process begins at a late stage, once estimates have been prepared, approved by the MoF and Cabinet. The ability of Parliament to question or influence inter sectoral allocations and ensure that they follow sectoral policy is therefore very limited

8.35 The work of these sector committees appears to be somewhat confused and to a certain extent overlaps with that of the PAC, as it is understood that they concentrate on understanding and reviewing the financial and physical performance of their relevant ministries based on the financial statements provided by the relevant ministry. These committees are supposed to focus on the physical performance and not a detailed discussion of the annual accounts.

8.36 The fact that PAC reports have not been debated on a timely basis or action taken by the relevant bodies on their recommendations is very serious. A recommendation on improving public access to committee meetings is included in section 8E. The following recommendations are designed to ensure that the legislature's role in scrutinizing government's activities is significantly improved:

- PAC reports are debated within 30 days of being tabled with Parliament.

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[41] This report looked in particular at Tansort a diamond selling company based in the UK.

[42] It is claimed by relevant authorities, Police, PCB, line ministries, MoF that they cannot initiate any action until the PAC has issued directives to take action.

[43] TVT = National Television (*Televisheni ya Taifa*)

[44] Special investigation into a computer contract.

- Recommendations of PAC reports should be followed up immediately the report is tabled and made public.

- Parliament or its committees should be involved in the budget process at a much earlier stage and discuss resource allocations before setting expenditure ceilings in the Budget Guidelines.

- The mandate of the sectoral budget committees should be clarified.

- Funding should be provided for technical research personnel to support PAC and other committees.

D. ETHICS AND INTEGRITY BODIES

Current situation and recent developments

8.37 The Minister for Good Governance was appointed in 2000 to provide Cabinet level political leadership for anti corruption and good governance issues. The GGCU was established in July 2001 in the Office of the President to support the Chief Secretary who was designated as the administrative leader and co-ordinator of the various ministerial plans set out in the government's national anticorruption strategy and action plan. The Unit comprising of a co-ordinator and assistant co-ordinator produces a quarterly report, which captures high level indicators of action being taken to combat corruption. The report is submitted to the President, MDAs, civil society and the public. Approximately 3,000 of the reports are produced in English although there are plans to produce it in Kiswahili. The latest report is for the period April to June 2004.

8.38 Following the enactment of the Human Rights and Good Governance Act, 2001, the CHRGG was established in March 2002 under the Ministry of Justice. It took over the responsibilities of the Permanent Commission of Enquiry (PCE) with respect to official maladministration and was given the responsibility of promoting human rights. Since its inauguration it has received 10,322 complaints including 2,237 brought forward from PCE. It has investigated and closed 4,050 and has 6,272 cases outstanding. To date, complaints received have been predominantly in relation to official maladministration, primarily employment related, for example worker's complaints about the privatization process. It is believed that this is because of general lack of awareness of human rights issues amongst the general public. Issues of corruption are referred to the PCB.

8.39 Although the Commission has legal independence, in practice it has to adhere to government procedures and processes with respect to human resource and financial management. Currently, the Commission has 7 commissioners, 4 directors and approximately 20 investigators and support staff. The directors were not appointed until end 2004 and the human rights director has still not been recruited. Bureaucratic procedures have been blamed for the delays, although this is refuted by the PO-PSM. The Commission is now in the process of employing 103 additional staff.

8.40 According to the Act, the jurisdiction of the Commission is both the mainland and Zanzibar, but as noted in the section on Zanzibar, the law has to be adopted by the House of Representatives. The House of Representatives has reviewed the Act and has agreed to adopt it only after alterations to the Union act. These changes have not been effected. (Note for section on Zanzibar, the Commission has an office in Zanzibar due to the fact that PCE had an office there, but no work is done there).

8.41 The mandate of the Civil Service Ethics Secretariat is to administer the public leadership code of ethics for the five thousand plus public "leaders" specified in the legislation. Minor revisions in 2001 to the 1995 Public Leadership Code of Ethics Act allow greater access to the public to see the various declarations and for the Secretariat to initiate its own investigations. No precise information was available on number of complaints received, transferred or investigated, although it was noted that very few have ever reached tribunal stage.

8.42 Further revisions proposed by the Law Reform Commission, which would require the publication of public leaders' assets were presented to the Minister of Justice in February 2005 after extensive public consultations. As noted in 8.44 as it would be a revision of existing legislation, it is understood that this could be fast tracked by the Minister of Justice. To date operations have been centered in Dar es Salaam with a staff of 8 enquiry officers, plans for the establishment of six zonal centers, three in FY 04/5 and three in FY05/6 are under way. Each centre is to be staffed by one graduate and three support staff.

8.43 The PCB is the government's leading anti-corruption entity and is responsible for investigating cases of corruption on the mainland and referring them to the courts for prosecution. As noted in the section on Zanzibar, PCB does not operate in Zanzibar because anti - corruption law is not viewed as a union matter. The PCB is under the Office of the President and is not a constitutionally recognized body.

8.44 The Director General of the PCB is appointed by the President and has no security of tenure. As noted in the previous CFAA, the primary legislation for the PCB is the Prevention of Corruption Act, 1971. The PCB in close consultation with other interested stakeholders initiated a review and update of its legislation to make the Bureau more effective. This was presented to the Law Reform Commission. Following extensive public consultation, the recommendations of the Commission have been presented to the Minister of Justice and Constitutional Affairs. The final content of their recommendations is not widely known but, given that an update rather than new legislation is proposed, it is within the mandate of the Minister to "fast track" the tabling of a bill comprising revised legislation to Parliament. If the relevant parties agreed, this could permit revised legislation to be enacted before the end of the current session of Parliament.

8.45 The PCB has offices in all 21 regions and in 116 districts. The Bureau has three operational directorates: investigations, public education, and research, control and statistics. It currently has 38 prosecutors and 730 investigators. The bureau is active in following up some public reports such as the 2002/03 CAG report for local authorities, but the policy for selection of the reports to be investigated further, is not clear. In addition, there is a hotline for the public to report cases of corruption, but currently Tanzania does not have the kind of legal framework that would facilitate and make public reporting of corruption more effective, i.e., there is no Freedom of Information, Whistleblower or Qui Tam legislation.

8.46 Between 1995 and June 2004[45], the PCB received 10,319 reports of corruption and investigated 9,507 of them. Of the cases investigated, 357 were prosecuted, resulting in 48 convictions. As of June 2004, 5,387 cases were pending with the PCB. Between 2001 and 2004, 6,378 cases were investigated resulting in 20 convictions and investigations recovered a paltry Tshs.390 million[46]. The PCB claims

[45] According to statistics set out in the US Department of State – Country report on human rights practices – 2004.

[46] GGCU, Tanzania's Third Phase Government Fight Against Corruption: Implementing the National Anti-Corruption Strategy and Action Plans 2001-2004

that this very low rate of successful prosecution and conviction is attributable in large measure to inadequacies and weaknesses in the current Prevention of Corruption Act.

8.47 Since 2001, the Public Education Directorate has carried out extensive community education and awareness programs and produced a wide range of radio and TV programs, radio dramas, advertisements and other publicity material. Its aim is to involve the community in fighting corruption and consequently it works directly with the public, civil society, central and local government, schools and the private sector. It has also adopted an initiative whereby teachers have become involved in preventive education. The success of the overall program is difficult to quantify and no local comparative research has been carried out to measure any changes in the incidence of corrupt activities. There is however the strong belief that corruption is more widely acknowledged as a problem in Tanzania and that attitudes are slowly changing, particularly among the younger generation.

8.48 The Public Service Act, 2002 now gives the mandate to the PO-PSM to oversee public service ethics in MDAs by coordinating and monitoring ethical conduct at workplaces. The Ethics Division (formerly the Ethics Inspectorate Unit) continues to conduct public awareness initiatives and to provide training and guidance on ethics and integrity to public servants. The revamped PSRP has a separate sub component on ethics and integrity, which is designed to link closely with the NACSAP.

8.49 All ethics and integrity bodies develop their own budgets within ceilings provided by the MoF. None of the bodies are treated as a high priority or protected sector so funds are received monthly. MoF screens requests for development funds, for example a request by CHRGG to open two zonal offices was rejected by Finance. Although human resource management is being devolved, some civil service rules and regulations such as the 60 day out-of-office constraint mean that the organization does not have complete flexibility in the management of its operations.

8.50 Over the last seven years the Transparency International Corruption Perception Index (CPI) reports show an encouraging improvement in scoring for Tanzania. Tanzania's CPI improved from 1.9 in 1998 to 2.7 in 2004 but Tanzania remains in the bottom quartile of those countries assessed and have been excluded from receiving American Millennium Challenge Account funds because of it corruption problems. As noted in the section on procurement and in the CAG's report corruption is considered to be most prevalent in public procurement, revenue collection and financial management, in that order. According to the PCB, most corruption-related complaints involved mining; land matters, particularly title deed fraud; energy; and investment. The lack of regulations for the government's program to privatize parastatals was also a source of corruption complaints. According to anti-corruption NGOs, most allegations of corruption involved the TRA, and local government authorities. A special report on corruption within Tanzania has not been carried out since 2002[47]. A comprehensive, empirical, diagnostic corruption survey that could report on corruption in all MDAs and at all levels of government has never been conducted in Tanzania so there are no benchmarks on the basis of which one could focus analysis, interventions and monitor change.

Conclusion and recommendations

8.51 Whilst the government continually emphasizes its commitment to fighting corruption, the ability of the PCB and other institutions to successfully investigate, prosecute and convict offenders remains limited by current legal constraints, availability of experienced personnel and lack of adequate

[47] The State of Corruption in Tanzania 2002 by the Economic and Social Research Foundation and Front against corrupt elements in Tanzania (FACEIT)

finances. Available resources are spread thinly across a number of organizations and operational activities constrained by government procedures. In the 2004/5 budget Tshs.857 million has been placed in the special expenditure reserve for an anti corruption drive, but how this has been used is not known.

8.52 The GGCU's reports in earlier years have not always been complete, e.g., several sections in the table that provides for monitoring and controlling the financial accountability cycle have never been filled in. The GGCU is only now finalizing the July – September 2004 report because of delays in receiving information from ministries. No information was received from either the NAO or the Ethics Secretariat for the April or July reports. Also information in the report does not provide the reader with any assurance that substantive action is being taken against AOs or others who are responsible for financial mismanagement or other offences.

8.53 As noted in the anti corruption strategy, the biggest challenge is to convince a cynical populace that the government's strategies are honest and genuine. The extent of government inaction described in paragraph 8.18 seriously undermines its credibility. The success of the anti corruption program is heavily dependent on public perception of the transparency and integrity of all stakeholders in the process. The following recommendations are designed to enhance GoT's efforts at combating corruption.

- Revised legislation which provides PCB and other legal, judicial agencies with more effective powers is enacted within the next six months.

- The GGCU quarterly reports are produced within 60 days of the end of the period and non reporting MDAs penalised.

- Government commence to use the GGCU's quarterly reports as a basis for taking follow-up action (also refer to the recommendations in section 8B).

- Information collected by the GGCU should be reviewed and revised to ensure that stakeholders are provided with more detailed information on sanctions being applied.

- The feasibility of sharing physical resources (buildings and support staff) at a zonal level by the different ethics and integrity bodies should be assessed.

E. PUBLIC ACCESS AND DEMAND FOR INFORMATION

Access to and availability of information on PFM

8.54 As noted in the CFAA 2001, according to article 18(1) of the Constitution "every person has the right to freedom of opinion and expression, and to seek, receive and impart or disseminate information and ideas through any media regardless of national frontiers..." However, the "claw back clause", "Without prejudice to the laws of the land..." effectively dilutes the right to freedom. In addition, article 30 of the Constitution proceeds to outline many exceptions to this fundamental right. There is no Freedom of Information Act and Tanzania still has a number of other legal barriers that potentially make it impossible or difficult for all Tanzanians to access information on matters relating to public sector financial management. As noted in the CFAA 2001, the major ones include: The National

Security Act, 1970; The Newspapers Act, 1976; Civil Service Regulations, Circulars and Standing Orders; and the Broadcasting Services Act, 1993.

8.55 According to recent media reports[48] there are also proposals to form a committee under the Tanzania Communication Regulatory Authority, which will be charged with evaluating and regulating media content. This appears to contradict government statements on improving the availability of information and creating information officers in each ministry. Furthermore it potentially undermines the role of the Media Council of Tanzania, which is tasked with helping to safeguard and maintain the freedom of the media as well as ensuring that journalists adhere to the highest professional and ethical standards.

8.56 Section 7C on financial reporting sets out in detail the reports produced by the MoF. A number of these reports including the Budget Speech and quarterly budget execution reports are available on the ministry's website, although the latter is only available in English. This has helped to alleviate the difficulties of accessing information from outside Dar es Salaam and with the inadequate supplies of hard copies of reports and legislation. The section on the NAO discusses in detail the CAG's report; this report is available to the public once it has been tabled with Parliament. Currently the CAG does not provide a press release to the media on key issues raised in his report.

8.57 As noted in section 8E with the exception of special public hearings the general public and the media are not free to attend parliamentary committee meetings and even with special hearings can only do so with the approval of committee members. Committee reports have a restricted distribution until they have been tabled with Parliament, after which they are available to the public, although this fact does not appear to be widely known.

8.58 Some information on procurement is made available including participants and winners. However information on how participants have been chosen is not always available and procurement advertisements are scattered through local and East African papers with no central source of information on all available contracts. Availability of information on fund releases and user fees evidently varies between different service providers. Some information is provided to local communities on the amount of funds released to local authorities.

Demand for and use of information

8.59 Enabling improved access to information is only one part of the equation. Equally important is ensuring that the media are able to carry out their key role of interpreting and disseminating information to the general public. GoT recognises the importance of the media's role in creating public awareness on corruption and this constitutes one of the seven pillars of NASCAP. It is also widely recognised that the media can serve as an important watchdog in exposing the negative effects of misconduct and corruption within procurement and can serve as an important partner in efforts to strengthen public awareness on procurement issues.

8.60 Unfortunately, the Tanzanian media is presently not fulfilling this watchdog role too effectively, and sound investigative journalism on corruption and procurement is very limited, although not non existent. There are a number of reasons including lack of training in investigative techniques, the structure of the newspaper and media industry, including the fact that few journalists are salaried staff and constraints on editorial freedom.

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[48] The Citizen 10th March 2005.

8.61 Demand for information by the public is generally considered to be weak and there are numerous calls for increasing awareness amongst the public of their role in holding the government to account. The effectiveness of the public as watch dogs is however clearly linked to the provision of a service, by government for which the individual pays either directly by user fees or indirectly through the tax system. Tax collection and tax administration issues are discussed in detail in sections? According to the Fiduciary Risk Assessment (FRA) carried out in 2004, the public is highly dissatisfied with the level of service provided particularly at a local level. As this year's financial accountability review has concentrated on central government operations customer satisfaction has not been reviewed. However customer surveys do form an important part of the public services and local government reforms and should provide valuable information on public perceptions of service standards.

Conclusion and recommendations

8.62 Without free access to information, it is impossible for the public or the media to carry out their role of holding the government to account. Any attempt to control or regulate media content is therefore of considerable concern. Although it is equally important for the journalists to act in a responsible and professional manner. The following recommendations are therefore intended to improve the ability of the media and the public to carry out their watchdog role in the financial accountability cycle.

- Amend standing orders to allow the media and the public to attend parliamentary committee meetings.
- Provide training for journalists in investigative journalism.
- Introduce and implement a Freedom of Information Act.
- Ensure that government respects the important role of the media in disseminating information to the public in a free and fair manner.

PART IV: ZANZIBAR

9. ZANZIBAR: TAKING STOCK OF PUBLIC EXPENDITURE MANAGEMENT AND FINANCIAL ACCOUNTABILITY ISSUES

A. PUBLIC EXPENDITURE MANAGEMENT

9.1 The Zanzibar PER 2002/03 recommendations and the CFAA action plan were prepared in close collaboration between the Revolutionary Government of Zanzibar (RGoZ), the World Bank, UNDP and DFID. Its main objective was to shed some light on the fiscal stance and status of financial management in Zanzibar which could then serve as the basis for (a) policy dialogue with the authorities and (b) decisions on future development assistance to Zanzibar. Since the preparation of the Zanzibar PER, a number of developments have taken place in the isles. This section presents a quick overview of the macroeconomic developments since 2003, and then goes on to highlight the status of implementation of the recommendations of the diagnostic Zanzibar PER and CFAA action plan of 2003.

Recent Macroeconomic Development in Zanzibar

9.2 The Zanzibar economy has been marked by the decline in GDP growth from 8% in 2002 to 5% in 2003 mainly due to poor performance in agriculture in 2003. Inflation increased significantly from 5.2% in 2002 to 9% in 2003, driven mainly by an increase in food prices as a result of reduced domestic production of food. All these translated into significant fiscal pressure.

9.3 ***Revenue and expenditure performance***: Since 1999/00 domestic revenue collection has in general been declining and marked by year to year fluctuations. The decline in revenue is mainly due to the decline in tax revenue from international trade, occasioned by a fall in imports into Zanzibar. Although consumption and income taxes registered an upward trend, these were not adequate to compensate for the fall in import duties. The decline in revenues in turn translated into a fall in total expenditures from 38 percent of GDP in 1999/00 to less than 25 percent afterwards. Despite expenditure cuts, the gap between expenditures and revenue increased as indicated by widening fiscal deficit (-0.3 percent in 1999/00 to almost 7 percent by 2003/04). Part of this gap was financed by external grants, which began to flow in again into Zanzibar in 2001/02. Grants increased from 3.5 percent in 2001/02 to 5.4 percent in 2003/04.

Table 20: Zanzibar – Selected Fiscal Indicators

	1999/00	2000/0	2001/02	2002/0	2003/0
Total Revenue	37.7	20.4	22.7	21.8	23.4
Domestic Revenue	37.7	20.4	19.1	17.8	18.0
Import duty	22.5	10.8	8.0	6.9	5.9
Sales tax, VAT,	3.4	2.9	4.0	3.8	N.A
Income tax	1.3	1.5	1.7	1.7	N.A
Other taxes	8.9	4.4	4.3	4.2	0.0
Grants	0.0	0.0	3.5	4.0	5.4
Total Expenditure	38.0	22.8	21.4	23.6	24.8
Current expenditure	0.0	0.0	0.0	0.0	0.0
Wages and salaries	14.2	11.9	14.2	15.8	18.1
Other expenditures	23.4	10.4	6.6	6.7	6.3
Development expenditure	0.4	0.5	0.6	1.1	0.4
Overall deficit/surplus (excl.	-0.3	-2.4	-2.2	-5.8	-6.8
Overall deficit/surplus (incl.	-0.3	-2.4	1.3	-1.8	-1.4

B. STATUS OF IMPLEMENTATION OF PER 2002/03 RECOMMENDATIONS

9.4 Overall, implementation of the Zanzibar PER 2002/03 recommendations has been rather modest, partly on account of lack of resources to leverage difficult/politically sensitive reforms[49]: Progress made so far is summarized below.

(i) ***Framework for an institutionalized PER Process for Zanzibar has been set-up along the URT model***: A PER working group, Macro- working group and sector working groups have already been formed. Terms of reference for all the working groups have been formulated.

(ii) ***Establishment of clear rules guiding fiscal relations with Mainland:*** The Joint Finance Commission (JFC), which is now operational, is still in the process of establishing appropriate rules and regulations that will govern the URT-RGOZ fiscal relationship, including review of tax laws. JFC has commissioned studies to determine the cost of running union matters as well as the debt obligations of the two sides. Commissioned work is also expected to commence during the fourth quarter of 2004/05 to review intergovernmental fiscal relations under the Ministerial Tender Board.

(iii) On duplication of functions and positions at MDA, regional and district level: RGOZ prepared a strategy paper for local government reform in December 2004 and from it a policy and action plan. However, implementation is still awaiting higher level government approval.

(iv) ***Removal of monopoly of ZSTC in the purchase and export of cloves and review of the options for taxation of a liberalized clove industry:*** So far the government commissioned a

[49] While the Joint Finance Commission still has a long way to go, coordinated and sustained donor engagement in Zanzibar has remained rather limited.

study in 2004 which proposed three options namely (i) streamlining the management team of ZSTC, (ii) restructure ZSTC and (iii) privatize the entire clove industry. RGOZ is yet to decide on these options.

(v) ***Privatization and restructuring of remaining parastatals***: RGOZ has decided on the following (i) divestiture of the Zanzibar Insurance Corporation through joint venture with a strategic partner, (ii) Zanzibar Ports Corporation to remain public but focus on restructuring and improvement of facilities, (iii) Regarding the Zanzibar State Fuel and Power Corporation Government decided on restructuring and improving its capacity, (iv) Zanzibar Shipping Corporation is to be partially liberalized by leasing some of its fleet, (v) RGOZ prefers a joint venture for the Zanzibar Motor Trade Corporation, (vi) With respect to the Zanzibar Tourist Corporation, some business has already been leased but the plan is to privatize it eventually, (viii) The Mahonda sugar Industry is in the process of being privatized, and (ix) Bwawani Hotel is to be restructured and improved before any proposal to privatize it. Finally, with respect to developing a strategy to deal with the negative net worth of the People's Bank of Zanzibar, the government is pursuing the option to recapitalize, restructure and finally privatize PBZ. Consultancies have already been commissioned on the privatization strategy, special audit and legal. RGOZ plans to issue recapitalization bonds to improve PBZ's net worth.

(vi) ***Measures to improve domestic revenue mobilization***: Some efforts have been made in terms of identifying weaknesses in tax administration and a strategy for reforming the Zanzibar Revenue Board[50]. The strategy suggests undertaking organizational reform involving moving to functional organization; reviewing the legislative framework; business re-engineering by reviewing all procedures and systems within the new organization; developing specific strategies to ensure registration, returns processing, payment and collection, and enforcement; invest in appropriate information technology; developing a corporate plan that will help achieve the vision and mission of the organization; and undertaking human resource development. ZRB has prepared a budget but is yet to start implementing this strategy for its reform and modernization because of financial constraints[51]. Resources expected from the planned rolling out of Tax Administration Program (TAP) to Zanzibar are yet to be realized because the rolling out plan, according to ZRB, has not been transparent. To address insignificant sources of revenue, RGoZ commissioned a revenue base study[52]. The study suggests the intensification of exploitation of the existing sources of revenue because being agrarian and service oriented economy, Zanzibar seems not to have new bases of revenue. Development of the private sector, economic growth, industrialization and better tapping of the resources from the tourist sector are key areas for boosting revenue collection. The study also noted major weaknesses in tax administration that culminate into revenue leakages and suggests strengthening tax administration as one of the pre-requisites for increased revenue collection. To increase revenue, RGoZ is already planning to introduce property tax in 2005/06 and to adopt presumptive taxation after completing the registration of informal taxpayers which is currently in progress. Regarding the proposal that ZRB contracts TRA to collect local taxes

[50] See, IMF (2004) "A Strategy for Reform of the Zanzibar Revenue Board", Fiscal Affairs Department, Washington, D.C.

[51] The budget component on civil works has not been agreed by the IMF.

[52] ERB (2005), "A Study of Government Revenue Base in Zanzibar", Draft Report Submitted to RGoZ.

so as to strengthen tax administration in Zanzibar, it was observed that RGOZ is still considering it. As for the recommendation to create a Large Taxpayers Department. It was argued that it is not viable for Zanzibar because of the very low corporate base. Finally on the recommendation to introduce VAT on petroleum products, ZRB believes that such a move will lead to less revenue collection and increased fuel prices for the consumers. However, this contention is not backed by any empirical evidence. The current practice only adds more to revenue volatility to the government, which absorbs most of price shocks in an attempt to keep fuel prices stable.

(vii) ***Review of tax exemptions and clamp down on widespread tax evasion***: Exemptions related to investment, capital goods, NGOs, and faith groups remain. However, ZIPA, ZAFREZA and ZFPA are to be merged to be under one stop centre. The law to that effect has been assented. RGOZ also plans to review investor incentives. Powers to grant exemptions are still vested on the Minister for Finance Regarding curbing tax evasion; ZRB and TRA are working on modalities to exchange information on taxpayers and to jointly conduct inspection, auditing and valuation.

(viii) ***Strengthening control over debt commitments***: In order to strengthen debt coordination and management capacity in MOFEA and also ensure adherence to debt contracting rules MOFEA has established a Debt Department and begun initial consultations with BoT to re-start CS-RDMS. Zanzibar is also represented in the National Debt Strategy committee. Although the mandate to contract multilateral debt is vested with the Minister for Finance URT, MOFEA can legally contract debt from bilateral creditors on behalf of RGOZ. A Debt Task Force has been established and draws members from MOFEA, BOT, JFC and MOF. The task force is in the process of reconciling debt (domestic and foreign) numbers through a consultancy service engaged by JFC. This work is envisaged to be concluded by April 2004. MOFEA has also asked support from URT to prepare a debt strategy for Zanzibar for prudential debt management.

(ix) ***Excess volatility of revenues and hence expenditures:*** On the possibility of establishing a Revenue Stability Fund (which could accumulate when revenues are high and be drawn down when revenues are low) RGoZ could not implement this recommendation because of the all-through inadequacy of revenue collection. Domestic revenue per annum is estimated at TSHS.50.2 billion while Tshs.51.4 billion is needed to cater for wages and salaries alone. MOFEA is also working on a macro model to facilitate revenue forecasting, but would like to get assistance in this area. The IMF offered to contact AFRITAC for possible help.

(x) ***Budgeting for quasi-contingencies, arrears and other obligations:*** All arrears before 1997 have been cleared, but those for 1998 - Jan 2005 remain outstanding. The RGOZ has compiled information on outstanding arrears and liabilities as at January 2005. These include pensions and gratuities owed to government/parastatal employees and suppliers credit. All arrears before 1997 have been cleared, but those for 1998 - Jan 2005 are yet to be cleared. So are also suppliers' credits. ACGEN-Zanzibar is of the opinion that it is almost impossible to clear these arrears and outstanding liabilities without financial support from somewhere. As regards the plans for contingent liabilities and quantification of government risks on guarantees, actuarial evaluation of ZSSF has been done and quantification is in progress. Meanwhile, settlement of outstanding pension liabilities to ZSSF have continued and are about to be completed.

(xi) ***Alignment of expenditures with ZPRP priorities:*** Pro-poor expenditures and alignment of sectoral and intra-sectoral resource allocation with ZPRP has been attempted, with allocation of about 60 percent of budget allocation being directed to pro-poor sectors.

However, out of this the proportion between PE and OC is unclear. It is also not clear how much foreign resources went directly to these sectors, since it has been difficult to capture donor resources, even with a recently established data base. To further improve budget planning and resource allocations, RGoZ has adopted a medium term expenditure framework (MTEF), which has helped to integrate recurrent and development budget processes and to prioritize resource allocation.

(xii) ***RGOZ introduced a Central wage bill and Payroll system in 2004***: Transparency in budgeting and spending has been enhanced through the adoption of a Central Payments Office (CPO) system within ACGEN's office. The system is, however, still manually operated. Technical support is envisaged from the ACGEN-URT, to help computerize the financial management system.

(xiii) ***Public sector pay and employment reforms***: Establishment of the centralized payroll system revealed significant discrepancies between the number of employees and salaries paid. The Bank offered to support a comprehensive review of the Zanzibar civil service. Terms of reference have been developed and approved by the Zanzibar Government. However, RGoZ has yet to make a specific request for funding the study.

C. FINANCIAL ACCOUNTABILITY

Background

9.5 In May 2002, the Zanzibar Poverty Reduction Plan (ZPRP) was launched, the three key objectives of the accompanying conference were to: i) inform DPs about the political, economic and social situation; ii) inform all stakeholders of the Government's plans for reducing poverty and; iii) restore DP confidence to facilitate their participation in the ZPRP's implementation. To support the implementation of the ZPRP a number of diagnostic studies had to be undertaken Five main studies were recommended and such work included a Country Economic Memorandum; a CFAA; PER diagnostic work, a MTEF; and a Strategic Plan on Good Governance. Another three follow-up studies were carried out, namely Zanzibar Clove Industry Study, Country Procurement Assessment Report and an Assessment of Local Government Issues.

9.6 Three broad areas of reform evolved from the findings and recommendations of the diagnostic work, namely (i) Economic and Financial Reforms, (ii) Good Governance Reforms and (iii) Institutional and Human Resource Reforms. Consequently three reform programmes were officially endorsed by the government and DPs during a Round Table Conference on ZPRP/Reforms held in May 2003. The many recommendations from all the diagnostic studies were consolidated into these reform programmes for ease of implementation and monitoring of progress.

Status of implementation of 2003 CFAA action plan

9.7 The recommendations and action plan made for improvements to the country's PFM and accountability processes were included in the final CFAA report that was published in 2003. This section serves as an update on implementation and it briefly discusses progress made in the area of PFM reforms since then. Also, a more detailed "status-matrix" on the implementation of the key recommendations is provided in Annex D: Zanzibar – Status matrix of 2003 CFAA Action Plan. While all of these recommendations had now been captured in the three reform programmes it was agreed with MoFEA (Ministry of Finance and Economic Affairs - Zanzibar) to track progress based on how it was presented in the 2003 CFAA.

9.8 *UNION ISSUES*: A Joint Finance Commission[53] was established in May 2003 and is now operational. This will increase financial transparency between URT and RGOZ. Regular meetings on financial matters are being held between URT MoF, RGOZ MoFEA and BoT. Awareness of the Shellukindo report has increased but needs to be strengthened, although these recommendations may be subsequently considered and revised by the JFC. Capacity building of the Department of Union Matters still needs to be implemented, but limited financial resources are available to this department to meet its objectives. Although the relationship between the Union Secretariat[54] and the Department for Union Matters has been clarified, concerns have been raised by RGOZ of not having its members in the Union Secretariat which would improve the operations of the Union. The relationship between the Department of Union Matters and the Union Secretariat, together with their respective functions and capacities, is not clear.

9.9 *FINANCIAL PLANNING, BUDGETING AND BUDGET EXECUTION*: While the budget planning process has been strengthened and the PER and MTEF exercises are being implemented there is still much room for improvement. The government has established a systematic service delivery and budget performance review exercise (PSDA) and has tested it in two districts in the Water and Education sectors. It needs to develop mechanisms to ensure that the planning process is more consultative and informed by outputs of the recently-introduced Poverty Monitoring System. In the area of budget execution most of the actions have been partially implemented. Government needs to strengthen this part of the accountability cycle to enhance the quality of information on the execution of the budget. Efforts are underway to eestablish and institutionalise a government-wide aid coordination system centrally, but MDAs also need to develop capacity to record external assistance. There is significant scope for greater collaboration between Zanzibar and the mainland, where the latter has made marked progress in recent years.

9.10 *GOVERNMENT ACCOUNTING, FINANCIAL REPORTING AND USE OF INFORMATION TECHNOLOGY*: Controls over opening and closing of bank accounts, bank reconciliations and unwarranted expenditure have been significantly strengthened. However, the majority of actions are still in an early stage of implementation. These include: i) the finalization of draft legislation and the publication and implementation of a comprehensive set of financial regulations including issues such as records/asset management; ii) the implementation of sanctions for non compliance with the new Public Finance Act; iii) the adoption of appropriate accounting standards from those promulgated by the International Federation of Accountants and NBAA; iv) the transfer of the government's foreign exchange account to BoT; v) strengthening of payroll procedures; vi) the introduction of regular physical verification of assets and adoption of sound stores procedures; vii) an actuarial valuation of pre-1998 pension and gratuity and the establishment of appropriate provisions for all pension liabilities in Government and; viii) the improvement of the financial statement preparation process to ensure that accounts are finalized within the statutory time frame.

[53] Chapter Seven (Sections 133 and 134) of the Union Constitution provides for a Joint Finance Account and a Joint Finance Commission. According to the Constitution, up to seven members are to be appointed by the President to (i) analyse revenues/expenditures related to Union matters and to make recommendations concerning the net contribution of each Government to the Joint Finance Account in the Union Consolidated Fund' (ii) scrutinize fiscal relations between the two Governments, and (iii) discharge other functions assigned by the President.

[54] Day-to-day management of Union Matters is, under Section 47 of the 1977 Constitution, the responsibility of the Vice President's Office. On the recommendation of the 1998 Shellukindo Commission, the Union Secretariat was established and tasked with managing relations of mutual interest between the mainland and Zanzibar.

9.11 The RGOZ recognizes that modern financial management software packages can significantly improve financial accountability and is pursuing options for the implementation of an IFMS to improve the availability of basic financial information, enable the enforcement of greater control on payment procedures and, in particular, compliance with cash limits. Discussions are ongoing with the ACGEN of mainland to secure funding through the PFMRP for the roll-out of the IFMS on Zanzibar and, ideally, to ensure compatibility and an interface between the systems. Computerization of the payroll is completed – government focused more on the payroll system (to eliminate ghost workers) and to establish a central payment system. The process is expected to be completed by June 2005.The MoFEA will set up the task force during the next financial year (2005/06) to pursue an application for the extension of the EPICOR license to the RGOZ.

9.12 *PUBLIC SECTOR AUDITING*: External and internal audit still need to be strengthened to minimize fiduciary risk. In the area of external audit most of the actions are in progress of being implemented. An Act to Establish an Office of the CAG of Zanzibar now regulates this function but the accompanying Audit Regulations are expected to be finalized by mid 2005. An audit manual has been developed and staff training is in progress. A staff training needs assessment has been done and the NAO on the mainland is supporting these training needs. Quality and timeliness of CAG reports needs to be improved. Audit committees in ministries are yet to be established. In the area of internal audit, four of the five actions are in progress. An internal audit strategy is in progress of being developed and implemented by the ACGEN's Office with guidance being provided by its counterpart on the mainland. The Public Finance Bill that sets up the internal audit function has been discussed by the House of Representatives but not passed yet. The cadre needs to be plugged into the mainland professional training initiatives. A draft internal audit manual has been developed. A comprehensive training and capacity building program is yet to be implemented.

9.13 *LEGISLATIVE SCRUTINY, ETHICS AND INTEGRITY*: While some steps have been taken to enhance the function of scrutiny, the challenge remains to capacitate and empower the members of the House of Representatives to fulfill this function more effectively. Also public access to some parliamentary committee meetings is still under discussion. RGOZ is attempting to mitigate the risks from corrupt and unethical behaviour by introducing draft legislation which is currently being discussed with various stakeholders. Lack of funding reduces the impact that public awareness initiatives may have. Practically, until the potential cost of participating in corrupt activities is greater than the benefit gained from participation, the mitigation of risk will remain an uphill battle.

9.14 *LOCAL GOVERNMENT*: A report on Zanzibar Local Government Reform (December 2004) was accepted by the government. Government continues to seek technical assistance for policy formulation and revision of existing legislation. A draft Legislation Reform Policy will be ready by June 2005. Many recommendations related to planning and budgeting are dependent on the policy reforms and has therefore not been implemented. Progress has been slow in the area of accounting and auditing mainly because of the lack of technical capability, insufficient funding as well as coordination between the MoRALG and MoFEA. The latter has recently improved.

9.15 *PUBLIC ENTERPRISES*: The Government has been gradually withdrawing from the participation in direct production activities so that it remains with the responsibility of creating an environment conducive to private sector involvement as well as developing the economic infrastructure. However, the legacy of the past has left many Public Corporations in difficult financial circumstances. The 2003 CFAA made some recommendations to improve both the financial position of the RGOZ and overall financial accountability as well as mitigate potentially high levels of fiduciary risk. Most actions are in an early stage of implementation while others are dependent on regulations which are now in a draft format. None of the actions had been fully implemented — the main challenge remains implementation of what is now on the "drawing board".

9.16 *ORGANISATIONAL AND HUMAN RESOURCE CAPACITY ISSUES*: While some quick wins had been achieved, the key challenge remaining is the introduction of performance based staff appraisal procedures. The current ad hoc approach to institutional capacity development is unlikely to prove sustainable.

9.17 *ACCOUNTING AND AUDITING PROFESSION*: Apparently no progress has been achieved in this area.

9.18 *REGISTRATION OF COMPANIES AND NGO's*: While four of the five actions are indicated as "in progress" most of them are in the early stage of implementation. No serious stumbling blocks in achievement of the actions are envisaged given that there is ownership of the actions, most of them are funded and capacity constraints are being addressed. The current lack of up to date information on companies and NGOs operating in Zanzibar, coupled with old or non existent legislation means that potentially publics' funds remains at risk — however, mitigation measures are being taken.

9.19 *PUBLIC ACCESS TO INFORMATION ON PUBLIC SECTOR MANAGEMENT*: Four legal barriers for public access to information were sighted by the 2003 CFAA, namely the National Security Act, Registration of Newsagents, Newspapers and Books Act, Zanzibar Broadcasting Commission Act and the Civil Service Government Orders. None of these has been reviewed yet. While enthusiasm seems to exist to move ahead with the public awareness initiatives, limitations of funding and coordination seem to slow down implementation. This hampers the enhancement of the basic right of citizens to access and availability of information on transfer and use of funds or goods to local authorities, district offices, ministries, departments and agencies.

Conclusion

9.20 It is encouraging to observe the increased levels of collaboration and consultation between the mainland and Zanzibar. Given the somewhat ad hoc nature of this collaboration, however, it is recommended that a more systematic and routine relationship is established. The objective – perhaps not immediate – should be that Zanzibar will join the mainland PFMRP and some of the other reform programs. The overall environment for this is now favorable as the forthcoming Joint Assistance Strategy and the planned 2005 review of the ZPRP will provide an opportunity to reflect on current arrangements for channeling development assistance, including to the reforms, to the isles.

PART V: LOCAL GOVERNMENT

10. FISCAL ISSUES AT LOCAL GOVERNMENT LEVEL

A. PUBLIC EXPENDITURE MANAGEMENT

10.1 ***Adoption of a formula-based system of allocating grants***: The government adopted a formula-based system of allocating grants to cater for recurrent expenditure for primary education, health, roads, agriculture and water but actual implementation started with primary education and health. Going forward, what is envisaged is to extend the system to other sectors and also give LGAs more discretion in PE/OC allocation. The government has also agreed with the World Bank and other donors to put in place a local government capital grants system and gradually phase-out bilateral donor financing. A common basket is to be set-up to cater for all area-based programs. 41 LGAs will be supported through the Bank financed credit while 71 LGAs will be supported through a common basket financed by bilateral donors. However, LGAs will only be able to access the funds upon fulfillment of minimum requirements to underpin good governance. For example, LGAs with an adverse audit report will not qualify for such financing but will be given training. For any LGA to qualify for such support it must also have an approved plan and budget.

10.2 ***LG Financial management reforms***: The LGRP has established six zonal centers since 2001 to assist LGAs with hands-on facilitation to improve financial management. 13 additional financial management specialists have been recruited and posted to Regional Secretariats. In addition, IFMS has been extended to a total of 32 LGAs. These have been required to discontinue the use of the manual accounting system by June 30; 2005. The IFMs is planned to be rolled out to an additional 30 LGAs. The system has enabled LGAs operating on IFMS to enforce expenditure discipline by making all payments through the system. It has also facilitated production of produce financial statements in EPICOR and eased reconciliation of financial statements. However, the coding system for development projects in IFMs needs to be improved. The infrastructure for IFMS is also still inadequate. For instance there is only 1 server for all the municipalities of Dar es Salaam located at the Dar City Council. The three municipalities run into problems either because the server becomes very slow due to overload or in cases of power problems in the city centre. LGAs also indicated need for further training on IFMS especially on the production of reports. It has not been possible to obtain consolidated actual expenditure data even for the LGAs currently using IFMS. In addition, the internal audit function in the LGAs remains very weak and absent in some LGAs.

10.3 ***Reform of LG revenue structure***: The Government abolished development levy and other nuisance taxes/fees in the 2002/03 budget and introduced a compensatory grant instead for the revenue lost.

10.4 Local Government Authorities (LGAs) own revenue fell in 2003 both in nominal terms and as a share of total revenue for the LGAs (including central government transfers). In 2003 LGAs own source revenue was Tshs.48bn compared to Tshs.58bn in 2002 – a 16% reduction (primarily due to the abolition of the development levy and some nuisance taxes). Total LGAs revenues (including grants) continued to rise from Tshs.399bn to Tshs.434bn in 2003. However LGAs own revenue has fallen as a share of LGAs total resources from 18% in 2001 to 11% in 2003. LGAs own revenue now constitutes less than 4% of total government revenue (table 15).

Table 21: Summary of Local Government Revenue, 2001-2004/05

	2001	2002	2003	2004 (Jan-Jun)
		TSh Million		
Local Govt Grants	238	341	386	224
Own Source Revenues	51	58	48	18
Total LG Grants and Revenue	289	399	434	242
Total Central Government Revenue	930	1,043	1,218	
		Percent of local government resources		
Local Govt Grants	82%	86%	89%	93%
Own Source Revenues	18%	14%	11%	7%
		Percent of total government (central plus local) revenue		
Own Source Revenues	5.2%	5.2%	3.8%	

NB: LG 2001 FY has been compared with 2000/01 CG FY, 2002 LG FY with 2001/02 CG FY, 2003 LG FY with

10.5 However, the abolition of nuisance taxes led to a number of problems revolving around unsustainability of the existing LG financing framework. A study is now in progress to review and propose a more sustainable financing framework for LGAs in Tanzania. It is expected that this study will address some of the major concerns noted. These include, inadequacy of remaining LGA sources of revenue, councils unable to transfer a share of the compensation grants to villages, erosion of the fiscal autonomy of LGAs, and weakened drive to strengthen good governance to the extent that people at the grass root level loose the confidence to question poor governance and resource management at the council level if they are not paying taxes. It was also noted that the flow of the compensatory funds from MOF is rather unpredictable. Sometimes MOF does not send instructions to distinguish between OC and the compensation amount. There are also delays in grants from MoF reaching LGAs. The money does not reach LGAs by the ideal 25th day of each month. Moreover, the monthly flow of the compensatory grant is unpredictable even though the full amount will eventually be sent to the LGAs by the end of the fiscal year. The grants also tend to be way out of line with approved plans of LGAs. Furthermore, in the case of development funds (which go through RAS from MoF) it was pointed out that typically the RAS takes a long time to prepare cheques to the LGAs. At the same time LGAs are not notified when such monies are released by Treasury. It was also indicated that there are errors in the payroll (wrong account numbers, salaries sent elsewhere etc) and rectification has tended to be slow, leading to delays in payment of salaries for teachers and health workers.

10.6 Some LGAs have invented mechanisms to cope with the abolition of various levies. These included collecting more from certain kinds of levies such as city service levy, property taxes, bill boards and shelving some projects forward. It was noted that in some isolated cases, LGAs are still levying taxes/levies already abolished by central government. However, some of the complaints relate to levies/fees that were not in fact abolished, but people expected them to be abolished (e.g. slaughter fees in Temeke Municipality). In other cases, there were still road blocks mounted but those manning them were not aware that the levies had been abolished (e.g. along Manyoni – Chunya road) while others were simply crooks (e.g. in Kiteto district the collector at a road block was not even an employee of the council although the receipts bared the stamp of the District Commissioner). Therefore, the challenge to get the right information to the people at the grass root level regarding policy decisions/directives made by central government, as well as enforcement, requires collaborative effort between the two layers of government, as well as MPs doing more to inform their constituencies. The need for LGAs to have a predictable tax regime also remains a key issue.

10.7 The synchronization of the fiscal year for the central and local government starting July 2004 was generally well received by LGAs. Councils feel that the move facilitated their planning, budgeting and reporting. However, a key outstanding challenge is how to bring LGAs budgets into the NSGRP framework (which articulates the desired focus of government spending) without contradicting the fiscal decentralization drive. As such, more mileage remains to be covered in terms of aligning LGA planning and budgeting with central government procedures

B. OUTSTANDING ISSUES

10.8 In spite of the recommendation made in the previous PER external evaluation, there has been little progress in compiling actual expenditure data for the LGAs. Available analysis of the composition and trends in local government expenditures (e.g. Local Government Fiscal review 2004), is only partial and based on sectoral grant transfers plus spending from LGAs own sources of revenue on account of absence of better data. Obviously, actual spending could turn out to be very different from transfers. This is likely to be the case since there are indications of significant resource leakage in the councils. By contrast, commendable efforts have been made by PO-RALG to compile and publish Revenue Statistics for LGAs for 2001-2003 and first half of 2004.

10.9 However, individual LGAs do prepare various financial reports (quarterly, semi-annually) and submit to the Council on monthly basis and to PO-RALG quarterly. LGAs also prepare and submit reports on development projects to RAS. Indeed, even the external audit by the NAO is based on the annual financial report of each LGA which is prepared following the LG financial memorandum, with details on funding by source and actual expenditures for every item. The reports do indicate budgeted compared to actual as well as explanations for any deviations. Yet such reports are only partially submitted to PO-RALG and end up unconsolidated. For example, for July-September 2004 only 35 out of the 116 LGAs submitted their reports to PO-RALG while the corresponding number for October – December 2004 was only 15. However, no action was taken against the LGAs that did not submit their financial reports. In addition, only few LGAs copied their reports to MoF as they are not obliged to. Given the existence of these reports, it should in principle be possible for LGAs/PORALG to submit/consolidate actual expenditure reports. Although it is envisaged that this problem highlighted above will eventually be solved with the development of the planning and reporting (PLANREP) system, progress on this front has been quite slow. The main reason for slow of progress seems to be:

- Weak capacity/organizational problems in LGAs/PO-RALG: Some mileage has been covered to resolve organizational problems in PO-RALG. For example, there is now a newly approved structure for PO-RALG, with provisions for an Assistant Director who will be responsible for following-up LG financing issues. There will also be an inspectorate section to check upon and advise LGAs accordingly. Capacity constraints at the LGAs level were also highlighted, illustrated for example by LGAs spending resources on unintended purposes even when there were clear instructions on the correct expenditure items. For example, some District Treasurers still deducted payroll taxes and employee contributions to the Local Authorities Provident Fund (LAPF) even though these had already been deducted at source (MoF).

- Lack of a standard reporting format: The formats and therefore content of the financial reports prepared by LGAs differ a lot depending on the intended user. For example the monthly report to the Council differs from that destined to PO-RALG, with the former being simple/less technical so as to be comprehensible to the majority of councilors who are not well educated. It was also noted that there is a separate accounting manual for basket funds which the LGAs must abide to but at the same time the LGAs also have their own accounting manual. Such duplication exacerbates problems in accounting and reporting.

10.10 Overall, GoT is encouraged to commit to compile and publish LGA expenditure data on a regular basis. The urgency of the problem stems from the government's own policy commitment to decentralize and channel more public resources directly to the LGAs, as well as genuine concerns about weak financial management and control at LG level (as indicated by the significant magnitude of improperly vouchered expenditures, questionable payments, store loses et cetera documented in the annual report by CAG). Analogously, LG basket fund donors are urged to explore the possibility of using the LGA accounting manual only and do away with the separate accounting manual for the LG basket.

10.11 Anecdotal evidence indicates that it is not uncommon for LGAs to be forced to absorb politically motivated spending pressures from central government. Such pressures take various forms such as contributions to public functions, expenditure on hospitality, as well as running and maintenance costs of public vehicles used by district and regional authorities. These are typically lumped under LGAs' administration expenditure. Government is encouraged to exercise restraint in this regard particularly as the country approaches the general elections in October 2005.

PART VI: ANNEXES

ANNEX A: PEFA PERFORMANCE MEASUREMENT FRAMEWORK

INDICATOR	SCORE GIVEN	COMMENTARY	JUSTIFICATION/ EVIDENCE USED	CARDINAL DATA
A. PFM OUT-TURNS: Credibility of the budget				
1. Aggregate expenditure out-turn compared to original approved budget.	A	Aggregate expenditure outturn has been around 1% of original budget for the last 3 years.	Although significant shifts in expenditure composition during the year have occurred in the last 3 years Budgets, and in 2003/04 in particular, deviations at aggregate level have remain constant at around 1%.	
2. Composition of expenditure outturn compared to original approved budget.	D	An average of more than 20% variance at the vote level in two of the last three years (excluding interest on debt and donor financed project expenditure).	MDAs Recurrent Budget Deviation (absolute deviation as % of original budget) at vote level has been as follows: 2001/02 = 24.1%; 2002/03 = 22.1%; 2003/04 = 23.0% (excl "force majeure" items). MDAs Recurrent Budget Deviation (absolute deviation as % of original budget) at sub vote level has been as follows: 2001/02 = 26.3%; 2002/03 = 25.2%; 2003/04 = 26.5% (excl "force majeure" items). Regional recurrent Budget Deviation (absolute deviation as % of original budget) at sub vote level has been as follows: 2001/02 = 3.5%; 2002/03 = 7.9%; 2003/04 = 9.9%. Deviations are lower in regions because priority nature of services delivered especially basic education and primary health.	
3. Aggregate revenue outturn compared to original approved budget.	A	Revenue outturns have close to or exceeded original projections in the Budget.	Over the past three years actual revenue collection has been more than 98 percent of the budgeted revenue collection except in 2003/04 when it was about 96.5 percent. Actual revenue collection as a percent of budgeted revenue collection was 98.3 percent and 100.9 percent in 2002/03 and 2004/05 respectively.	
4. Stock and monitoring of expenditure payment arrears.	A	There are very few new expenditure arrears.	All expenditure arrears were cleared up to end December 2000. As part of the functionality of the IFMS, a commitment control system was introduced in July 2001 under which a LPO is required for the purchase of most goods and services. The system restricts the production of an LPO to financial codes with adequate funds and is issued only when the resources are released. One of the main exceptions is utility payments for which arrears do occur occasionally. Generally the amounts are relatively small and quickly remedied. The payment arrears for utilities for MoD and National Service votes totaled Tshs 828 million at 30 December 2004. These amounts, however, are small compared to the Budget and are monitored at year end.	

INDICATOR	SCORE GIVEN	COMMENTARY	JUSTIFICATION/ EVIDENCE USED	CARDINAL DATA
B. KEY CROSS-CUTTING FEATURES: Comprehensiveness and Transparency				
5. Classification of the budget.	C	Budget and accounts are classified according to administrative and economic classifications, functional and programmatic classifications are absent or underdeveloped.	Since the 2001 assessment the government has introduced GFS-based economic classifications for the central government budget. In 2004 it was also rolled out to the local authorities, for implementation in their 2004/05 budgets. Under pressure from their line ministries, many semi-autonomous agencies have also adopted the new classifications. The classifications are now fully supported in the central government's IFMS. Use of functional classification, however, remains absent from the Budget, and program structures are in the early phase of development..	
6. Comprehensiveness of information included in budget documentation.	A	Budget documentation includes most relevant information. Notably missing is financial assets.	Annual budget documentation includes information on the debt level and comparable information to the out-turn of the prior year but not on contingent liabilities or financial assets.	
7. Extent of unreported government operations.	B	Non donor funded extra budgetary spending is less than 5% of Budget and unreported donor funded expenditure is less than 40% of total donor funded project spending.	Budget documentation does not include the finances of some executive agencies, some internally generated revenue and some project related development assistance (under 40% currently). Consequently year end financial statements exclude this revenue and expenditure. Other than unreported donor funded project expenditure, the level of other extra-budgetary activities of central government is less than 5% of total spending.	
8. Transparency of inter-governmental fiscal relations	C	CG transfers mainly tied grants to SN governments, though information not always timely for SN government Budget preparation. Reporting from SN governments remains weak.	Central government transfers to local government are mainly in the form of formula based conditional grants, although the information is not always provided to SN governments in a timely manner during the budget cycle. Reporting from SN governments remains a problem with less than 60% consistent reporting, and no consolidation into annual reports.	
9. Oversight of aggregate fiscal risk from other public sector entities.	C	Oversight of aggregate fiscal risk from other public sector entities is weak.	(i) Parastatals and SOEs are monitored on an annual basis but comprehensive framework for recording and monitoring contingent liabilities is weak. (ii) Major fiscal risks arising from sub-national governments are monitored, but the reporting of consolidated subnational fiscal performance is weak.	

INDICATOR	SCORE GIVEN	COMMENTARY	JUSTIFICATION/ EVIDENCE USED	CARDINAL DATA
10. Public access to key fiscal information.	B	Some key fiscal information and external audit reports are published but not on a timely basis and in a format which can be easily understood.	***Supply of information:*** The timeliness and usefulness of reports varies as does the distribution. The budget speech and quarterly budget execution reports are available on the ministry's website, although the latter is only available in English. The CAG's report is available to the public once it has been tabled with Parliament but is not in a clear readable format. The general public and the media are not free to attend parliamentary committee meetings. Information is made available on successful participants in an open bid process, but not on the initial selection process. There is no central source of information on all available contracts. Availability of information on fund releases and user fees varies between different service providers, but significant efforts have been made to improve this at education and health service delivery points. ***Demand for information*** by the public is generally considered to be weak. This is considered to be partly due to the weak fiduciary contract between the government and public. Sound investigative journalism by the Tanzanian media remains limited.	
C. BUDGET CYCLE				
C (i) Policy-Based Budgeting				
11. Orderliness and participation in the annual budget formulation process.	B	Comprehensive budget calendar exists, detailed budget guidelines are produced, Parliament approves the Budget generally 1-2 months after the start of the FY.	There are occasional delays in the budget calendar and budget submissions from line ministries may be incomplete or lack the detail requested by ministry of finance. The political level is involved in reviewing and approving the estimates only after they have been prepared by ministry of finance, thereby constraining their ability to make adjustments. Budget conferences between ministry of finance and line ministries are highly restricted, with final outcomes reflecting the will of ministry of finance. The Budget is submitted to Parliament in June and not appropriated until July or sometimes August.	

INDICATOR	SCORE GIVEN	COMMENTARY	JUSTIFICATION/ EVIDENCE USED	CARDINAL DATA
12. Multi-year perspective in fiscal planning, expenditure policy and budgeting.	B	3 year MTEF projections prepared, though outer years are not robust. Debt sustainability has been undertaken but not on a routine basis. Sector strategies and national policies influence the costing of the Budget. Recurrent costs of investments not adequately planned.	Government includes a three year rolling Medium Term Expenditure Framework in its budgetary system, although successive PERs have noted that the outer years of the framework are not very robust and that the Budget Guidelines exercise – the principal decision making process for the framework – is insufficiently strategic. In 2004/5, the GoT has made significant efforts to strengthen the budget guidelines, to link the NSGRP and sector strategies more explicitly with budget allocations. To do this GoT has developed a new Strategic Budget Allocation System (SBAS). Separate recurrent and development budgets are prepared under coordination of the Ministry of Finance, but there is limited integration of recurrent and development expenditure proposals in the planning process. Allocation of activities to the development budget often reflects source of financing, with the development budget including externally financed recurrent expenditure. The budget guidelines now requires joint submission of recurrent and development expenditure proposals in line with the NSGRP, providing a potential framework for greater integration in future. Debt sustainability analysis has been undertaken once in the last 3 years.	
C (ii) Predictability and Control in Budget Execution				
13. Transparency of taxpayer obligations and liabilities.	B	Discretionary powers have been reduced. Taxpayer access to information remains limited. Tax Revenue Board and Tribunal established though not used in all cases.	Discretionary powers have been reduced in most tax legislation including the January 1, 2005 East African Customs Management Act (EACMA). Government uses the voucher system to pay for exempt entities. Due to lack of a comprehensive and integrated tax administration system, the taxpayer may not know precisely what their liabilities are especially that the self-assessment system is only beginning to operate. The positive side is that some information is available o n the TRA website. There are still residual cases with the court system since the establishment of the appeals Board and Tribunal under the Tax Revenue appeals Act of 2000.	

INDICATOR	SCORE GIVEN	COMMENTARY	JUSTIFICATION/ EVIDENCE USED	CARDINAL DATA
14. Effectiveness of measures for taxpayer registration and tax assessment.	C	Registration systems exist but coordination and essential linkages are weak. Penalties exist but application has not resulted in improved compliance. Tax audits have only just started.	Taxpayer registration systems established in the individual taxes and inconsistencies exits and linkages to other databases are weak. Penalties for non-compliance exist but reforms are required to make a real impact on compliance. The Large Taxpayer Department started using risk assessment criteria in May 2005 after an regional audit workshop. This practice is yet to cascade to the Domestic Revenue Department (DRD).	
15. Effectiveness in collection of tax payments.	D	Low debt collection ratio. Revenues transferred to Treasury, but full reconciliation not adequate.	Debt collection ratio has remained weak, well below 60%, with significant uncollected taxes. Revenue collected are routinely transferred to the main Treasury account in the BoT, although full reconciliation between assessments, collections, arrears and transfers do not take place as a matter of routine.	
16. Predictability in the availability of funds for commitment of expenditures.	B	Cash flow forecasts are prepared for the fiscal year and updated monthly. On average MDAs are able to commit 2 months ahead. Budget adjustments are frequent but done in a transparent manner.	Cash flow plans are prepared and used as commitment ceilings for MDAs (as opposed to cash outflows). Until this year, priority sectors received quarterly ceilings and the remaining MDAs received monthly ceilings. The NAO, uniquely, receives a six monthly ceiling. The ceilings are recorded on IFMS and control the level of commitments that MDAs can make. This year, with the adoption of the broader NSGRP, most MDAs will receive quarterly ceilings. Budget adjustments take place throughout the year, after Budget Department approval has been obtained. Reallocations from Contingency Budget are made for payroll adjustments and annual pay increases, as well as other needs as they arise. Major budgetary adjustments are rare, and require the preparation of a Supplementary Budget, of which only one has been used in the last 3 years. This was in 2003/04 to cater for unplanned support to the energy sector and for drought affected areas. All budgetary adjustments are recorded on IFMS.	

Indicator	Score Given	Commentary	Justification/ Evidence Used	Cardinal Data
17. Procedures in operation for the management and recording of debt and guarantees.	B+	Foreign debt is recorded on a computerized debt management system. Major components of domestic debt, being contingent liabilities, compensation for losses, pension liabilities and sundry domestic debt are still captured on Excel spreadsheets. Loans and guarantees are now all approved by MoF. There is a daily calculation and consolidation of main government cash balances.	For historical reasons BoT has managed and updated the debt database, using the CS-DRMS 2000+. In 2002, with the issue of the NDS, the government decided to build the debt statistics and management capacity of the MoF, in order to eventually transfer to it full responsibility. Accordingly, a debt database, also using the CS-DRMS 2000+, was created in the ACGEN's Department and is being used to track external debt. Domestic debt, as well as on-lending, remains on spreadsheets. Monthly external debt reports are in the BoT Monthly Economic Review (and the BoT website), and quarterly reports are published on the website of the MoF, which also publishes monthly reports on domestic debt. While some discrepancies exist, they are not large and are mainly due to the different timing of updating of the information. The latest budget speech, for 2004/05, enunciated clearly the policy of not providing guarantees for any external borrowing, but of considering the award of selective guarantees for domestic borrowing (mostly by public enterprises). Approval of MoF is required for all borrowing and guarantees. The consolidated cash position of all government bank accounts is provided on a daily basis by the BoT.	

INDICATOR	SCORE GIVEN	COMMENTARY	JUSTIFICATION/ EVIDENCE USED	CARDINAL DATA
18. Effectiveness of payroll controls.	C+	Payroll controls are supported by the nominal roll records. Some delays exist in processing changes to the nominal roll and payroll database. Partial audits of the payroll take place. Information on payroll costs is incomplete because of payment of allowances outside the payroll system.	The software used for IHRPMS is generally considered to be robust. In addition to those ghost employees identified during the system implementation, existing controls now significantly reduce the possible incidence of ghost employees. Although the NAO conducts an audit of parts of the payroll system, no complete payroll audit has been undertaken and there is no regular procedure for checking the accuracy of payroll data. Currently many employees do not receive their pay slips on a timely basis, which makes it difficult for them to confirm the accuracy of their salaries. Complete data on the actual size of personal emoluments or the remuneration of individual positions is difficult to obtain as all allowances are not paid through the IHRPMS and not all government employees are on the system.	
19. Competition, value for money and controls in procurement.	C+	Regulatory framework has been updated but not yet implemented.	The CPAR conducted in 2003 and further analysis carried out in the Fiduciary Risk Analysis in 2004 identified a number of critical weaknesses in the procurement process. Based on the findings and recommendations of 2003 CPAR, the government repealed the 2001 procurement law and enacted a new public procurement law of 2004. This law became operational in May 1, 2005. Two distinctive features of new law is the decentralization of procurement to MDAs with no limit of authority and setting up a public procurement regulatory authority (PPRA) in order to monitor and enforce compliance in public procurement. Other roles of PPRA includes maintaining a public register of firms and individuals who have been blacklisted for corrupt practices and the maintenance of a comparative database on unit costs in public and private procurement. Studies in 2001 estimated that at the national level about 20 percent of government expenditure on procurement was lost through corruption, mainly through kick-backs and bogus investments that have to be written off.[55] Considering that public procurement accounts for about 70 percent of the entire government expenditure budget[56], this translates to a loss of Tshs 300 billion (US$ 300 million) per year	

[55] S.J. Chavda, Challenges and the way forward in combating corruption in the construction industry in Tanzania. Proceedings of Ministry of Works Workshop on Corruption Prevention in Construction Industry – April 2001.

INDICATOR	SCORE GIVEN	COMMENTARY	JUSTIFICATION/ EVIDENCE USED	CARDINAL DATA
20. Effectiveness of internal controls for non-salary expenditure.	C+	The internal control system has a comprehensive set of controls and extensive training has taken place on the application of the financial rules and regulations. However, significant capacity constraints remain and levels of compliance vary.	There is insufficient data to determine the error rates in financial transactions. Internal controls have improved since the CFAA 2001 and most of the recommendations contained in the 2001 report have been implemented or are already included in the PFMRP. Inbuilt controls in IFMS provide a greater degree of assurance about the accuracy of transactions. However according to the 2002/03 CAG report, Tshs 50 billion (out of a total of Tshs 1,836 billion) had incomplete or no documentary evidence to support the authenticity of the expenditure incurred. According to the CPAR, procurement weaknesses included non compliance with contract award procedures and criteria and poor records management.	
21. Effectiveness of internal audit.	C	The internal audit function exists and many of the regulatory, institutional, and programmatic measures on which to build an effective internal audit function are now in place. However significant capacity constraints impede the implementation of internal audit.	In 2003 the ACGEN carried out a comprehensive capacity and resource assessment of Internal Audit units within MDAs, which indicated the need to restructure the function and also a need for capacity building. A proposal for a new structure of the Internal Audit Units within MDAs which takes into consideration the specific nature and needs of various MDAs has been prepared as have internal audit manuals and also relevant training materials to support the planned training. Significant steps have been taken to transform the approach to internal audit from reviewing individual transactions to recommending improvements in control systems. Departmental audit committees required by the Public Finance Act,2001 have now been established in virtually all MDAs, pursuant to Treasury Circular No.9 of 2003/04 (of 8 March 2004), and have begun functioning in most MDAs.	
C(iii) Accounting, Recording and Reporting				

[56] Tanzania's total annual expenditure budget is estimated at app. Tshs 2.0 trillion (equivalent to US$ 2 billion). According to the NAO about Tshs 1,400 - 1,500 billion or just over 70% is expended annually by the government through public procurement.

INDICATOR	SCORE GIVEN	COMMENTARY	JUSTIFICATION/ EVIDENCE USED	CARDINAL DATA
22. Timeliness and regularity of accounts reconciliation.	B	High quality bank reconciliations of Treasury managed accounts are undertaken monthly and there is no major backlog. Reconciliation of non-Treasury CG accounts varies. Suspense accounts and advances cleared within two month of end of period.	The various bank accounts monitored daily by the ACGEN, are reconciled each month. The reconciliation of the main recurrent account for the month ending 31 December 2004 had been completed by mid-February 2005. The clearance of reconciling items on the miscellaneous deposits accounts remains a challenge with some items dating back to June 2004. These bank reconciliations are reviewed by the ACGEN and then made available for external audit by the resident NAO staff in the MoF. Electronic bank statements and a facility on IFMS are used to facilitate the follow up and resolution of reconciling items. Reconciliation of non Treasury bank accounts is not so rigorous. Suspense accounts and advances exists and are generally cleared within two months of end of period.	
23. Availability of information on resources received by service delivery units.	C	Information on resources received by front line service delivery units is lacking.	Although periodic surveys have been undertaken, there is no routine collection of information on resources mobilised by front line service delivery units such as primary schools and primary health care clinics. The CG relies mainly on assumptions in making its per school/clinic transfer allocations.	

INDICATOR	SCORE GIVEN	COMMENTARY	JUSTIFICATION/ EVIDENCE USED	CARDINAL DATA
24. Quality and timeliness of in-year budget reports.	B	Internal budget reports are produced within 2 weeks of month end. Quarterly budget execution reports are published on the MoF's website usually within one or two months of quarter end. It is difficult to determine whether they are accurate and contain complete information as, for example, it is difficult to compare the figures with financial statements.	The IFMS has provided the GoT with the capacity to produce timely central government fiscal reports with minimal delays. Expenditure reports are produced each month. A summary version provides information on the original and revised budgets for each vote, the funds which have been made available by the MoF and details of cumulative payments. This report is issued to ministers, AOs, BoT, IMF and the World Bank. The State House and Defence are still using IFMS on a stand-alone basis due to security considerations. Also, as stated earlier in this report, regional sub-treasuries, the Regional Administrative Secretariate, Parliament and Ministries based in Dodoma are still unconnected with the main server. They all provide data to the ACGEN's Department on diskettes which is then merged on a spreadsheet with data from the other MDAs. As a result the reports are not produced until around two weeks after the end of the month rather than three to five days which would be possible if all these entities were on-line Quarterly Budget Execution Reports are produced by the Policy and Analysis Department of the MoF and issued to donors. These reports have been produced each quarter for the last three years and are published on the MoF's website, usually within one or two months of the quarter end. The reports include a commentary on revenue received and payments made, an economic analysis of payments and receipts, foreign grants and financing and a summary of expenditure in the seven priority areas agreed in the Poverty Reduction Strategy Paper. While there may be some concerns about accuracy these do not generally detract from the overall usefulness of the reports.	

INDICATOR	SCORE GIVEN	COMMENTARY	JUSTIFICATION/ EVIDENCE USED	CARDINAL DATA
25. Quality and timeliness of annual financial statements	B	Most financial statements are now completed in a timely manner in line with the provisions of the PFA, and the quality has also improved as evidenced by the reduced number of adverse audit reports.	The annual consolidated financial statements of the central government should be submitted to the Minister of Finance and the CAG within the four months period required by the Public Finance Act. Section 25 (1) of the Act specifies the contents of such a set of accounts. Although the consolidated financial statements prepared by the ACGEN for the year ended 30 June 2003 did not fully comply with all the requirements of the Act, in general they cover most of the information required for the audit to take place. The statement is generally submitted to the NAO within 6 months of year end. IPSAS standards have been applied, with a few documented exceptions where national standards have been applied instead. The improvement in time-liness of completion of the NAO Annual Reports, and thus of their sub-mission to Parliament (through the Minister of Finance) and the President, is partly a result of the decreased incidence of late accounts, which after steadily declining for three years, dropped dramatically between FY02 and FY03. Largely due to the efforts of the ACGEN, late completion of public accounts is becoming a thing of the past in Tanzania, at least at central government level.	

INDICATOR	SCORE GIVEN	COMMENTARY	JUSTIFICATION/ EVIDENCE USED	CARDINAL DATA
C(iv) External Scrutiny and Audit				
26. Scope, nature and follow-up of external audit.	D+	Audited financial statements were presented to the legislature within 12 months for FY 03/04, a net improvement on previous years, although this remains outside the time provided for in the PFA.	The consolidated financial statements prepared by the ACGEN until the year ended 30 June 2003 did not fully comply with all the requirements of the PFA. As a result the CAG's audit opinion was limited to the information submitted to him and therefore incomplete — separate audit opinions were issued on the individual components of the accounts rather than one consolidated opinion. The ACGEN made an immense improvement with the preparation of the consolidated financial statement for the year ending 30 June 2004. It complies in all material respects with the requirements of the Act and it is hoped that the CAG will issue one audit opinion on these accounts. The CAG raises any significant issues in his annual audit report to Parliament and expresses separate audit opinions on the financial statements submitted by each AO. The delay in the completion of the audit reports has been reduced from 10 months in FY00 to an expected 3 months[57] for FY04. Although the audit reports identify significant issues, there is little evidence of timely follow up, partly because of the extended delay between the issue of the audit report and the FY in question. Audit work is predominantly transaction level testing. The CAG has already begun to take action to improve audit quality and support from SIDA is assisting in the modernisation of the function.	

[57] The completion date for the audit according to the Public Finance Act is 31st March or nine months from the year end.

INDICATOR	SCORE GIVEN	COMMENTARY	JUSTIFICATION/ EVIDENCE USED	CARDINAL DATA
27. Legislative scrutiny of the annual budget law.	C+	Legislative scrutiny of the annual budget law covers the details of expenditure and revenue, some aggregated information and involves some review by specialised committees. The budget is generally passed within two months of the start of the fiscal year.	Despite the introduction of sectoral budget committees, parliamentary oversight in the budget process begins at a late stage, once estimates have been prepared, approved by the MoF and Cabinet. The ability of Parliament to question or influence inter sectoral allocations and ensure that they follow sectoral policy is therefore very limited. The technical capacity of the committees is also limited. The parliamentary discussions take place during July and August and the budget is passed usually within two months of the start of the fiscal year. The National Assembly approves the estimates through the Appropriation Bill and through the Finance Bill they are allowed to raise the finds to finance the expenditure. The annual budget presented to the National Assembly includes only the estimated aggregate amount of new borrowing and loan guarantees. These practices do not adequately address the fiscal and governance risks typically associated with official loan guarantees.	
28. Legislative scrutiny of external audit reports.	C	A specialised committee examines the audit reports and completes hearings within 12 months of report issue. Follow up actions are recommended but often not acted upon.	The PAC finished the review of the 2002/03 audit report in the November 2004 parliamentary session within three months of receiving the report. However the technical-professional capacity of committee members to deal with the subject matter of their remit is generally recognised to be weak and in Tanzania no professional research support is provided. The time allowed for scrutiny is only 60 days and travel funds are generally not available. Several PAC reports have been tabled with Parliament but have not been debated. CAG report on FY03 (para.18): "Many Accounting Officers pay little regard to matters reported upon, and issues that demand financial accountability continue to be ignored. Disciplinary action against offenders is largely ignored…I have again reiterated on issues appearing in my previous reports, that have not been acted upon, to serve as a reminder that Accounting Offices have a duty to rectify outstanding mattes raised in audit reports and during PAC hearings." The PAC reports for 2001/02 and 2002/03 plus three special reports (some dating back to 2002) have been produced but have not been debated by Parliament. No action is being taken by the relevant authorities despite them being public documents.	

INDICATOR	SCORE GIVEN	COMMENTARY	JUSTIFICATION/ EVIDENCE USED	CARDINAL DATA
29. Ethics and anti corruption measures are in place and are effective	C[58]	Various organisations have been set up and a National Anti- Corruption Strategy and Action Plan is in place. Effectiveness of PCB limited partly by outdated legislation. The amended Public Procurement Act establishes a regulatory authority but responsibilities need to be implemented.	Over the last seven years the Transparency International Corruption Perception Index (CPI) reports show an encouraging improvement in scoring for Tanzania. Tanzania's CPI improved from 1.9 in 1998 to 2.7 in 2004 but Tanzania remains in the bottom quartile of those countries assessed. Also, it has been excluded from receiving American Millenium Challenge Account funds because of it corruption problems. Between 2001 and 2004, 6,378 cases were investigated by PCB resulting in 20 convictions and investigations recovered a paltry Tshs 390 million. A public register of firms and individuals who have been blacklisted for corrupt practices and a comparative database on unit costs in public and private procurement has not been maintained.	
DONOR PRACTICES				
Donor 1. Predictability of Direct Budget Support.	A	Direct Budget Support has been predictable over the last 3 years.	Improved dialogue between the government and budget support donors has significantly increased the predictability of Direct Budget Support over the last 3 years. This includes not only the levels of promised support, but also the timing of disbursements where donors have made considerable efforts to ensure disbursements match cash flow requirements.	
Donor 2. Financial information provided by donors for budgeting and reporting on project and program aid.	C	Financial information is given by the donors for the majority of the funds/resources provided, although there are significant areas of information shortfalls.	Often, donors do not provide complete information to the government on all types of aid assistance and therefore reporting on cross-sectoral issues, technical assistance costs and in kind aid flows are particularly difficult. For aid disbursements to projects and baskets in the budget estimates, 71% of the forecasts was recorded as received through the exchequer system for 2003/04. This percentage increases to about 85% when the influence of general budget support is included in this calculation.	

[58] This is an additional indicator to the list developed by the PEFA Secretariat. The score is calibrated based on the score given for the Fiduciary Risk Assessment of 2004 as well principles applied for similar type of indicators such as 19, 20 and 22 above.

INDICATOR	SCORE GIVEN	COMMENTARY	JUSTIFICATION/ EVIDENCE USED	CARDINAL DATA
Donor 3. Proportion of aid that is managed using national procedures.	C	45% of aid funds to central government are managed through national procedures. Some basket funds use some national procedures.	45% of foreign aid was managed using national systems in 2003/04. If we assume that basket funds do fully use national systems then the proportion using national procedures increases to about 66% in the same year. For example, health basket funds use national procedures.	

ANNEX B: HUMAN RESOURCE MANAGEMENT OF THE ACCOUNTING AND AUDITING CADRE

LEGAL FRAMEWORK

Legislation and administrative instructions

As stated in Section 3C the legislative framework for human resource management is the Constitution, the Public Service Act, 2002, and the principal subsidiary legislation related thereto, being the Public Service Regulations, 2003 and the Public Service Scheme, 2003 plus administrative circulars and instructions issued from time to time. The driving force in bringing to fruition this Act to replace the previous Civil Service Act 1962 has been the ongoing PSRP.

The Public Service Act, 2002 includes the enabling legislation covering administration of the public service, establishment of the Public Service Commission, provisions relating to the functions of the President, provisions concerning retirement, and special provisions that include giving power to the Minister responsible for the Public Service to make regulations.

The Public Service Commission's primary responsibility is to regulate and monitor the management of human resources in the government. This covers appointments, promotions and discipline, including dismissals ensuring that procedures are followed and that standards are maintained in all aspects of human resources operations. It is very much a monitoring role.

Within set guidelines PSs of MDAs have delegated powers to appoint, discipline and dismiss the staff on their list of approved posts (Establishment) which is reviewed each year with PO-PSM.

Cadres and schemes of service

Accounting and audit staff are currently organized into two cadres. The accounting cadre is planned to be split into separate cadres for accountants and internal auditors from July 2005. Whilst the responsibility for the accounting and internal audit staff is devolved to MDAs, in certain circumstances these staff are still coordinated by the ACGEN. The external audit cadre is the responsibility of the CAG.

On 1 July 2003, major changes took place concerning the operation of the cadres/schemes of service for accounting and internal audit staff. The AOs, being the PSs of MDAs, were given direct responsibility for hiring, promoting and firing accounting and internal audit staff. Before this the ACGEN administered and managed the cadre including staff placements. Whilst there may be some disadvantages, especially with the loss of the ability to rotate staff and possible restrictions on career progression, it is a move that gives the AO direct responsibility for managing their staff resources for more effective financial management.

When government schemes of service were revised another objective was to stop appointments and promotions just being made on a seniority basis. All MDAs are now required to make appointments and promotions on the basis of merit.

MANAGEMENT OF ACCOUNTING AND INTERNAL AUDIT CADRES

As mentioned earlier, currently the accounting and internal audit staff is part of one cadre that is overseen and coordinated by the ACGEN but this will change from 1 July 2005 when a separate cadre and scheme of service is to be introduced for internal audit. It will have the same status for coordination, management and operation as the accounting cadre. Below is an illustration of post structure and related academic qualifications required at each level for these cadres:

Table 22: Accounting and Internal Audit Cadre Structures Illustration

Accountants	Internal Audit	Salary Scale	Main Academic Qualification Required
Chief Accountant	Chief Internal Auditor	TGS J or I	Professional Qualification or Post Graduate and Experience
Principal Accountant I	Principal Internal Auditor I	TGS H	CPA plus Post Graduate plus 12 years experience
Principal Accountant II	Principal Internal Auditor II	TGS G	CPA plus Post Graduate plus 10 years experience
Senior Accountant	Senior Internal Auditor	TGS F	Professional Entry – (CPA) plus 7 years experience
Accountant I	Internal Auditor I	TGS E	Graduate Plus 5 years experience
Accountant II	Internal Auditor II	TGS D	Graduate Entry – Degree or Advanced Diploma
Assistant Accountant	Assistant Internal Auditor	TGS C	Higher Standard Government Accountancy Examination or Ordinary Diploma in accountancy
Accounts Assistant		TGS B	Form 6 Advanced Certificate with Accounting Technician Certificate

STAFFING LEVELS

For the financial year 2004/05 the MoF has a current staffing level of 992 against an approved establishment level of 1345. Of these over 600 are directly under the ACGEN whose approved establishment level is currently around 726. The latter includes staff at sub-treasuries. In addition, accounting and internal audit staff in the other MDAs is estimated to number more than 2000.

Summary statements of the numbers posts at each level in MDAs were not available for the accounting staff. Also, the numbers holding qualifications had to be estimated. These figures were given as about 38 for CPAs and 15 holding Masters Degrees. The existing and proposed staffing levels of the separate internal audit cadre posts are:

Table 23: Proposed Internal Audit Cadre Staff

Designation	Actual Staff per Posting List as at 1 October 2004	Expected Establishment 2005/2006
Chief Internal Auditor	30	66
Principal Internal Auditor I & II	3	30
Senior Internal Auditor	4	96
Internal Auditor I & II	37	182
Totals	**74**	**374**

Of the 30 Chief Internal Auditors in post, 14 are full CPAs, 5 are on Module E of the CPA examinations, which is the first stage of a two part final and 11 have degrees, diplomas and lower qualifications. The majority of internal auditors have the advanced diploma in accountancy or degree, which is the minimum qualification for the entry level of Internal Auditor. It is emphasized that this is the current situation, which is about to change with the coming into operation of new manning levels and the scheme of service for internal audit from 1 July 2005.

MANAGEMENT OF EXTERNAL AUDIT CADRE

The CAG has direct responsibility for managing and administering the external audit cadre that applies only to the NAO. The CAG has responsibility for hiring, promoting and firing all external audit staff, subject to public service regulations and schemes of service, regardless of the fact that some staff is currently stationed in line ministries. Procedures for appointments, promotions, disciplinary matters and dismissals are standard throughout government and brief over-views are given in the appropriate sections below.

The external audit cadre scheme of service was brought onto operation in July 2003 in accordance with circular No. 2 issued by the PS of PO-PSM. As for all schemes of service, it is published in Kiswahili to ensure it is more easily understood by staff at all levels. Below is an illustration of post structure and related academic qualifications required at each level:

Table 24: External Audit Cadre Structure

Post	Salary Scale	Main Academic Qualification Required
Principal Auditor I	TGS H	Professional Qualification or Post Graduate and Experience
Principal Auditor II	TGS G	Professional Qualification plus Post Graduate
Senior Auditor	TGS F	Professional Entry – (CPA) or Equivalent
Auditor I	TGS E	Graduate Plus department Examination
Auditor II	TGS D	Graduate Entry – Degree or Advanced Diploma
Assistant Auditor I	TGS C	Higher Standard Government Accountancy Examination or Ordinary Diploma in accountancy
Assistant Auditor II	TGS B	Form 6 Advanced certificate with Acc. Technician Certificate

As shown below the external audit cadre has a current staffing level of 309, according to the posting list as at 1 October 2004 against an approved establishment level for FY 04/05 of 425.

Table 25: National Audit Office Staff

Designation	Establishment 2004/2005	Actual Staff per Posting List as at 1 October 2004	Vacancies
Controller and Auditor General	1	1	0
Deputy Controller and Auditor General	1	1	0
Assistant Auditor General	4	4	0
Zonal Auditors	17	0	17
Resident Auditors	59	0	59
Principal Auditors I	52	34	18
Principal Auditors II	2	1	1
Senior Auditor	28	18	10
Auditor I	22	8	14
Auditor II	99	68	31
Assistant Auditor I	66	80	+14
Assistant Auditor II	75	94	+19
Totals	**425**	**309**	**116**

Of the 34 Principal Auditors in post, 18 are CPAs and 13 have Masters Degrees. Pluses arise because of the government's re-categorization scheme where staff are not promoted unless they have the relevant qualifications – demonstrating the lack of properly qualified staff at senior/middle management levels. This demonstrates clearly the lack of qualified staff to fill posts. The table below gives the position with regard to numbers of qualified personnel in the NAO.

Table 26: Qualifications of National Audit Staff and Numbers Studying

Qualification	Number of Qualified Person in Post	Number Studying
CPA	18	43 (CPA review)
Masters	13	5
Post Graduate Diploma	17	12
Degree	12	2
Advanced Diploma	65	58
Review for CPA	43	See above
Totals	**168**	**120**

The above tables show that the ratio of posts requiring professional qualifications compared to the number of staff possessing the appropriate qualifications is about 3 to 1. This corresponds to recent findings of the joint PRBS/PRSC annual review in November 2004 that suitably qualified staff filled 30% of financial management positions in MoF and MDAs

Regarding in-service training, the policy is to send staff on courses that are specifically related to the job.

PAY POLICY AND LEVELS

Policy

As mentioned earlier it is now the policy of government to ensure that appointments and promotions are made on the basis of merit. Earlier, many such appointments were influenced by seniority (the most senior person, in terms of date of first appointment, was appointed) rather than minimum academic qualifications specified for the post. When government schemes of service were reviewed and changed in FY 03/04 positive action was taken to redress the situation of many staff being in post but without the stated minimum qualification. Subsequently PO-PSM issued Circular, No. 1 of 2004 giving instructions to Directors of Administration and Personnel in MDAs on how to re-categorize all those in the cadres and schemes of service, including accounting and internal audit so that their position is related directly to the qualification held, e.g. a person previously appointed as Principal Accountant I but only holding the qualification for a Senior Accountant's post would be re-designated as Senior Accountant. The salary being paid before re-designation is retained on a personal level. Applying this policy strictly could result in government loosing from the service some good experienced staff that is not prepared to go back to college to obtain the necessary qualification. This could be detrimental to the service.

Pay levels

Pay levels, which most staff state are way below that outside of the Civil Service, are governed by the Scheme of Service applicable to the post. Some claim the difference is often 3 to 4 times higher. This is not proven but in terms of distribution of pay figures released in 2004 showed that only 5% of government staff has monthly wages above Tshs.200,000 and just 33% have monthly wages above Tshs.150,000[59]. In certain circumstances, staff may receive enhancements under SASE in order to

[59] This may not include all allowances and may therefore not be a truly comparative figure.

attract, retain and motivate staff of the required caliber. Supplements are generally between 50 to 75% of basic salaries but can be considerably more or less. Cabinet decided to suspend SASE, other than to staff already receiving enhancements, and requested a review of the scheme. This review is expected to commence in March/April 2005. In 1999 the Public Service MTPP was introduced in order to rationalize allowances and significantly enhance public service pay. To date this program has not been fully implemented because of the lack of government revenues needed to meet the costs. It is stated in the Guidelines for the current "Preparation of the Medium Term Plan and Budget" that implementation of the MTPP would need the ratio of the wage bill to GDP to increase from 4.4% to 4.8%. It is questionable whether full implementation of the MTPP will bring the significant pay rises desired for as of September 2004 it was found that actual salaries were already 83.78% of their targeted values found in the MTPP.

Staff performance appraisal

Introduced in July 2003 was the annual Open Performance Appraisal System for all staff. This may lead to either reward, accelerated increments, for acceptable performance or sanctions, with-holding increments, for non-acceptable levels of performance. This system is still being rolled out to some MDAs even though the target date was September 2004. Delays have occurred because rollout was dependent on MDA's strategic plans being in place because the appraisal system links operational plans, action plans, and training.

STAFF APPOINTMENTS, PROMOTIONS AND DISCIPLINE (INCLUDING DISMISSALS)

Appointments and promotions

It is now a rule that before action can be taken to fill a vacancy the approval of PO-PSM is required. The procedure for the employing authority is:

- Obtain approval to fill vacancy from PS of PO-PSM, for vacancies previously filled, or for new appointments, the Chief Secretary, President's Office.
- Advertise the post.
- Short list applicants.
- Select interview committee.
- Interview by the committee, including a representative from the Public Service Commission.
- Select candidate on merit through open competition and issue appointment letter, with copy to PO-PSM. In certain circumstances, e.g. when procedures have not been correctly followed, the appointment can be nullified by the PO-PSM.

Apparently, if after interview two candidates are considered equal on the merit basis, then if one is a woman she should be employed and if they are of the same sex then the younger should be offered the job.

Because of the placements made in FY 04/05 by the ACGEN with the approval of PO-PSM there is still confusion in some MDAs as to who has the responsibility for appointing accounting staff.

It is claimed that the appointment procedure is administratively cumbersome, especially having to get permission even when funds have been approved. Consequently delays can occur and filling vacancies can take 3 to 6 months. Also there are problems in getting staff with the qualifications specified for the job.

Discipline and dismissal

With the coming into force of the Public Service Act and the Regulations, the procedures for discipline and termination of appointment are now fully documented, updated and operational. The whole process of discipline for example, may include full investigation, interdiction (removal from office), suspension, and loss of privileges, full inquiry including an inquiry committee and ultimately taking the appropriate action decided upon. It can be a long drawn out procedure which may be the reason why discipline and dismissal appear to occur infrequently.

TRAINING (EXCLUDING NAO)

Policy

Training, including professional qualification studies, for the accounting and internal audit staff is in some instances split between MDAs and the ACGEN. In some cases it was said that training, both local and overseas, is dependent on MDAs availability of financial resources whereas others claimed the ACGEN managed the arrangements for overseas scholarships. The actual position is that the ACGEN has the responsibility and manages the process of in-service training for accounting and internal audit staff but in practice some MDAs manage to access funding for additional training for their staff. It should be noted that under the PFMRP formal training programs of ongoing training for all levels of staff involved in finance and accounting are to be established in accordance with a training needs assessment that links training, both desk-top and classroom, with the work being done

Operational training

Much training has already taking place and much more is planned, by the ACGEN, in connection with the introduction of the Financial Regulations and the subsidiary Accounting Procedures Manuals. In addition the ACGEN has arranged training for MDA staff on the use of the new Internal Audit Manual. The latter included training of audit committee members. Because of the nature of this training it is usually directly related to the job and should, therefore, be on-going rather than ad hoc thus catering for both turnover of staff and continuing professional development. It is understood that the policy is to make such training ongoing.

In-service training for professional qualifications

This is under the control of the ACGEN, though with the set up in MDAs of AO being directly responsible for accounting and audit staff there are occasions when ministries organize ad hoc training in accounting. Such ad hoc training is not always relevant to the needs of the organization and, therefore should be discouraged.

Under the training program instigated by the ACGEN, sponsored by the MoF, the numbers of persons who have completed training and those still studying is as set out in the table below:

Table 27: Summary of Persons on MoF Sponsored Training

Qualification	Completed 2002	Completed 2003	Completed 2004	Currently Training 2004/2005
Masters - United Kingdom (UK)				5
Postgraduate Diploma/CPA	39	19	136	97
Advanced Diploma in Accountancy			56	144
Totals	**39**	**19**	**192**	**246**

ANNEX C: STRUCTURE AND STATUS OF THE IFMS

INTRODUCTION

C.1 Commencing January 1998 the ACGEN's Department started implementation of a new *Integrated Financial Management System — IFMS* based on the Platinum Accounting Software Package (now operated under the EPICOR license). This major development exercise involved the provision of a real time Financial Management System to all MDAs in Dar es Salaam. The overall objective of introducing a new IFMS into the GoT has been to further strengthen Budget Management, Expenditure Control, Accountability, and Transparency including:

- The introduction of a unified government budget based on the IMF GFS classification.
- More efficient systems for Cash Management, Procurement, Commitment Control, Payment & Expenditure Control, Inventory, Equipment and Asset Management.
- Improved integrity and transparency in the Accounting System (accuracy, reliability, comparability, completeness, reconciliation, etc.) with the introduction of modified the Accrual Accounting Basis where appropriate.
- Improved analysis and reporting (management and statutory) capability.

C.2 A significant customized feature of the IFMS is the *Cash Management (Budgeting) System* whereby cash/commitment authorization and control is exercised. Under these arrangements most MDAs obtain monthly funds releases (cash ceilings) depending on the revenue collections made by government.

C.3 Effective 1st July 1999 the system was installed in all MDAs with the exception of the Ministry of Defense and State House. Following negotiations to reconcile concerns about security these two entities have joined the system but are not yet linked on-line with the main server. In parallel to these developments the system has also been installed in the TRA, regional sub-treasuries, regional TRA Offices and a number of District Councils.

C.4 The IFMS is progressively developing to the point where it may be defined as a generic system covering the entire public sector. This will mean the system will eventually be capable of use:

- At the Macro level to create and monitor the entire Revenue, Expenditure and financing Framework of Government and
- At the Micro level to support institutional accountability, financial management, performance management and audit.

C.5 Whilst it is clear that substantial progress has been made it is also clear that considerable work remains before the government financial management & accounting system can be said to have been fully implemented.

STRATEGIES AND POLICIES

C.6 Concerning IT strategies and policies, some progress has been made. In March 2003 a National Information and Communications Technologies Policy was issued by the Ministry of Communications and Transport, with the broad objectives:

- Provide a national framework that will enable Information and Communication Technologies to contribute towards achieving national development goals;
- Transform Tanzania into a knowledge based society through the application of Information and Communication Technologies;
- Provide a national framework to accommodate the convergence of information, communication and technology including multimedia.

C.7 At the government level, under the co-ordination and direction of the Ministry of Communications and Transport, PSs of each MDA, including the MoF, have been asked to produce their own IT strategy, using predetermined guidelines, paying particular attention to resources needed, a timeframe and allocation of responsibility. Workshops are currently being held to facilitate this.

C.8 Other than a statement made by the PS that the MoF will promote use of IT in the Public Service there is no current government information systems technology strategy.

C.9 The continuing development of IFMS is part of the PFMRP. In this respect much of this program's communications and information component has either already been achieved by the ACGEN or is in hand. The objectives of this component are:

- Optimise and deploy government Information and Communication Technologies in support of efficiency, effective decision making and service delivery.
- Expand network connectivity and integrated sharing of information.
- Secure government Management Information Systems with contingency plan and disaster recovery procedures.
- Improved Management Information Systems for the MoF.

IFMS

C.10 The introduction of IFMS and its subsequent development has certainly improved financial management throughout government. It has introduced stronger controls, especially over expenditure with commitment control, the centralized payment system and with timely financial and management reporting.

C.11 In addition to meeting the accounting needs of the ACGEN, IFMS is a powerful tool for the AO to manage allocated funds. Consequently, it is important that awareness of its uses should be fully understood by users, an aspect that is being addressed. However, there is currently a lack of integration of some periphery systems with IFMS. Detailed information on this and action being taken is contained in par. C.18 below. Apart from the risk of errors occurring when data is re-keyed into the system, this means that the government reporting is based on figures from a number of sources, many of which are outside the IFMS and therefore not subject to the system's in-built controls. Also, rekeying of data often means that the detail which users would like to see in certain financial reports is not there because only summary totals are posted. This is the case with payroll. This lack of integration can be a major risk that the robustness of government accounts could be open to doubt. Government financial reports should be produced by a unified government accounting system, not from memorandum records maintained outside it. Also, interface constraints mean that the comprehensive view of the financial position either of individual MDAs or for the Government as a whole is not readily available.

C.12 The ultimate goal of the MoF is an IFMS but, though much has been done, further changes are needed to achieve a fully integrated core budgeting and accounting system.

C.13 IFMS is a networked computer system that facilitates Financial Management for the AOs in MDAs. In addition to being used in MDAs, it is used by regional sub-treasuries making payments on behalf of Regional Administrative Secretaries who handle the regional financial needs of MDAs. The sub-treasuries also carry out transactions for the Regional Administrative Secretaries as well as sometimes acting directly for MDAs.

C.14 Over the past year, there has been improved functionality of the system around commitment control and new server and generator in State House. The Army HQ and all camps in Dar es Salaam have also been computerized. In coming year the aim is to computerize 10 of 38 remaining camps. The ACGEN is now looking at how to computerize embassies abroad to run on IFMS. Similarly, the ACGEN has begun working on barcode system of valuing government assets.

C.15 IFMS is based on the accounting and planning package produced by EPICOR software, which has been customized to meet the government's needs. It runs on a number of modules. Those available and installed are summarized in the table below:

Table 28: Modules of the IFMS

Modules Available	Modules Installed	Modules Used
Accounts Payable	Yes	Yes customized
Accounts Receivable	Yes (partial)	Yes customized for MDAs non-tax revenues
Purchase Order Commitment	Yes	Yes customized
Active Planner (formerly Budget Manager)	Yes (partial)	Yes customized
Cash Management	Yes	Yes, monitoring bank balance
General Ledger	Yes	Yes customized
Report Generator	Yes	Yes customized
Asset Management	Being considered	
Inventory	Being considered	

C.16 Also installed in 2003 and ready to be used, is the Data Warehouse. It is a module designed to hold a copy of data held on IFMS. It should be noted that this warehouse module is not intended to be a government wide depository for all its computer systems. The objectives of the system are to allow selected users, such as AOs, Planning and Policy Analysis Departments in the MoF and others, to draw on IFMS information without compromising the security and integrity of the system's master files. The data input part of this module is simply a program to take information into the database. While some users have already been trained, it is clear that this powerful database is underutilized. This situation has dragged on for quite a long time now and it is clear that a lot of frustrations exist amongst the prospective users and the ACGEN. The apparent reason for this situation seems to be that prospective users are not providing their data and reporting needs in sufficient detail to the ACGEN's Department in order to program selected "cuts" of the data for purposes of analysis. The situation is exacerbated by the fact that prospective users perceive the accessibility to the Warehouse to be very restricted. Also, it seems as if the accessibility of prospective users is complicated by the fact that they have not been trained in the application — in spite of training opportunities that had been provided by the ACGEN's Department. This issue can be resolved if management in the MoF brings the parties to the table to resolve this issue for once and all.

C.17 The IFMS is already rolled out to 28 Local Councils. However, the system has not worked completely due to capacity problems and lack of political support at higher levels of local govt. The ACGEN Department is now much more hands and eyes on with this rollout, and has provided support by recruiting 25 support personnel (trained them for 8 months) and placed these in 5 zonal centres (Mbeya, DSM, Dodoma, Mwanza and Kilimanjaro).

INTERFACES

C.18 Though IFMS is installed in all MDAs, but not on-line with the State House, Ministry of Defense, Regional Sub-Treasuries, Regional Administrative Secretariat, Parliament and the Ministries based in Dodoma, there is currently no direct interface to up-load data from some of the major periphery systems operating. In some cases action is being taken to redress the position. Set out below is a brief summary of these systems and the action being taken:

- An enhanced Budget and MTEF Model is being introduced for 2005/06 as mentioned earlier in this report. Concurrently, MoF has developed and deployed the Strategic Budget Allocation System (SBAS) software to all MDAs. The SBAS has been used by the MDAs in preparing their resources requests, indicating requirements for direct NSGRP-related expenditure as well as for 'other' items. This new tool is a bespoke database system maintained by the Policy Analysis Department and it is now in the process of being interfaced with the Active Planner module of EPICOR. SBAS is a resource allocation tool and produces budget data, used by MoF for scrutiny and finalisation of budgets. Originally budget data had to be re-keyed into Active Planner for input to IFMS General Ledger. When the interface is finalised, the budget data will be exported from SBAS directly into Active Planner and hence to the General Ledger,. The finalised budgets and their executed stutus versions will, in a reverse of the initial route, be downloaded from EPICOR into SBAS for analysis and execution tracking.

- Payroll, which is a component of the Lawson IHRPMS. The ACGEN is currently looking at the possibility of interfacing this system with EPICOR (at present data control figures only are keyed in). The target is a solution by 2006 with the intention of being able to drill down to detail transaction level.

- The Debt Management Unit in the ACGEN's Department uses a combination of Excel and the CS-DRMS 200+ to capture data on domestic and external debt. The system is not integrated with the IFMS but a study is underway to interface these systems. While the BoT also uses CS-DRMS 2000+, differences exist between the data of the ACGEN and the BoT (also refer to sections 6B and 6C).

- Tax Revenue which is collected by the TRA has the EPICOR package on its own server and maintains a separate database for revenues. A wireless link to TRA is available but not operational. Activities are underway to improve the link bringing the TRA totally on-line.

C.19 A WAN connects MDAs to the central server at the ACGEN's Department. However, the regional sub-treasuries, Regional Administrative Secretariat, Parliament and the ministries based in Dodoma have not been effectively connected so there is no direct transfer of data. The intention is to connect on-line using a Virtual Private Network. Centrally the infrastructure and servers have been set up and by using tapes the data is loaded on to the central servers but there is no link to the General Ledger. Data is being entered into General Ledger at the year end by MDAs. The ACGEN is now looking at a routine to transfer the data to the General Ledger with the target for Virtual Private Network connectivity being FY 05/06.

UPGRADES AND SERVICING

C.20 During the period November 2003 to January 2004 an upgrade of the hardware and operating platform was undertaken. Recent effort in the past year has been on further improvement of the system to keep up with important technical developments. Volatility of electricity supply has been a problem. ACGEN has had discussions with TANESCO about the importance (for the functioning of the entire government) of a continued power supply to the ACGEN Office which has resulted in much better supply. Standby generators have been purchased to cater for the main ACGEN building (which could actually power the whole area) as well as for the 20 regions. A large UPS was also purchased which can store power for ACGEN office for 12 hours. All servers have also been changed. The system now runs on a cluster of servers. 24 are application servers, 2 management servers, 1 data server and 1 new server for public debt management. Fire protection for ACGEN building has also been improved and water well dug for such an emergency.

C.21 Any upgrades to EPICOR have to be awarded to Soft Tec as no other firm is licensed by the supplier to do this. This also means that training in EPICOR was also carried out by Softech. However, the ACGEN now has 30 staff in the support development unit in-house, who can handle most training needs. In 2004 a major change occurred with regard to the contracts for servicing hardware and software. Previously these were let separately but now there is just one contract with Softech. It was put out to tender as one contract because of earlier problems of having two split service contracts, whereby both companies would disclaim responsibility.

OTHER DEVELOPMENTS

C.22 The issues of IFMS integrity, security and disaster recovery requirements are dealt with fully in section 7B of the main report under Data Integrity, Security and IT Contingency Plans. These do not cover payroll which is part of the IHRPMS system maintained outside of the ACGEN's Department.

C.23 Action is being taken to computerize the Help Desk facility so as to give on-line support. The software has been procured and training for users will start shortly.

CONCLUSION

C.24 The ACGEN has made considerable progress in the implementation of IFMS over the past 3 years but there is still work to be done within the scope of the PFMRP, especially on interfacing and connectivity of IT-systems. It is appreciated that improvements to IFMS can only be made if resources and capacity are available, especially with human resources, to implement the changes that will improve the existing systems and the data available from IFMS. Moreover, the Ministry f Finance needs to review its information needs and develop a comprehensive IT Strategy that addresseses its growing planning, execution and analytical requirements.

ANNEX D: ZANZIBAR – STATUS MATRIX OF 2003 CFAA ACTION PLAN

SECTION OF THE CFAA REPORT AND RECOMMENDATIONS	STATUS OF ACTION	GOVERNMENT COMMENTS
UNION ISSUES		
1. Establish the Joint Finance Commission	Implemented	Established in May 2003 and has been operational issuing several reports. It has 7 members of which 3 are from Zanzibar. The Chairman is from Tanzania while the Deputy Chairman is from Zanzibar. Zanzibar is hoping to hold the Secretary's position.
2. Introduce more regular and structured technical meetings between URT MoF, RGZ MoFEA and BoT.	Implemented	Regular meetings between the parties are being held at different levels i.e. at inter-ministerial and departmental levels.
3. Increase awareness of the findings of the Shellukindo Commission	Partially achieved	The report has been made available to the government officials. Increased efforts are required to raise awareness by holding a workshop. Due to lack of funds it has not yet been held.
4. Finalize Department of Union Matters capacity building program and implement	Not achieved	Training of staff in computer skills only has been conducted. The Director is also expected to have study tours to other countries to assess how other Union Secretariats are operating.
5. Ensure financial resources are made available in the Union Secretariat budget to allow them to facilitate high-level technical meetings between URT and RGZ MDAs	Partially achieved	Limited financial resources are available.
6. Clarify relationship between the Union Secretariat and the Department for Union Matters in the Chief Minister's Office of the RGZ and implement required changes.	Partially achieved	While the RGOZ has a Union Department that works closely with the Union Secretariat on the mainland, concerns had been raised that the Union Secretariat does not include members from Zanzibar. This issue has to be addressed to ensure efficiency and effectiveness within the Union.
FINANCIAL PLANNING, BUDGETING AND BUDGET EXECUTION		
Policy and Planning Instruments		
7. Strengthen the senior-level Government-wide institutional framework for the ZPRP	In progress	An institutional wide ZPRP secretariat with sectoral representatives has been formed.
8. Develop comprehensive and costed plans at sector and thematic level, consistent with the ZPRP,	In progress	MTEF/Costing exercise for Health and Education has been completed, i.e. 2 out of 12 ministries

9. Establish a coherent link between the ZPRP and sector Ministry programs through the emerging MTEF and PER exercises.	In progress	MTEF/PER used as instruments of implementing ZPRP whereby the vision, mission and objectives of sector ministries are linked to the ZPRP. PER Secretariat, PER-Macro group and PER-Sector group, which are linked to ministries, have been established in November 2004 and they have met twice since then.
Performance Review and Planning		
10. Establish a systematic service delivery and budget performance review exercise, based on the PER.	Partially achieved	PER studies have been done and MTEF as part of the planning process instituted. The PSDA system is already in place where two sectors (Water & Education) have been assessed in two districts.
11. Ensure that line ministries receive training and resources for monitoring and review work.	In progress	MTEF training for MDAs has been completed. PER Macro and Sector groups will soon go for sensitization workshop.
12. Redefine and restructure internal communications and coordination in the MoFEA, in particular between the Budget, External Finance and Social Sector Departments	In progress	LAN connection system established and network to be expanded to other areas of the ministry.
13. Develop performance indicators, linked to the poverty monitoring system and the work of the OCGS	Implemented	Indicators readily developed.
14. Develop mechanisms to ensure that the planning process is more consultative	In progress	Budget & Planning formulation involves stakeholders such as PER Macro group and Central Budget Guideline Committee.
15. Develop capacity of National Budget and Planning Committee to lead an improved budgeting exercise	Implemented	Central Budget Guideline Committee and PER Macro and Sector groups had been trained.
16. Consult HoR about budget priorities at an early stage in the process (i.e. not just at the approval stage).	Implemented	The budget plans and ceilings are discussed at the Finance Committee level of the HoR at a very early stage in the budget preparation process.
17. Develop greater awareness of cross-cutting issues and modalities to integrate them into MDA plans.	Partially achieved	MDAs are duty bound to plan and budget for cross-cutting issues, but it is unclear which actions have been taken to develop a greater awareness on these issues.
The Resource Envelope and Expenditure Programming		
18. Redesign the macroeconomic framework, the timing of its preparation and ensure that MoFEA staff has requisite skills in modeling and forecasting.	Partially achieved	A Macroeconomic Framework has been developed, and MoFEA staff has appropriate skills, but requires further exposure to the subject.
19. Develop procedures for ensuring more realistic revenue projections including close liaison with ZRB and TRA.	Implemented	Revenue estimates are done in consultation with ZRB & TRA using the introduced Models.

20. Review procedures for budgeting for revenue generated by MDAs	Implemented	MDAs MTEF Performance review (Revenue & Expenditure).
21. Establish a tax policy unit in MoFEA,s Budget Department	Implemented	Unit established.
22. ZRB should develop a strategic plan and implement	Not achieved	ZRB has prepared an *Initial Project Plan* which confirms the need for a Strategy to be developed.
23. Develop MTEF training at the sector level and ensure the availability of necessary tools including computers.	Implemented	Further training is required to cover the Directors and senior staff.
24. Review Community Development Program and implement recommendations.	Not achieved	No actions taken yet.
Budget Execution		
25. Broaden definition of first charge items to include debt repayment and other statutory expenditures	Partially achieved (in conjunction with Acc Gen)	First charge items are precisely defined in budget frame but debt repayment is not included yet.
26. Implement a first charge system of payment on utilities and other regular charges	Implemented	Utilities are a first charge category.
27. Introduce a stricter commitment control system to prevent the accrual of arrears and the unauthorized reallocation of funds.	Partially achieved	No mechanism as yet for preventing the accrual of arrears. Reallocation of funds is restricted and only allowed with the prior approval the Minister of Finance.
28. Develop clear rules for the Ceilings committee.	Implemented	Rules and procedures developed and issued with annual Budget Guidelines.
29. Develop capacity to implement and utilize a computerized financial management system	Not achieved	IFMS will be installed in collaboration with Treasury (URT). Discussions are ongoing with the Acc Gen. of mainland to secure funding through the PFMRP for the roll-out of the IFMS on Zanzibar. Only computerized payroll have started. However, capacity development has not been addressed yet. Also refer to items 67 - 70.
30. Develop MDA cash flow plans annually and update on a quarterly basis.	Partially achieved	Annual MDA cash flows are prepared but not quarterly up dated.
31. Link information maintained by External Finance Department on disbursement of external resources to the Budget Department's information system.	Partially achieved	Project management team is required to submit information of actual and forecast disbursements to the Department of External Finance (DEF). This information is kept on Excel and consolidated for use by the Budget Department. A permanent solution and linkage remains to be established.

32. Develop an improved system of identifying an external financing pipeline system to anticipate shortfalls in development assistance.	Partially achieved	External assistance is currently only partially captured due to incomplete information provided by DPs and difficulties of valuing aid in kind. To ensure external aid is being utilized in efficient and effective manner, the Department of External Finance (RGOZ), Department of External Finance (URT) in collaboration with DPs is in progress of preparation of Tanzania Joint Assistance Strategy (TJAS). This will allow for more efficient and effective donor resource use through joint funding arrangements by avoiding duplication and uneven or ad hoc DPs' support.
33. Identify priority expenditures using the RGZ GFS-equivalent system	Partially achieved	The existing GFS system had been changed to a partial fit of the GFS classification system. This will be fully introduced over time.
34. Adopt the GFS classification system and develop capacity for budgetary analysis.	Partially achieved	Is being developed with Office of Chief Government Statistician (OCGS) assistance. Capacity building through training is needed to acquire the knowledge and skills.
Aid Co-ordination and External Resource Management		
35. Establish and institutionalize a Government-wide aid coordination system.	In progress	A study on capacity needs assessment of the DEF and design of an aid coordination mechanism was completed on 20 January 2004. Some of the recommendations have been implemented with support from the UNDP program. In the meantime, the Aid Coordination Committee from line ministries and the MoFEA has been identified as the committee responsible for aid flow data collection and other issues. Both committees have been trained in Aid Management and basic economic concepts. However meetings had not been held yet.
36. Complete ongoing database work and establish mechanisms for ensuring that the information is kept up to date	Implemented	All staff in the department have been trained to develop and maintain the database system using excel mode presentation. A consultant was recruited to systemize and organize files and documentation system, followed by training of staff to maintain the system.
37. Establish a central and consultative committee for appraising project proposals and for assessing their consistency with ZPRP priorities.	Not achieved	Only for UNDP's funded projects have there been regular consultative meetings to ensure projects objectives are in compliance with the strategic planning of the ZPRP.
38. Develop capacity to record external assistance at MDA level.	Not achieved	If resources are made available, this activity is likely to be prioritized.

39. Develop and implement debt strategy for both external and domestic debt to ensure the proper management of public debt.	In progress	The issue is in progress. A team from the Acc Gen in collaboration with the Joint Finance Commission deals with the issues.
GOVERNMENT ACCOUNTING, FINANCIAL REPORTING AND USE OF INFORMATION TECHNOLOGY		
40. Ensure complete adherence to the FA Act Government-wide by putting in place appropriate sanctions against non-compliance.	Partially achieved	The current Financial Administration Act will be repealed soon. It will be replaced by the Public Finance Act. The bill has been prepared and discussed in the House of Representative in the session held in April 2005, but not passed yet.
41. Complete and publish FA Regulations that are harmonized with the FA Act.	Not achieved	Due to repeal of Financial Administration Act. Funding was made available and draft Regulations had been prepared.
42. Include in the FA Regulations records management policy.	Partially achieved	As above.
43. Train appropriate staff on those regulations.	Not achieved	Delayed due to the repeal of the Financial Administration Act.
44. Draft and publish accounting instructions/procedures manual.	Partially achieved	It is still in draft.
45. Review payroll procedures and determine the best method for assuring that only bona fide employees are in receipt of government salaries	Partially achieved	The process of reviewing continued, third quarter of the financial year 2004/05 will end up.
46. Issue unique ID's automatically that remain the same throughout the employee's lifetime.	Not achieved	Due to financial constraints
47. Review the requirements for a payroll system (s) and implement.	In progress	Payroll requirements has been introduced and implementation under process.
48. Prepare a payroll procedures manual. Train staff on payroll procedures.	In progress	Manual is being developed but staff has already undergone training in payroll procedures.
49. Adopt appropriate accounting standards from those promulgated by the International Federation of Accountants and NBAA.	Partially achieved	No effort has been made to introduce compliance with International Public Sector Accounting Standards for the accounts of RGOZ. However, Public Enterprises now have to comply with International Accounting Standards adopted by the NBAA.
50. Draft and publish guidelines on procurement. Train relevant staff on these guidelines.	In progress	Procurement Act and Regulations have been prepared. Training of respective staff to be done soon.

51. Introduce better controls over opening and closing of bank accounts. Close all dormant accounts.	Implemented	
52. Transfer foreign exchange account to BoT	Not achieved	BOT Zanzibar Branch has no foreign exchange window.
53. Bring all bank reconciliations up to date, including correction of reconciling differences.	Implemented	
54. Develop a strategy for bringing to Government financial systems and accounts all external donor funds flows.	In progress	Finalization will be at the end of the financial year 2004/05 (June 2005).
55. Introduce physical verification of assets and stores.	Partially achieved	The process of physical verification of assets and stores is still continued.
56. Complete an actuarial valuation of pre-1998 pension and gratuity and make appropriate provisions for all pension liabilities in Government accounts.	Not achieved	Due to a lack of human and financial resources.
57. Improve the cash basis financial statements preparation process to ensure that accounts are finalized within the statutory time frame.	In progress	Will be finalized in the second quarter of the next financial year by December 2005.
58. Review the necessity of having provisions in the Constitution as well as the FA Act to keep receipts outside the Consolidated Fund and allow spending without legislative authority	Implemented	Will be included in the new Act.
59. Bring consistency in classification in the budget and financial reporting so that data can be easily consolidated, reported and compared.	In progress	New classifications are under preparation with the assistance of the OCGS.
60. Introduce treasury and sub-treasury system with adequate controls to check unwarranted expenditure.	Implemented	
61. Complete inventory and valuation of Government assets. Report all Government assets on the balance sheet to show a true and fair picture of public finances.	In progress	Expected to be completed by June 2005 so that the Balance Sheet at date will reflect the required status.
62. Prepare a guideline for investment by the ZSSF and make its operations autonomous from Government interference.	Implemented	ZSSF policy has been prepared (which includes the guidelines for investment by the ZSSF).
63. Create a complete database of loans to Government employees and enforce recovery.	Not achieved	Due to lack of financial resources.

64. Progressively move to accrual basis of accounting.	Implemented	
65. Establish an organized information systems strategic planning process to formulate and maintain a plan that addresses the IT requirements of the Government.	Not achieved	Due to lack of financial resources.
66. Set up an executive steering committee with membership drawn from key Ministries to oversee the strategic planning process.	Implemented	The MTEF/PER sector committees are assigned to oversee the process of National Strategic Planning.
67. Set up an inter-ministerial task force led by the MoFEA to develop detailed functional and technical requirements for the introduction of an IFMS and a human resource system(s) Government-wide.	Not achieved	Government focused more on the payroll system (to eliminate ghost workers) and to establish a Central Payment System. The process is expected to be completed by June 2005.The MoFEA will set up the task force during the next financial year (2005/06) to pursue an application for the extension of the EPICOR license to the RGOZ. Also refer to item 29.
68. Seek donor support for the introduction of appropriate financial management and human resource systems.	In progress	Discussion continuing with the URT to seek donors on the introduction of appropriate financial management and human resource systems.
69. Extend the scope of IFMS to include all financial transactions and where feasible donor funded activities.	Not achieved	Due to financial constraints. Also refer to item 29.
70. Develop interfaces with payroll and debt systems	Not achieved	Due to financial constraints. Also refer to item 29.
71. Computerize inventory and fixed asset management systems	Not achieved	Planning of the process had started.
PUBLIC SECTOR AUDITING		
External Audit		
72. Review legislation	Partly implemented	Act No. 11 of 2003, called an *Act to Establish an Office of the CAG of Zanzibar*, and regulates this function. The Audit Regulations are still outstanding and are expected to be finalized by Mid 2005 with the assistance of UNDP funding.
73. Develop audit manuals, provide training to staff.	Implemented	An Audit Manual has been prepared with the assistance of a UN Volunteer. Volume 1 was completed in 2002 while Volume 2 was completed in 2004. Senior staff has been trained in the use of the manual while training for junior staff is in progress.

74. Undertake a review of staffing levels and an assessment of skill and resource requirements and training needs	In progress	Training needs have been established. NAO in mainland will support training with the help of donor funding. Short term training was conducted with 24 staff trained in VFM audit and 15 staff trained in computer audit. VFM audit is being applied on a few projects only as a pilot while computer audit techniques will only be applied once IFMS is established.
75. Improve quality and timeliness of CAG reports.	In progress	Audit report for the year 2001/2002 is completed while the ones for 2002/2003 and 2003/2004 are still in progress. They will be completed as a combined report by 30 June 2005. Delays were caused due to slow responses to audit queries. However, to improve on its capacity to catch up, the CAG has also recruited over 50 staff in the last 2 years.
76. Provide practical training to all levels of staff in the conduct and supervision of audit programs, writing of audit reports	Implemented	The UN Volunteer has done training for all existing staff. Newly recruited staff is to be trained.
77. Provide training in value for money auditing	In progress	As mentioned above, 24 senior staff has had training in VFM audits. They are expected to train junior staff and preparations are underway.
78. Establish audit committees in Ministries to follow up audit queries (Internal and external).	In progress	This will be a requirement of the new Public Finance Act. However, discussions with relevant ministries are underway.
79. Establish scheme for the professional training of personnel	In progress	Training needs have been determined. One person in the office is currently undertaking professional accountancy training. Negotiations with mainland NAO for professional training are in progress and starting from FY 05/06, a number of staff will probably be sponsored for professional courses.
80. Provide training in the management of sub contracted audits	Not achieved	Part of long term planning, but at the moment no subcontracting of audit work to private sector auditors is being done.
Internal Audit		
81. Review the current internal audit arrangements, develop and implement an internal audit strategy to enhance the internal auditing function	In progress	Acc Gen's Office had been restructured in four units, i.e. Systems & Audit; Financial Management; Expenditure and Public Debt. The model used and recent developments on the mainland will probably provide guidance on the way forward. Currently internal audit staff is allocated to ministries by the Acc. Gen. They report directly on their findings to the Accounting Officers.
82. Revisit the current law and regulations	In progress	Refer to item 40 above.
83. Recruit qualified staff to meet capacity requirements.	In progress	A review had been done of current qualifications. The cadre needs to be plugged into the mainland professional training initiatives
84. Develop and implement an internal audit manual	In progress	Audit manuals are in draft and are consistent with the ones on the mainland.

85. Develop a comprehensive training and capacity building program	Not achieved	Training program not yet in place.
LEGISLATIVE SCRUTINY ETHICS AND INTEGRITY		
Legislative Scrutiny		
86. Provide independent training in budget and financial matters to Committee members and Committee clerks	Partially achieved	Only one seminar has been conducted in April 2004. The members of HoR as well as the clerks of the parliamentary committees attended. There is still a need for more training on the budget technicalities and budget debate techniques. Another seminar for newly elected members is envisaged to be held after the elections. Capacity could be strengthened by way of secondment arrangements with other countries.
87. Set aside funds as a priority to enable Committees to plan and carry out their duties	Partially achieved	There is some improvement but the funds provided are still insufficient due to the budget constraints.
88. Revise HoR regulations to allow public access to the workings of some (if not all) parliamentary committees.	Partially achieved	The issue has already been debated in the Steering Committee level of the House and agreed upon in principle. But it has not yet been tabled to the House for approval. It is envisaged that it will be tabled and considered for approval in August 2004 while implementation will be effected after elections.
Ethics And Integrity		
89. Continue the design of new legislation to deal with issues of corruption and ethics and integrity for public leaders and ensure widespread consultation with key stakeholders	In progress	The draft Bill was developed and discussed by stakeholders, members of the House of Representatives inclusive. It was advised that the Draft be submitted to the Cabinet and ultimately to the HoR after the coming general elections.
90. Review and strengthen the government orders setting out the conduct of government officials and implement required changes	Not achieved	Mechanism not yet in place to review and strengthen government orders.
91. Develop and implement a public awareness campaign and improve media capacity.	In progress	Only started with seminars and radio programs. So far 45 programs have been aired and 3 seminars conducted. Failure to use other approaches is due to lack of equipment. The initial requirement is to have at least a Vehicle, 2 Recording Machines; 1 Laptop Computer and LCD Projector for presentations; Video Shooting and Editing (Digital Video Camera, Mini DV Tapes, Carrying Case, Video Editing Recorder, Laptop Computer, Laptop Docking Station, In Focus Video Projector, Manual Projector Screen, Pro Editing Software, Digital Composite Monitor) and Generator, all estimated at about Tshs. 60m.
92. Develop links with other anti corruption/ethics bodies in the region.	Not achieved	Awaits the establishment of the Anticorruption and Ethics Body which will be set up following enactment of abovementioned Bill.

LOCAL GOVERNMENT		
Legislative and Regulatory Environment		
93. Undertake a more comprehensive review of the problems in the local government system in Zanzibar and undertake a study tour to similar island communities with relatively small economies	Partially achieved	Through Stakeholder Consultative Meetings a comprehensive review of the existing problems was done. These issues were discussed as input to the formulation of future policy changes.
94. Implement reform program and amend/update and implement relevant legislation and regulations.	Partially achieved	A report from a consultant on Zanzibar Local Government Reform (December 2004) was accepted by the Government. Government continues to seek technical assistance for policy formulation and revision of existing legislation. Legislation Reform Policy draft will be ready by June 2005.
Planning and Budgeting		
95. Review the schedule of local taxes, together with capacity in tax administration.	Not achieved	This aspect depends upon the policy formulation (above) being completed and thereafter it will be pursued.
96. Undertake a public budget review at the end of each year.	In progress	The ministry and related institutions undertakes budget review annually before a new budget begins.
97. Clearly assign tax collecting powers and clarify the role of the Shehia and develop and implement appropriate mechanisms to ensure all payments to local authority officials are remitted to the general fund	Partially achieved	Tailor-made training programs were conducted in all Unguja Shahas in Shehia. Yet to be done in Pemba due to budget constraints and timely budget allocation from MoFEA.
98. Review reporting channels from local to central government as part of overall reform program.	In progress	This was agreed during a workshop held to discuss the recommendations from the report on the Zanzibar Local Government Reform held on 4 December 2004. The implementation will follow after the approval of proposed policy reforms.
Accounting and Auditing		
99. Review the need for Local Government Financial Memorandum at the same time as the overall local government legislative framework is assessed	Not achieved	Agreed that there is an urgent need of establishing and keeping in place the Government Financial Memorandum for Local Authorities in Zanzibar. Lack of expertise and financial assistance caused delay in implementation. MoFEA assistance and intervention is essential input in facilitating this work.
100. Review the role of internal audit in local government and develop and implement a sustainable and effective means of conducting internal audits.	Partially achieved	Roles and responsibilities have been reviewed and implementation of conducting internal audit has begun by training respective local government auditors.

101.Develop and implement a mechanism for ensuring that both internal and external audit reports are followed up.	In progress	Initial arrangements have been put in place to ensure that ministry's officers follow up the reports from auditors at local government centers.
102.Prepare and implement an in-depth skills enhancement program to upgrade accounting and auditing skills in local governments	Not achieved	No funds for implementation of training program for skill enhancement. MRALG with assistance of MoFEA will jointly formulate a training program. Technical assistance and funds will be needed for this imperative activity.
103.Develop accounting standards in consultation with NBAA.	Not achieved	While MoRALG has already consulted MoFEA to contact NBAA experts to work on the Accounting Standards this had not been achieved yet.
104.Review accounting documentation, design and implement different revenue collection forms to avoid classification problems.	In progress	MoRALG has consulted MoFEA on the format of the new cash receipts to be used by local authorities in collecting charges, but the review has not been done yet.
105.Review the need for the implementation of basic computerized accounting systems at the local government level and implement on a sustainable basis	Not achieved	Technical assistance and funds needed. No budget allocation for this activity to date.
PUBLIC ENTERPRISES		
106.Conduct a workshop for key stakeholders on the implications of the legislation	Not achieved	The workshop has not been conducted yet. However, draft Regulations on the Public Investment Act, 2002 for local financial management of the institutions had been prepared and distributed to key stakeholder for comments. Some comments have already been submitted to the department of public investment and incorporated into the draft regulations. The estimated cost for the workshop has been made and it will be conducted when all comments have been received within a deadline set of 2 months ending March 31, 2005 subject to availability of funds.
107.Develop and implement procedures for restructuring and the transparent recording, deposit and future disbursement of sale proceeds	Partially achieved	The RGOZ issued a circular. (Number and date of circular not yet found).
108.Review the position of guaranteeing Public Corporation loans in the context of the Government's wider debt management policy.	Partially achieved	The Public Investment Act, 2002 describe in general the guarantee procedures [Section 15 (2)]. More precise guidance is provided in the draft Regulations [PART 6, (21) (2)]. More comments are yet to be received from stakeholders relating to this issue with the expectation that it will result in strengthening the procedures.

109. Finalize the situation with respect to the debt restructuring requirements of ZSF&PC as well as the longer term restructuring requirements.	Partially achieved	Reconciliation and agreements had been reached between TANESCO and ZSF& PC for payments of the debt in monthly installments. However the debt situation continues to exist as a major problem. Hence efforts are being made to enable a financial and management restructuring of ZSF& PC to dispose of its units at a profit and collect outstanding debtors. Information to compare the total debt balance on the audited balance sheet as at 30 June 2002 with that on 30 June 2004 was not available.
110. Improve capacity of PID to undertake their role of overseeing the government's restructuring process	Partially achieved	Two staff has participated in a short course on strategic investment promotions and privatization and project appraisal. One staff is in the last year for his MBA-Finance. Projections for the next academic year are to send another two staff for MBA marketing and finance.
111. Implement the World Bank supported restructuring program for PBZ	Partially achieved	Procedures recommended by World Bank are closely implemented starting from legal status of the firm, strategy of privatization and specific auditing documents are available for the purpose.
112. Undertake an audit of contingent liabilities and inter corporation debt	Not achieved	Lack of Capacity and ability within the Department. Efforts are being made to get a Financial/Economic consultant within the department for the purpose, and initial request had been made to the UNDP –Zanzibar office.
113. Review all relevant legislation to ensure that there are no obvious contradictions.	Partially achieved	Refer to item 106 above. Comments made on the draft Regulations elaborate on the need for each corporation/public investment and adjustments are being made before producing the final document. Adjustments are made as a result of brainstorming sessions held between the management teams of the institutions and the Public Investments Department.
114. Clarify the situation with respect to the ownership of assets and amend financial records accordingly.	In progress	Inventory of public assets had been done with their financial values. At the end of the exercise financial records will be properly kept and accounted.
ORGANISATIONAL AND HUMAN RESOURCE CAPACITY ISSUES		
115. Carry out a review of the roles and responsibilities of the various departments in the MoFEA.	Implemented	A capacity needs assessment for the MoFEA was done.
116. Define mandates of departments, establish manning and skill requirements and prepare job descriptions.	Implemented	The above needs assessment analyses these issues.
117. Undertake a training needs assessment.	Implemented	The study determines the training needs.
118. Train Accounting Officers in their roles and responsibilities.	Implemented	All Accounting Officers have been trained in the Act and Regulations.

119.Design and implement training programs to meet priority catching up needs	In progress	Report results will include a comprehensive training program.
120.Clarify the roles, responsibilities, lines of reporting and accountability for all accountants in line ministries and identify their training needs.	Implemented	Financial Administration Act, Regulations and Accounting Manual describe these issues.
121.MoFEA presses the case for meritocratic recruitment and promotion and the speedy introduction of performance based staff appraisal procedures	In progress	The system is being designed.
122.Design and implement training programs to meet "career needs"	In progress	The system is being designed.
123.Amend schemes of service to reflect levels of training required before promotion can be considered	Implemented	New scheme of service has been developed.
ACCOUNTING AND AUDITING PROFESSION		
124.Review the process of registration and licensing of practitioners	Not achieved	
125.Establish legal framework for the regulation of the accounting and auditing profession.	Not achieved	
126.Develop a structure for a professional accountancy body	Not achieved	
REGISTRATION OF COMPANIES AND NGO's		
127.Complete consultative process and agree with key stakeholders policy and associated legislation for NGOs.	In progress	The draft Policy is ready and it is expected that any time from now it will be presented to the Cabinet and then to the House of Representatives. Legislation awaits the approval of the policy.
128.Continue developing database of Companies	In progress	Processes are underway for resource mobilization. Some DPs have shown interest in assisting the review and development of Company and Business Names Registration Database. BEST task force committee for Zanzibar has proposed study to determine needs for modernization and computerization of Companies and Business Names Zanzibar based on respective decrees. The proposal has been submitted to the BEST Secretariat for approval.

129. Establish Committee with representatives from ZRB, TRA and the Office of the Registrar General to facilitate the co-ordination and collection of information on Companies operating in Zanzibar.	Not achieved	The Committee is not yet formed but there exists some regular communication among the stakeholders as the initial stages towards formation of the committee. The Taskforce Committee for Zanzibar BEST Coordinator has proposed the formulation of network program for Data and Information sharing established with TRA in Zanzibar and the Zanzibar Revenue Board.
130. Commence process of developing modern legislation, which will review the role of the office of the registrar general (registration and enforcement), the need for the registration of names etc.	In progress	African Developments Bank (ADB) agreed to facilitate the Capacity Building for Enhancing Good Corporate Management Practice including the review of Companies Decree Cap 153 through the ADB Good Governance program. Also the Task force Committee for Zanzibar BEST Program has proposed the reviewing of Registration of Business Names Decree Cap 168. The office lack transport facilities to facilitate the collection and compilation of data. Also there is a need for computer equipment to complete the automation of the system for Birth and Death Registration. It is recommended that the Office should establish the Mini–press to facilitate the printing works and publication of Office Journals.
131. Review the skill requirements and training needs of the Office of the Registrar and establish program for upgrading skill levels.	In progress	The review has already been done and some efforts to train the staff on law and other important fields have started. AfDB has agreed to provide training on corporate management and data management. Some new skilled staff employed but still there is a need for refresher courses. It is recommended that at least ten (10) staff should be trained: For on undergraduate level i.e. LLB (4) and on IT (3); Two people on LLM and one person on IT at Postgraduate level.
PUBLIC ACCESS TO INFORMATION ON PUBLIC SECTOR MANAGEMENT		
132. Continue the reviewing and updating of relevant legislation, ensuring widespread consultation.	In progress	Some laws have been reviewed and amendments made (**refer to list attached at the end**). Public access to information is done through the legal requirement that any draft bill be provided to the public 21 days before being tabled to the House for their inputs and contributions. Live radio program for the Questions and Answer Sessions in the HoR and 45 minutes Radio and TV programs to review the House debates are also efforts to ensure public access to information.
133. Raise the awareness of the public about their basic right of freedom to access public information and the impact of government activities on their daily lives	In progress	This is a continuing process through the Ministry's Civic Education Program. The program a Three-Year Action Plan (2003 – 2005) developed with a variety of methodologies such as Radio/TV Programs, theatres, Newspapers/News Letters, Leaflets, Seminars/Workshops/ Symposium, Magazines, etc. Large part of the program is not yet implemented due to lack of funds to procure the needed equipment and finance the activities. Also refer to item 91 above.

134. Increase access and availability of information on transfers of funds or goods to local authorities, district offices, ministries, departments and agencies (and their use)	Not achieved	Currently there is no clear coordination system within the MoFEA to ensure the availability of information on transfers of funds. Things are done on ad-hoc manner. On the other hand, efforts towards Local Governments empowerment do not get the needed support. At the level of Ministries, there is a very clear imbalance in relation to Equipment and Human and Financial Resource allocation. Other Ministries have a feeling that the MoFEA does almost each and everything with limited capacity. It is hoped that when the Dept. responsible for Good Governance Coordination comes into force, and is given all the needed tools it will have a responsibility (together with other things) to ensure adherence of GG principles by all the institutions. Issues such as Transparency and Accountability on financial matters and the like will be ensured.

Legislation amended/enacted in Zanzibar from 2003 to date

The Finance Act	August, 2003
The Establish of Office of Controller and Auditor General Act	August, 2003
The Penal Decree (Amendment) Act,	April, 2004
The Criminal Procedure (Amendment) Act	April, 2004
The Appropriation Act	July, 2004
The Finance (Pub. Rev. Management) Act	July, 2004
The Zanzibar Investment Promotion and Protection Act No. II of 2004	January, 2005
Labor Relations Act No. 1	2005
Zanzibar Social Security Fund, Act No. 2 of 2005	2005
The Spinsters and Single Parent Children Protection Act No. 4	2005
Employment Act and Occupational Safety are the proposed bills for the coming session.	

ANNEX E: PEFAR APPENDIX TABLES 05

CONTENTS

APPENDIX TABLES

Table A1: Tanzania Macroeconomic Indicators

Indicator	Unit	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004*
Population/2	Millions	27.5	28.3	29.1	30.0	30.9	31.9	32.9	33.6	34.2	35.3
Per capita Income/2	US$	176.9	210.3	235.6	250.0	260.0	270.0	270.0	280.0	300.0	320.0
GDP Growth/2	%	3.6	4.2	3.3	4.0	4.7	4.9	5.7	6.2	5.6	6.7
Gross Domestic Savings/2	(as a % of GDP)	9.1	10.7	7.7	5.4	5.3	9.9	10.2	14.1	13.3	12.1
Gross Investments/2	(as a % of GDP)	19.7	16.5	14.7	16.2	15.5	17.6	17.0	19.2	21.2	21.0
Inflation/2 (period average)	%	27.4	21.0	16.1	12.9	7.8	6.0	5.2	4.5	4.4	4.4
Exchange Rate/1 (period average)	TZS/US$	536.4	583.0	618.3	666.1	745.0	800.4	876.3	963.2	1039.1	1091.4
External Sector											
Exports - Goods & Services/2	Mil. US$	1265.8	1419.8	1235.0	1127.3	1165.3	1307.1	1430.7	1568.4	1690.9	1960.5
Imports - Goods & Services/2	Mil. US$	2140.3	2028.5	1948.2	2370.9	2262.7	2063.9	2232.3	2226.2	2681.9	3038.2
Current Account Balance/2	Mil. US$	-646.4	-146.1	-403.5	-921.3	-855.8	-485.4	-500.3	-289.0	-378.6	-533.3
Balance of Payments (Overall balance)/2	Mil. US$	-391.4	-254.5	-199.7	-495.5	-113.3	56.9	-96.3	265.2	402.6	231.3
Foreign Reserves/2	Mil. US$	255.0	240.0	461.0	502.0	605.0	752.0	983.0	1213.0	1670.0	1878.0
External Debt/1	Bil. US$/1	7.4	7.4	7.2	7.7	8.1	7.2	6.8	7.3	7.5	7.5
Foreign Direct Investment/2	Mil. US$	150.0	148.5	157.8	172.2	516.7	463.4	327.2	240.4	247.8	260.2
Tourism Earnings/2	Mil. US$	258.1	322.0	392.4	570.0	733.3	739.1	725.0	730.0	731.0	746.0
Monetary Sector											
Average Deposit Rate/1	%	21.0	16.7	12.8	12.0	7.4	7.1	4.2	3.5	2.5	2.4
Average Lending Rate/1	%	36.4	37.0	24.5	28.0	21.4	19.1	20.9	14.8	16.4	15.7
Growth in Money Supply (M2)/1	%	26.1	14.4	21.8	5.0	7.9	15.1	14.9	21.3	16.9	19.1
Government Finance											
Total Domestic Revenue/1	(as a % of GDP)	12.5	13.2	13.5	12.0	11.5	11.3	12.0	12.1	12.1	12.7
Tax Revenue/1	(as a % of GDP)	11.3	11.3	11.9	11.0	10.3	10.1	10.7	10.9	11.0	11.7
Non-Tax Revenue/1	(as a % of GDP)	1.2	1.9	1.6	1.0	1.2	1.2	1.3	1.2	1.1	1.0
Total Expenditure/1	(as a % of GDP)	17.0	14.7	17.2	15.7	17.0	18.6	17.0	17.6	19.8	22.0
Recurrent Expenditure/1	(as a % of GDP)	14.5	13.8	14.3	11.0	11.0	11.8	12.8	13.6	14.8	16.4
Development Expenditure/1	(as a % of GDP)	2.5	0.9	2.9	3.8	4.1	5.3	3.7	3.4	5.0	5.6
Grants/1	(as a % of GDP)	2.5	1.4	2.7	3.0	4.0	4.5	3.7	4.5	6.2	6.1
Fiscal Balance/1	(as a % of GDP)	-4.6	-1.5	-3.7	-3.7	-5.5	-7.3	-5.0	-5.6	-7.7	-9.3

Note

/1 Fiscal year is used, and it ends June 30th of the mentioned year

/2 Calendar year is used, and it ends in mentioned year December 31th.

* Preliminary estimates

Source: Tanzania Authorities (MoF, BoT, NBS, and PO-PP).

Table A2: Balance of Payments(in millions of US dollars).

Items	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004/1
CURRENT ACCOUNT	-646.4	-146.1	-403.5	-921.3	-855.8	-485.4	-500.3	-289.0	-378.6	-533.3
Goods	-657.6	-448.9	-395.4	-793.6	-872.1	-704.6	-786.3	-611.1	-920.2	-999.3
Exports (fob)	682.9	763.8	752.6	588.5	543.3	663.3	776.4	902.6	999.2	1211.9
Imports (fob)	1340.5	1212.6	1148.0	1382.1	1415.4	1367.9	1562.7	1513.7	1919.4	2211.2
Services	-216.9	-159.9	-317.8	-450.0	-225.3	-52.2	-15.3	-46.7	-70.8	-78.4
Receipts	582.9	656.0	482.4	538.8	622.0	643.8	654.3	665.8	691.7	748.6
Payments	799.8	815.9	800.2	988.8	847.3	696.0	669.6	712.5	762.5	827.0
Income	-110.3	-72.0	-121.8	-105.0	-95.0	-120.5	-85.3	-51.7	-54.4	-49.5
Receipts	31.8	41.5	43.0	44.4	49.0	50.4	55.4	67.7	85.3	87.5
Payments	142.1	113.5	164.8	149.4	144.0	170.9	140.7	119.4	139.7	137.0
Current transfers	338.4	534.7	431.5	427.3	336.6	391.9	386.6	420.5	666.8	593.9
Inflows	370.7	567.0	499.2	454.2	445.6	464.8	456.6	484.7	706.9	648.7
Government	236.0	432.2	433.6	421.0	411.4	429.9	405.5	434.5	637.9	582.1
Private	134.7	134.8	65.6	33.2	34.2	34.9	51.1	50.2	69.0	66.6
Outflows	32.3	32.3	67.7	26.9	109.0	72.9	70.0	64.2	40.1	54.8
CAPITAL ACCOUNT	191.0	191.0	270.9	252.4	270.6	330.4	365.2	277.5	327.9	287.2
Capital transfers	191.0	191.0	270.9	252.4	270.6	330.4	365.2	277.5	327.9	287.2
Inflows	191.0	191.0	270.9	252.4	270.6	330.4	365.2	277.5	327.9	287.2
Outflows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acqusition/disposals of non-produced non-financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FINANCIAL ACCOUNT	77.4	-262.3	-67.1	173.4	471.9	211.9	38.9	276.7	453.3	477.4
Direct investment	150.0	148.5	157.8	272.2	516.7	463.4	327.2	240.4	247.8	260.2
Abroad	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In Tanzania	150.0	148.5	157.8	272.2	516.7	463.4	327.2	240.4	247.8	260.2
Portfolio investment	0.0	0.0	20.5	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Other investment	-10.5	18.2	235.4	44.9	145.7	-63.0	-60.0	-46.9	274.2	144.4
Inflow of financial resources	437.4	270.2	673.5	645.9	445.8	265.2	383.3	197.6	488.8	357.8
Disbursement of Government loans	244.1	224.9	624.8	621.4	422.7	396.7	288.4	177.0	473.1	371.7
Trade credit and other financial flows	141.9	28.6	-69.1	-18.5	14.8	-134.0	-76.7	2.9	-14.6	-47.0
Disbursement of loans to other sectors	51.4	16.7	117.8	43.0	8.3	2.5	171.6	17.7	30.3	33.1
Outflow of financial resources	447.9	252.0	438.1	601.0	300.1	328.2	443.3	244.5	214.6	213.4
Repayment of government loans	272.5	152.4	389.8	571.1	235.8	261.3	395.9	135.1	120.0	110.7
Trade credit and other financial flows	162.6	37.8	36.3	8.0	13.9	16.7	-10.3	46.6	-10.2	13.7
Repayment of loans by other sectors	12.8	61.8	12.0	21.9	50.4	50.2	57.7	62.8	104.8	89.0
Errors and omissions	-62.2	-429.0	-480.8	-144.4	-190.5	-188.5	-228.3	83.2	-68.7	72.8
OVERALL BALANCE	-378.1	-217.4	-199.7	-495.5	-113.3	56.9	-96.2	265.2	402.6	231.3
FINANCING	378.1	217.4	199.7	495.5	113.3	-56.9	96.2	-265.2	-402.6	-231.3
Net Reserve assets (- increase)	60.1	-165.3	-182.1	20.9	-175.4	-197.4	-186.4	-372.6	-428.0	-197.5
Use of Fund credit	-4.0	-13.8	77.4	11.0	51.3	49.4	15.6	26.0	-2.9	-33.8
Exceptional financing	322.0	396.5	304.4	463.6	237.4	91.1	267.0	81.4	28.3	0.0
Change in Arrears	269.4	312.2	77.1	96.9	152.8	81.1	135.6	81.4	28.3	0.0
Rescheduling	0.0	0.0	227.3	366.7	84.6	10.0	131.4	0.0	0.0	0.0
Memorandum items:										
GDP(mp) in billionTZS	3020.5	3767.6	4703.5	5581.6	6432.9	7268.4	8274.6	9445.5	10692.4	11820.7
GDP(mp) in million USD	5631.1	6462.5	7607.1	8379.6	8634.8	9080.9	9442.7	9806.4	10290.1	10830.8
CAB/GDP	-11.5	-2.3	-5.3	-11.0	-9.9	-5.3	-5.3	-2.9	-3.7	-4.9
CAB/GDP (excl. current official transfers)	-17.5	-10.5	-11.0	-16.1	-13.8	-9.7	-9.4	-7.2	-10.2	-10.4
Gross Official Reserves (in million of USD)	255.0	240.0	461.0	502.0	605.0	752.0	983.0	1213.0	1670.0	1878.0
Months of imports of GFNS	1.6	2.8	3.2	3.2	4.5	5.2	6.2	6.8	8.1	8.3

Note: 1/ Preliminary estimates

Source: Bank of Tanzania.

Table A3a: Tanzania: Tanzania: Central Government Operations (in billions of Tanzania shillings)

	1997/98 Actual	1998/99 Actual	1999/00 Actual	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Prel. Est.
Total revenue	**619**	**690**	**772**	**930**	**1043**	**1218**	**1459**	**1757**
Tax revenue	566	616	692	828	938	1106	1343	1629
Import duties	86	88	88	96	89	106	137	114
Value-added tax	138	208	224	302	352	424	504	675
Excises	101	84	89	155	178	187	215	237
Income taxes	150	163	205	194	228	276	364	474
Other taxes	90	73	87	81	91	112	123	130
Nontax revenue	53	73	81	102	104	112	117	128
Total expenditure	**809**	**1022**	**1272**	**1315**	**1522**	**1990**	**2528**	**3236**
Recurrent expenditure	568	657	808	987	1171	1489	1886	2358
Wages and salaries	219	220	285	308	342	398	463	551
Interest payments	116	96	127	128	121	100	109	166
Domestic	51	38	81	78	65	57	70	95
Foreign	65	58	46	50	57	43	38	71
Goods and services and transfers	233	341	395	550	708	991	1314	1640
Development expenditure	197	248	360	286	291	501	642	878
Domestically financed	24	19	19	35	50	96	133	234
Foreign financed	173	229	340	251	241	405	509	644
Overall Balance before Grant	**-190**	**-332**	**-499**	**-385**	**-479**	**-772**	**-1069**	**-1478**
Financing	**190**	**332**	**499**	**385**	**479**	**772**	**1069**	**1478**
Grants	156	240	307	286	385	622	697	860
Program (including basket grants) 1/	38	75	94	114	183	294	371	574
Project	118	166	208	124	140	256	248	219
HIPC grant relief	0	0	6	49	62	73	77	67
Foreign (net)	50	27	105	90	118	200	434	546
Foreign loans	106	98	191	173	187	301	479	656
Program (including basket loans) 1/	66	35	58	45	86	151	218	231
Project	40	63	133	128	101	150	261	425
Amortization	-56	-71	-86	-83	-69	-101	-45	-111
Domestic (net)	-23	53	75	-18	-25	-50	-72	63
Bank financing	-48	-2	-27	-19	-59	-10	-83	44
Nonbank financing	26	-8	36	16	37	-26	39	35
Privatization proceeds	7	12	12	27	0	0	10	10

1/ Basket funds are sector-specific accounts established by the government for channeling donor support to fund specific activities in different sectors.

Source: Tanzania Authorities and the IMF.

Table A3b: Tanzania: Central Government Operations (in percent)

	1997/98 Actual	1998/99 Actual	1999/00 Actual	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Prel. Est.
Total revenue	**12.0**	**11.5**	**11.3**	**12.0**	**12.1**	**12.1**	**12.7**	**13.5**
Tax revenue	11.0	10.3	10.1	10.7	10.9	11.0	11.7	12.5
Import duties	1.7	1.5	1.3	1.2	1.0	1.1	1.2	0.9
Value-added tax	2.7	3.5	3.3	3.9	4.1	4.2	4.4	5.2
Excises	2.0	1.4	1.3	2.0	2.1	1.9	1.9	1.8
Income taxes	2.9	2.7	3.0	2.5	2.6	2.7	3.2	3.6
Other taxes	1.8	1.2	1.3	1.1	1.1	1.1	1.1	1.0
Nontax revenue	1.0	1.2	1.2	1.3	1.2	1.1	1.0	1.0
Total expenditure	**15.7**	**17.0**	**18.6**	**17.0**	**17.6**	**19.8**	**22.0**	**24.9**
Recurrent expenditure	11.0	11.0	11.8	12.8	13.6	14.8	16.4	18.1
Wages and salaries	4.3	3.7	4.2	4.0	4.0	4.0	4.0	4.2
Interest payments	2.3	1.6	1.9	1.7	1.4	1.0	0.9	1.3
Domestic	1.0	0.6	1.2	1.0	0.7	0.6	0.6	0.7
Foreign	1.3	1.0	0.7	0.7	0.7	0.4	0.3	0.5
Goods and services and transfers	4.5	5.7	5.8	7.1	8.2	9.8	11.4	12.6
Development expenditure	3.8	4.1	5.3	3.7	3.4	5.0	5.6	6.8
Domestically financed	0.5	0.3	0.3	0.5	0.6	1.0	1.2	1.8
Foreign financed	3.4	3.8	5.0	3.3	2.8	4.0	4.4	5.0
Overall Balance before Grant	**-3.7**	**-5.5**	**-7.3**	**-5.0**	**-5.6**	**-7.7**	**-9.3**	**-11.4**
Financing	**3.7**	**5.5**	**7.3**	**5.0**	**5.6**	**7.7**	**9.3**	**11.4**
Grants								
Program (including basket grants) 1/	0.7	1.2	1.4	1.5	2.1	2.9	3.2	4.4
Project	2.3	2.8	3.0	1.6	1.6	2.5	2.2	1.7
HIPC grant relief	0.0	0.0	0.1	0.6	0.7	0.7	0.7	0.5
Foreign (net)	1.0	0.5	1.5	1.2	1.4	2.0	3.8	4.2
Foreign loans	2.1	1.6	2.8	2.2	2.2	3.0	4.2	5.1
Program (including basket loans) 1/	1.3	0.6	0.8	0.6	1.0	1.5	1.9	1.8
Project	0.8	1.1	1.9	1.7	1.2	1.5	2.3	3.3
Amortization	-1.1	-1.2	-1.3	-1.1	-0.8	-1.0	-0.4	-0.9
Domestic (net)	-0.5	0.9	1.1	-0.2	-0.3	-0.5	-0.6	0.5
Bank financing	-0.9	0.0	-0.4	-0.2	-0.7	-0.1	-0.7	0.3
Nonbank financing	0.5	-0.1	0.5	0.2	0.4	-0.3	0.3	0.3
Privatization proceeds	0.1	0.2	0.2	0.3	0.0	0.0	0.1	0.1

1/ Basket funds are sector-specific accounts established by the government for channeling donor support to fund specific activities in different sectors.

Source: Table 3a

Table A4a: Budget Frame - Analytical (in Bill. Tsh.)

	1994/95 Actual	1997/98 Actual	1998/99 Actual	1999/00 Actual	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Revised Budget	2005/06 Budget
Domestic revenue		**619**	**689**	**778**	**930**	**1043**	**1218**	**1393**	**1739**	**2067**
O/W Fuel Levy and Transit Fees		37	38	38	40	50	63	62	71	80
Total Expenditure		**730**	**863**	**1180**	**1275**	**1463**	**1990**	**2418**	**3198**	**4035**
Recurrent expenditure		544	680	820	989	1118	1326	1611	2107	2650
Interest on external debt		48	60	47	52	57	43	63	73	75
Interest on domestic debt		53	30	81	78	65	57	72	95	83
Wages/salaries		219	232	285	308	342	398	464	551	682
Goods/services/transfers		224	358	406	551	655	828	1012	1387	1793
o/w Fuel Levy and Transit Fee		17	38	38	55	50	56	62	71	80
Special exp.		44	42	0	37	0	0	18	30	43
CFS (Others)		23	23	56	62	80	102	85	163	212
Parastatal Wages		28	34	22	0	55	68	76	87	101
Retention Scheme		14	29	23	26	27	48	63	53	60
Other Charges		82	171	216	409	443	554	708	981	1297
Development expenditure		187	183	360	286	345	664	807	1092	1385
Projects		187	183	360	286	345	664	807	1092	1385
Local		24	19	19	35	50	96	140	234	255
Foreign		163	164	340	251	294	568	667	858	1015
Overall deficit (checks issued) - before grants		-111	-173	-402	-345	-420	-772	-1025	-1459	-1968
Grants		**119**	**170**	**292**	**293**	**383**	**622**	**728**	**808**	**1011**
Budget support grants		2	69	73	114	183	196	260	266	345
o/w MDF/PRBS		0	70	71	84	143	170	234	266	345
Basket Funds			..	..	..	..	98	124	160	231
Project grants 1/		118	101	208	124	140	353	241	306	341
HIPC interim relief-Multilateral 2/		0	0	11	56	60	73	103	75	94
Overall deficit (checks issued) - after grants		8	-4	-111	-75	-70	-150	-298	-651	-957
Overall deficit (checks cleared)		**15**	**-49**	**-113**	**-79**	**-35**	**-163**	**-298**	**-651**	**-957**
Financing		**15**	**49**	**113**	**79**	**35**	**163**	**298**	**651**	**957**
Foreign (net)		64	27	105	87	118	200	287	426	585
Programmme loans		80	37	55	40	33	86	145	168	271
Project loan		57	63	133	128	154	215	303	391	443
Amortization		-72	-73	-82	-80	-69	-101	-161	-133	-129
Domestic (net)		-50	21	8	-2	-24	-37	10	225	372
Bank (net)		-24	8	8	-19	-59	-36	21	231	259
Non-bank (net)		-26	13	0	16	37	0	0	0	0
Amortization		-53	-38	-234	0	-2	0	-28	-16	-12
Privatisation Funds		0	7	0	27	0	0	17	10	10
memo:										
GDPmp		**4,929**	**5,532**	**6885**	**7703**	**8564**	**9549**	**10490**	**12567**	**14458**
OC for distribution		**0**	**0**	**299**	**489**	**637**	**726**	**927**	**1224**	**1594**
Primary Deficit(checks issued)		-10	-83	-274	-216	-390	-672	-891	-1290	-1783
Government Saving(checks issued)		75	9	-42	-59	-157	-108	-218	-367	-634
% of GDP		*1.5%*	*0.2%*	*-0.6%*	*-0.8%*	*-1.9%*	*-1.1%*	*-2.1%*	*-2.9%*	*-4.4%*

Note: 1/ It has been assumed that 80% of project grants pass via the exchequer
2/ HIPC relief from IMF, World Bank and AfDB

Source: Ministry of Finance

Table A4b: Budget Frame - Analytical (as % of GDP

	1997/98 Actual	1998/99 Actual	1999/00 Actual	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Revised Budget	2005/06 Budget
Domestic revenue	12.6%	12.5%	11.3%	12.1%	12.2%	12.8%	13.3%	13.8%	14.3%
o/w Road Fund	0.7%	0.7%	0.5%	0.5%	0.6%	0.7%	0.6%	0.6%	0.6%
Total Expenditure	14.8%	15.6%	17.1%	16.6%	17.1%	20.8%	23.1%	25.4%	27.9%
Recurrent expenditure	11.0%	12.3%	11.9%	12.8%	13.1%	13.9%	15.4%	16.8%	18.3%
Interest on external debt	1.0%	1.1%	0.7%	0.7%	0.7%	0.4%	0.6%	0.6%	0.5%
Interest on domestic debt	1.1%	0.5%	1.2%	1.0%	0.8%	0.6%	0.7%	0.8%	0.6%
Wages/salaries	4.4%	4.2%	4.1%	4.0%	4.0%	4.2%	4.4%	4.4%	4.7%
Goods/services/transfers	4.5%	6.5%	5.9%	7.2%	7.6%	8.7%	9.6%	11.0%	12.4%
o/w Road Fund	0.3%	0.7%	0.5%	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%
Special exp.	0.9%	0.8%	0.0%	0.5%	0.0%	0.0%	0.2%	0.2%	0.3%
CFS (Others)	0.5%	0.4%	0.8%	0.8%	0.9%	1.1%	0.8%	1.3%	1.5%
Parastatal Wages	0.6%	0.6%	0.3%	0.0%	0.6%	0.7%	0.7%	0.7%	0.7%
Retention Scheme	0.3%	0.5%	0.3%	0.3%	0.3%	0.5%	0.6%	0.4%	0.4%
Other Charges	1.7%	3.1%	3.1%	5.3%	5.2%	5.8%	6.7%	7.8%	9.0%
Development expenditure	3.8%	3.3%	5.2%	3.7%	4.0%	7.0%	7.7%	8.7%	9.6%
Projects	3.8%	3.3%	5.2%	3.7%	4.0%	7.0%	7.7%	8.7%	9.6%
Local	0.5%	0.3%	0.3%	0.5%	0.6%	1.0%	1.3%	1.9%	1.8%
Foreign	3.3%	3.0%	4.9%	3.3%	3.4%	6.0%	6.4%	6.8%	7.0%
Overall deficit (checks issued) - before grants	-2.3%	-3.1%	-5.8%	-4.5%	-4.9%	-8.1%	-9.8%	-11.6%	-13.6%
Grants	2.4%	3.1%	4.2%	3.8%	4.5%	6.5%	6.9%	6.4%	7.0%
Programme grants	0.0%	1.3%	1.1%	1.5%	2.1%	2.1%	2.5%	2.1%	2.4%
o/w PRBS/MDF	0.0%	1.3%	1.0%	1.1%	1.7%	1.8%	2.2%	2.1%	2.4%
Project grants	2.4%	1.8%	3.0%	1.6%	1.6%	3.7%	2.3%	2.4%	2.4%
HIPC interim relief	0.0%	0.0%	0.2%	0.7%	0.7%	0.8%	1.0%	0.6%	0.6%
Overall deficit (checks issued) - after grants	0.2%	-0.1%	-1.6%	-1.0%	-0.8%	-1.6%	-2.8%	-5.2%	-6.6%
Overall deficit (checks cleared)	0.3%	-0.9%	-1.6%	-1.0%	-0.4%	-1.7%	-2.8%	-5.2%	-6.6%
Financing	0.3%	0.9%	1.6%	1.0%	0.4%	1.7%	2.8%	5.2%	6.6%
Foreign (net)	1.3%	0.5%	1.5%	1.1%	1.4%	2.1%	2.7%	3.4%	4.0%
Programme support loans	1.6%	0.7%	0.8%	0.5%	0.4%	0.9%	1.4%	1.3%	1.9%
Project loan	1.2%	1.1%	1.9%	1.7%	1.8%	2.3%	2.9%	3.1%	3.1%
Amortization	-1.5%	-1.3%	-1.2%	-1.0%	-0.8%	-1.1%	-1.5%	-1.1%	-0.9%
Domestic (net)	-1.0%	0.4%	0.1%	0.0%	-0.3%	-0.4%	0.1%	1.8%	2.6%
Bank (net)	-0.5%	0.1%	0.1%	-0.2%	-0.7%	-0.4%	0.2%	1.8%	1.8%
Non-bank (net)	-0.5%	0.2%	0.0%	0.2%	0.4%	0.0%	0.0%	0.0%	0.0%
Amortization	-1.1%	-0.7%	-3.4%	0.0%	0.0%	0.0%	-0.3%	-0.1%	-0.1%
Privatisation Funds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
memo:									
GDPmp (Bill. Tsh.)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Primary Deficit(checks issued)	-0.2%	-1.5%	-4.0%	-2.8%	-4.6%	-7.0%	-8.5%	-10.3%	-12.3%
Government Saving(checks issued)	1.5%	0.2%	-0.6%	-0.8%	-1.8%	-1.1%	-2.1%	-2.9%	-4.4%

Source Table 4a

Table A5a: Budget Frame Accounting (in Bill. Tsh.)

	1997/98 Actual	1998/99 Actual	1999/00 Actual	2000/01 Actual	2001/02 Actaul	2002/03 Actual	2003/04 Actaul	2004/05 Revised Budget	2005/06 Budget
I. TOTAL RESOURCES	**856**	**974**	**1,262**	**1,411**	**1,626**	**2,171**	**2,694**	**3,348**	**4,176**
Domestic revenue	619	689	778	930	1,043	1,218	1,401	1,739	2,067
Programme loans and grants	82	106	128	154	216	282	445	434	616
Project loans and grants	174	164	340	251	294	405	473	587	683
Basket Support Loans	..	..	..	..	..	66	124	110	101
Basket Support Grants	..	..	..	..	..	98	71	160	231
HIPC Relief Multilateral - IDA, IMF & AfDB	0	0	11	56	60	73	82	75	94
Non Bank Borrowing	27	45	0	16	37	0	0	0	0
Bank Borrowing	-24	8	8	-19	-59	-36	83	231	259
Privatisation Funds	0	7	0	27	0	0	17	10	10
II. TOTAL EXPENDITURE	**856**	**974**	**1,262**	**1,411**	**1,626**	**2,171**	**2,694**	**3,348**	**4,176**
RECURRENT EXPENDITURE	**670**	**791**	**902**	**1,125**	**1,282**	**1,507**	**2,082**	**2,256**	**2,791**
CFS	250	225	266	272	271	304	368	481	528
Debt service	227	202	211	210	192	201	270	318	316
Interest	101	91	128	130	121	100	135	168	175
Amortization	126	111	82	80	70	102	135	149	141
Others	23	23	56	62	80	102	98	163	212
Recurrent Exp.(excl. CFS)	420	566	636	821	917	1,123	1,523	1,775	2,263
o/w Salaries & wages	219	232	285	308	342	398	464	551	682
Other Charges	82	171	269	409	506	726	1,041	1,193	1,538
Designated Items 1/	119	163	135	145	133	0	18	30	43
DEVELOPMENT EXPENDITURE	**187**	**183**	**360**	**286**	**345**	**664**	**803**	**1,092**	**1,385**
Projects	187	183	360	286	345	664	803	1,092	1,385
Local	24	19	19	35	50	96	136	234	255
Foreign	163	164	340	251	294	568	667	858	1,015

Note: 1/ Includes contingent expenditures that will be voted at a later stage

Source : Ministry of Finance

Table A5b: Budget Frame - Accounting (as % of GDP)

	1994/95 Actual	1997/98 Actual	1998/99 Actual	1999/00 Actual	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Revised Budegt	2004/06 Budget
I. TOTAL RESOURCES		**17.4%**	**17.6%**	**18.3%**	**18.3%**	**19.0%**	**22.7%**	**25.7%**	**26.6%**	**28.9%**
Domestic revenue		12.6%	12.5%	11.3%	12.1%	12.2%	12.8%	13.4%	13.8%	14.3%
Programme loan and grants		1.7%	1.9%	1.9%	2.0%	2.5%	3.0%	4.2%	3.5%	4.3%
Project loans and grants		3.5%	3.0%	4.9%	3.3%	3.4%	4.2%	4.5%	4.7%	4.7%
HIPC Interim Relief Multilateral				0.2%	0.7%	0.7%	0.8%	0.8%	0.6%	0.6%
HIPC interim relief-Paris Club				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non Bank Borrowing		0.6%	0.8%	0.0%	0.2%	0.4%	0.0%	0.0%	0.0%	0.0%
Bank Borrowing		-0.5%	0.1%	0.1%	-0.2%	-0.7%	-0.4%	0.8%	1.8%	1.8%
Privatisation Funds		0.0%	0.1%	0.0%	0.3%	0.0%	0.0%	0.2%	0.1%	0.1%
II. TOTAL EXPENDITURE		**17.4%**	**17.6%**	**18.3%**	**18.3%**	**19.0%**	**22.7%**	**25.7%**	**26.6%**	**28.9%**
RECURRENT EXPENDITURE		13.6%	14.3%	13.1%	14.6%	15.0%	15.8%	19.8%	18.0%	19.3%
				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CFS		5.1%	4.1%	3.9%	3.5%	3.2%	3.2%	3.5%	3.8%	3.7%
Debt service		4.6%	3.6%	3.1%	2.7%	2.2%	2.1%	2.6%	2.5%	2.2%
Interest		2.1%	1.6%	1.9%	1.7%	1.4%	1.0%	1.3%	1.3%	1.2%
Amortization		2.6%	2.0%	1.2%	1.0%	0.8%	1.1%	1.3%	1.2%	1.0%
Others		0.5%	0.4%	0.8%	0.8%	0.9%	1.1%	0.9%	1.3%	1.5%
Recurrent Exp.(excl. CFS)		8.5%	10.2%	9.2%	10.7%	10.7%	11.8%	14.5%	14.1%	15.7%
o/w Salaries & wages		4.4%	4.2%	4.1%	4.0%	4.0%	4.2%	4.4%	4.4%	4.7%
Other Charges		1.7%	3.1%	3.9%	5.3%	5.9%	7.6%	9.9%	9.5%	10.6%
Designated Items		2.4%	3.0%	2.0%	1.9%	1.6%	0.0%	0.2%	0.2%	0.3%
DEVELOPMENT EXPENDITURE		3.8%	3.3%	5.2%	3.7%	4.0%	7.0%	7.7%	8.7%	9.6%
Projects		3.8%	3.3%	5.2%	3.7%	4.0%	7.0%	7.7%	8.7%	9.6%
Local		0.5%	0.3%	0.3%	0.5%	0.6%	1.0%	1.3%	1.9%	1.8%
Foreign		3.3%	3.0%	4.9%	3.3%	3.4%	6.0%	6.4%	6.8%	7.0%

Source : Table 5a

Table A6a: Sectoral - Recurrent Expenditure (in Bill. Tsh.)

VOTE	VOTE HOLDER	1998/99 Budget	1998/99 Actual	1999/00 Budget	1999/00 Actual	2000/01 Budget	2000/01 Actual	2001/02 Budget	2001/02 Actual	2002/03 Budget	2002/03 Actual	2003/04 Budget	2003/04 Actual	2004/05 Budget	2004/05* Actual
	ADMINISTRATION														
23.0	Accountant General	0.0	0.0	0.0	0.0	22.5	22.4	98.7	90.3	24.3	22.1	120.6	119.2	71.3	29.2
27.0	Registrar of Political Parties	2.6	2.6	2.7	1.3	2.8	2.7	3.9	3.8	8.0	8.0	8.7	8.7	8.7	4.1
30.0	Presidents Office & The Cabinet	15.7	15.5	19.6	19.3	24.7	24.7	31.1	31.1	40.4	40.3	49.3	49.3	58.4	31.7
26 & 31	Vice President	0.9	0.9	1.0	1.0	1.4	1.4	2.4	2.4	15.3	15.2	23.0	23.0	18.8	12.4
32.0	Civil Service Dept.	3.7	3.7	3.4	3.4	4.3	4.3	5.8	5.5	4.6	4.2	5.5	5.5	5.0	2.6
33.0	Ethics Secretariat	0.2	0.2	0.2	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.5	0.5	0.7	0.2
34.0	Foreign Affairs	18.3	19.4	17.1	16.6	20.5	24.5	29.3	27.8	33.8	34.6	44.0	44.0	33.6	31.3
35.0	Perm. Comm. Enq.	0.3	0.3	0.2	0.2	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
36.0	Civil Service Comm.	0.2	0.2	0.2	0.2	0.5	0.5	0.6	0.5	0.6	0.6	0.7	0.7	0.0	0.0
25 & 37	Prime Ministers Office	14.1	6.0	4.7	4.7	5.0	5.0	11.1	8.2	14.4	14.2	12.1	12.0	15.7	7.3
40.0	Judiciary	5.4	5.3	7.9	6.0	8.8	8.8	12.0	11.8	13.2	13.1	16.9	16.9	19.0	8.9
41.0	Justice & Constitutional Affairs	2.2	1.9	1.1	0.9	1.5	1.5	2.4	2.3	3.9	3.8	4.9	4.9	5.3	2.5
42.0	Office Of The Speaker	5.3	5.4	5.9	5.9	6.6	6.6	8.7	8.4	10.7	10.3	16.0	16.0	16.6	8.8
45.0	Exchequer and Audit	0.8	0.8	1.1	1.1	1.8	1.8	1.9	1.9	2.9	2.7	4.4	4.3	5.1	2.3
50.0	Finance	51.1	51.9	49.7	48.5	41.0	40.9	88.4	58.3	58.8	53.9	78.1	75.7	146.5	39.6
51.0	Home Affairs	4.6	4.6	5.8	4.8	5.6	5.6	6.9	5.9	7.6	7.0	9.3	9.0	3.0	1.2
54.0	Radio Tanzania	1.2	1.1	1.2	1.2	1.6	1.2	1.7	1.4	3.2	2.9	3.8	3.8	0.0	0.0
55.0	Comm of Human Rights & Good Gov.	..	..	..	..	..	..	0.9	0.7	1.0	0.7	1.9	1.0	2.2	0.4
56.0	Regional Adm. & Local Government	6.2	2.7	5.3	16.6	3.9	3.9	20.5	20.4	24.6	23.6	30.7	30.7	36.6	13.4
57.0	Defence & National.	4.5	3.1	2.3	2.3	4.1	4.1	3.4	3.4	3.9	3.9	5.2	5.2	5.0	2.4
59.0	Law Reform. Commi.	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.5	0.5	0.5	0.2
60.0	Industrial Court Of Tanzania.	0.1	0.1	0.2	0.1	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.5	0.2
61.0	Electoral Commision	3.0	3.0	16.2	5.9	30.9	30.6	0.7	0.7	2.3	2.2	20.3	20.3	30.1	13.3
63.0	Local Govt. Servi. Comm.	0.2	0.2	0.2	0.2	0.3	0.3	0.4	0.4	0.6	0.6	0.7	0.7	0.0	0.0
64.0	Commercial Court	..	..	..	..	..	..	0.5	0.5	0.8	0.6	0.7	0.7	0.6	0.3
66.0	Planning Commission	2.7	2.6	1.9	1.3	2.3	2.3	14.0	13.5	20.2	20.0	7.8	7.8	8.0	4.1
90.0	Land Court	..	..	..	..	..	..	..	..	0.4	0.4	0.5	0.4	0.5	0.2
91.0	Anti-Drug Commission	..	..	..	..	..	..	..	..	0.6	0.6	0.6	0.6	0.6	0.3
93.0	Immigration Department													7.3	2.7
94.0	Public Service Commission													6.4	2.2
	Sub Total	**143.1**	**131.4**	**148.1**	**142.0**	**168.5**	**171.6**	**346.0**	**300.0**	**296.8**	**286.5**	**467.1**	**461.8**	**506.0**	**221.7**
	DEFENCE AND SECURITY														
28.0	Police Force	29.7	29.7	34.9	32.2	42.0	41.9	43.1	41.9	52.9	52.0	67.7	67.1	81.5	32.8
29.0	Prison Services	16.4	16.4	19.4	16.2	20.9	20.8	23.4	23.1	29.3	29.2	36.9	36.7	39.6	17.0
38.0	Defence	73.2	74.0	81.7	78.5	89.2	89.2	100.0	99.7	118.6	117.9	130.0	130.0	136.6	51.9
39.0	National Service	11.4	11.8	12.1	10.9	12.5	12.5	16.4	16.2	21.5	21.5	25.5	25.5	27.6	15.5
	Sub Total	**130.8**	**131.9**	**148.1**	**137.8**	**164.6**	**164.4**	**182.8**	**180.9**	**222.2**	**220.5**	**260.2**	**259.3**	**285.3**	**117.2**
	SOCIAL SERVICES														
46.0	Education	19.6	19.5	21.0	20.7	28.7	28.6	37.4	36.0	40.9	39.8	51.6	49.7	52.8	28.7
49.0	Water	6.4	6.4	3.4	3.4	5.9	5.4	9.5	8.9	16.8	16.0	16.2	16.2	19.6	7.0
52.0	Health	37.2	37.2	33.8	32.1	40.1	39.9	49.1	48.2	54.5	54.0	85.6	85.2	104.5	51.9
53.0	Comm. Dev.Wome. Aff.	1.8	1.8	2.3	1.5	2.0	2.0	2.9	2.9	3.4	3.3	4.1	4.1	4.1	1.7
65.0	Labour Youth Develop.	2.0	2.0	3.0	1.5	3.2	3.1	4.3	4.3	4.8	4.7	5.5	5.5	5.8	2.6
67.0	Teachers Service Comm.	0.1	0.1	0.2	0.2	1.5	1.5	1.8	1.7	1.9	1.9	2.1	2.1	0.0	0.0
68.0	Science, Tech.& H Ed	32.8	32.8	32.3	30.6	44.9	44.7	55.9	55.3	62.2	62.0	73.6	73.6	70.3	37.0
92.0	Tanzania Commission for AIDS											4.3	4.2	4.3	1.4
70 - 95	Regions	120.9	129.0	168.6	158.2	207.5	206.8	270.0	252.6	304.4	301.3	375.7	374.9	420.2	221.3
	Sub Total	**220.8**	**228.7**	**264.6**	**248.1**	**333.9**	**332.0**	**430.8**	**409.9**	**488.9**	**483.1**	**618.7**	**615.5**	**681.7**	**351.5**
	ECONOMIC SERVICES														
47.0	Works .	4.9	6.3	38.0	29.0	56.0	55.9	51.6	49.0	55.1	51.9	63.2	63.2	62.1	31.3
48.0	Lands, Hous.,& Urb. Dev.	3.4	2.8	3.6	3.6	4.3	4.2	4.7	4.7	5.0	4.9	5.9	5.7	5.7	2.6
58.0	Energy and Minerals.	2.0	1.9	3.0	2.9	3.7	3.7	22.8	22.6	19.0	18.8	25.2	25.0	133.0	64.6
62.0	Comm.& Transport	13.4	13.0	10.7	11.9	10.5	10.4	12.0	11.2	38.0	37.0	68.2	68.2	23.1	16.2
	Sub Total	**23.7**	**24.0**	**55.3**	**47.4**	**74.4**	**74.2**	**91.1**	**87.4**	**117.1**	**112.6**	**162.5**	**162.1**	**223.9**	**114.8**
	PRODUCTIVE														
24.0	Cooperatives & Marketing							5.5	5.4	6.3	6.1	7.1	7.1	7.3	2.3
43.0	Agriculture & Food Security	19.3	18.3	12.3	7.4	12.1	12.1	9.6	8.7	16.2	15.7	41.5	41.2	35.0	18.4
44.0	Industries and Trade	4.6	4.6	3.6	3.4	4.1	4.1	5.8	5.2	7.6	7.4	8.1	8.1	7.4	3.8
69.0	Tour., Nat. Res. & Env.	7.9	8.0	8.7	7.4	13.5	11.6	14.8	14.1	20.5	20.2	26.3	26.3	28.2	13.0
	Sub Total	***31.9***	***30.9***	***24.7***	***18.2***	***29.7***	***27.8***	***35.7***	***33.4***	***50.6***	***49.3***	***83.0***	***82.7***	***77.8***	***37.4***
	CFS														
20.0	State house	0.9	0.9	1.0	1.0	1.1	1.1	1.4	1.4	2.0	1.9	3.5	3.4	4.2	2.0
22.0	Public Debt	238.0	232.2	294.4	286.7	286.4	261.9	337.5	275.1	321.6	262.5	311.7	305.8	477.0	113.9
	Sub Total	**238.9**	**233.1**	**295.3**	**287.7**	**287.5**	**263.0**	**338.9**	**276.5**	**323.6**	**264.4**	**315.2**	**309.2**	**481.2**	**115.9**
	GRAND TOTAL	**789.2**	**780.0**	**936.1**	**881.2**	**1058.6**	**1033.1**	**1425.3**	**1288.0**	**1499.2**	**1416.3**	**1906.7**	**1890.7**	**2255.9**	**958.5**

Note: * Data for FY05 are from the Expenditure Flash Reports (July 2004 - December 2004)

Source: MoF (Consolidated Appropriations Accounts and Expenditure Flash Report).

Table A6b: Sectoral - Development Expenditure (in Bill. Tsh.)

VOTE VOTE HOLDER	1998/99 Budget	1998/99 Actual	1999/00 Budget	1999/00 Actual	2000/01 Budget	2000/01 Actual	2001/02 Budget	2001/02 Actual	2002/03 Budget	2002/03 Actual	2003/04 Budget	2003/04 Actual	2004/05 Budget	2004/05* Actual
ADMINISTRATION														
23.0 Accountant General	0.0	0.0	0.0	0.0	1.1	0.7	1.4	0.2	1.5	0.4	1.5	1.4	11.3	0.0
27.0 Registrar of Political Parties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
30.0 Presidents Office & The Cabinet	0.0	0.0	3.6	3.6	10.4	5.2	9.1	7.2	12.3	28.6	35.0	28.6	34.3	0.7
26 & 31 Vice President	2.4	0.8	5.9	1.6	8.3	0.5	4.5	0.2	7.2	3.7	9.3	9.3	11.0	1.5
32.0 Civil Service Dept.	0.4	0.0	3.9	8.3	6.8	6.8	8.6	8.4	11.3	2.5	15.4	9.4	36.0	7.7
33.0 Ethics Secretariat	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
34.0 Foreign Affairs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
35.0 Permanent Comm. of Enquiry	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
36.0 Civil Service Comm.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
37.0 Prime Minister's Office	0.1	0.1	3.4	3.0	4.2	0.4	2.2	0.4	5.9	5.0	4.2	4.1	12.3	1.6
40.0 Judiciary	0.0	0.0	0.0	0.0	0.8	0.8	0.4	0.2	0.4	0.4	1.7	1.7	2.7	0.0
41.0 Justice & Constitutional Affairs	0.2	0.0	0.0	0.0	0.0	0.0	1.2	0.6	2.9	0.6	4.5	1.4	4.4	0.7
42.0 Office of The Speaker	0.0	0.0	0.0	0.0	0.5	0.5	0.0	0.0	0.0	0.0	4.5	4.5	1.9	0.8
45.0 Exchequer & Audit Department	0.0	0.0	0.0	0.0	0.6	0.1	1.0	0.1	0.8	0.2	1.6	0.2	1.6	0.1
50.0 Finance	17.4	0.0	6.4	1.6	9.8	1.5	34.9	1.3	27.7	9.1	21.3	15.5	16.5	0.6
51.0 Home Affairs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
54.0 Radio Tanzania	0.0	0.0	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.0
55.0 Comm of Human Rights & Good Gov.	..	..	..	..	..	..	0.0	0.0	1.1	0.0	1.1	0.0	0.0	0.0
56.0 Regional Adminisstration and Local Gov.	..	..	17.4	0.0	27.1	13.1	70.3	58.3	109.7	74.2	106.1	45.7	141.3	4.9
57.0 Defence & National	1.0	0.0	1.0	0.0	1.0	1.0	1.0	1.0	9.1	9.1	24.0	24.0	45.0	16.2
59.0 Law Reform Comm.	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.1	0.2	0.2	0.2	0.2	0.0	0.0
60.0 Industries Court of Tanzania	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0
61.0 Electoral Commission	0.8	..	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.3	0.0
63.0 Local Govt Servece Comm	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
64.0 Commercial Court	..	..	..	..	..		0.2	0.0	0.3	0.0	0.3	0.0	0.2	0.0
66.0 Planning Comm.	1.5	0.6	1.3	1.5	2.5	2.2	2.7	0.4	15.9	9.2	16.7	7.2	14.7	0.1
90.0 Land Court				..	..	..	..	..	0.0	0.0	0.0	0.0	0.0	0.0
91.0 Drugs Control Commission				..	..	..	..	..	0.0	0.0	0.0	0.0	0.0	0.0
93.0 Immigration Department													0.0	0.0
94.0 Public Service Commission													0.0	0.0
Sub Total	**23.8**	**1.5**	**44.2**	**20.0**	**72.2**	**32.9**	**138.2**	**78.7**	**206.7**	**143.5**	**247.8**	**153.7**	**339.9**	**34.9**
DEFENCE AND SECURITY														
28.0 Police Force	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3	3.3	3.3	5.3	5.3	5.3	1.7
29.0 Prison Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	2.9	2.9	2.9	2.9	0.3
38.0 Defence	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
39.0 National Service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sub Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.3**	**0.3**	**6.2**	**6.2**	**8.2**	**8.1**	**8.2**	**2.0**
SOCIAL SERVICES														
46.0 Education	10.9	10.3	16.7	11.5	22.1	19.8	19.0	7.9	83.4	57.5	86.9	70.8	105.6	64.7
49.0 Water	30.7	19.1	30.8	8.6	29.6	11.0	15.9	6.1	46.0	11.7	46.1	38.8	104.6	5.6
52.0 Health	21.5	11.6	23.2	10.2	34.2	25.5	42.5	30.1	62.8	62.4	44.7	43.9	91.2	4.4
53.0 Comm. Dev & W	2.4	1.5	2.6	1.3	1.6	1.5	1.5	1.5	2.7	0.2	1.4	0.7	0.9	0.0
65.0 Labor Youth	1.7	0.4	2.1	0.6	3.0	0.3	1.7	1.7	3.1	0.1	8.1	4.7	55.3	0.0
67.0 Teacher's Service Comm	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
68.0 Science, Tech	4.7	2.0	5.1	1.6	4.2	4.2	4.2	3.3	11.1	10.1	15.8	8.8	14.0	1.7
92.0 Tanzania Commission for AIDS											10.4	4.2	22.4	0.0
70 - 95 Regions	29.2	9.8	29.2	0.0	0.0	0.0	36.6	23.1	35.6	18.9	35.5	28.1	44.6	2.9
Sub Total	**101.0**	**54.7**	**109.7**	**33.8**	**94.7**	**62.2**	**121.5**	**73.7**	**244.8**	**160.8**	**249.0**	**200.0**	**438.7**	**79.3**
ECONOMIC SERVICES														
47.0 Works & Trans	51.1	19.1	35.8	20.6	31.7	16.7	52.5	50.1	133.5	90.2	140.9	69.6	184.2	35.4
48.0 Lands, Housing	0.0	0.0	0.5	0.0	0.9	0.9	0.7	0.7	10.0	10.0	0.8	0.8	0.7	0.2
58.0 Energy and Minerals	23.8	16.1	21.2	9.9	30.5	5.3	8.0	4.6	74.1	8.0	61.6	47.3	46.9	1.1
62.0 Comm. & Transport	9.2	9.2	10.0	10.0	22.4	22.4	7.6	7.6	13.3	8.9	32.5	32.5	19.3	1.4
Sub Total	**84.2**	**44.4**	**67.5**	**40.4**	**85.5**	**45.2**	**68.8**	**63.0**	**230.9**	**117.1**	**235.7**	**150.2**	**251.1**	**38.1**
PRODUCTIVE														
24.0 Cooperatives & Marketing							0.0	0.1	1.2	1.0	0.4	2.3	4.1	0.1
43.0 Agriculture & Food Security	23.3	9.5	28.1	11.8	16.7	13.0	16.0	14.7	18.6	14.5	31.5	19.2	29.1	5.6
44.0 Industries & Trade	0.3	0.1	1.2	0.3	0.4	0.2	1.2	1.2	0.8	0.3	1.8	0.2	1.6	0.2
69.0 Tourism, Nat.	7.7	0.1	3.7	0.0	5.5	5.1	4.4	3.9	10.9	5.3	28.9	7.9	19.0	0.5
Sub Total	**31.2**	**9.7**	**33.0**	**12.1**	**22.6**	**18.4**	**21.5**	**19.9**	**31.5**	**21.1**	**62.7**	**29.6**	**53.7**	**6.3**
CONSOLIDATED FUND SERVICE														
20.0 State House	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
22.0 Public Service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sub Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
GRAND TOTAL	**240.2**	**110.4**	**254.3**	**106.3**	**275.1**	**158.8**	**350.3**	**235.5**	**720.1**	**448.6**	**803.3**	**541.6**	**1091.6**	**160.6**

Note: * Data for FY05 are from the Expenditure Flash Reports (July 2004 - December 2004)

Source: MoF (Consolidated Appropriations Accounts and Expenditure Flash Report).

Table A6c: Sectoral - Total Expenditure (in Bill. Tsh.)

VOTE	VOTE HOLDER	1998/99 Budget	1998/99 Actual	1999/00 Budget	1999/00 Actual	2000/01 Budget	2000/01 Actual	2001/02 Budget	2001/02 Actual	2002/03 Budget	2002/03 Actual	2003/04 Budget	2003/04 Actual	2004/05 Budget	2004/05* Actual
	ADMINISTRATION														
23.0	Accountant General	0.0	0.0	0.0	0.0	23.6	23.1	100.1	90.5	25.8	22.5	122.1	120.6	82.6	29.2
27.0	Registrar of Political Parties	2.6	2.6	2.7	1.3	2.8	2.7	3.9	3.8	8.0	8.0	8.7	8.7	8.7	4.1
30.0	Presidents Office	15.7	15.5	23.2	22.9	35.1	29.9	40.2	38.3	52.7	68.9	84.3	77.9	92.7	32.4
26 & 31	Vice President	3.3	1.7	7.0	2.6	9.7	1.9	6.9	2.6	22.5	19.0	32.4	32.3	29.8	13.9
32.0	Civil Service Dept.	4.0	3.7	7.3	11.7	11.2	11.1	14.4	13.9	15.9	6.7	20.9	15.0	41.0	10.3
33.0	Ethics Secretariat	0.2	0.2	0.2	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.5	0.5	0.7	0.2
34.0	Foreign Affairs	18.3	19.4	17.1	16.6	20.5	24.5	29.3	27.8	33.8	34.6	44.0	44.0	33.6	31.3
35.0	Perm. Comm. Enq.	0.3	0.3	0.2	0.2	..	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
36.0	Civil Service Comm.	0.2	0.2	0.2	0.2	0.3	0.5	0.6	0.5	0.6	0.6	0.7	0.7	0.0	0.0
37.0	Prime Ministers Office	14.2	6.1	8.1	7.7	9.2	5.4	13.3	8.6	20.3	19.3	16.3	16.1	28.0	8.8
40.0	Judiciary	5.4	5.3	7.9	6.0	9.6	9.6	12.4	12.0	13.6	13.5	18.6	18.6	21.7	8.9
41.0	Justice	2.4	1.9	1.1	0.9	1.5	1.5	3.6	2.9	6.8	4.4	9.4	6.3	9.8	3.2
42.0	Office Of The Speaker	5.3	5.4	5.9	5.9	7.1	7.0	8.7	8.4	10.7	10.3	20.6	20.5	18.5	9.6
45.0	Exchequer and Audit	0.8	0.8	1.1	1.1	2.3	1.8	2.9	2.0	3.6	2.9	6.0	4.5	6.8	2.4
50.0	Finance	68.5	51.9	56.1	50.2	50.8	42.4	123.3	59.6	86.5	62.9	99.4	91.3	163.0	40.1
51.0	Home Affairs	4.6	4.6	5.8	4.8	5.6	5.6	6.9	5.9	7.6	7.0	9.3	9.0	3.0	1.2
54.0	Radio Tanzania	1.2	1.1	1.6	1.4	1.9	1.5	2.0	1.7	3.5	3.2	4.1	4.1	0.0	0.0
55.0	Comm of Human Rights & Good Gov.	..	..	..	..	..	..	0.9	0.7	2.1	0.7	3.0	1.0	2.2	0.4
56.0	Regional Adminisstration and Local Gov.	6.2	2.7	22.7	16.7	31.0	17.0	90.8	78.7	134.2	97.8	136.9	76.5	177.9	18.3
57.0	Defence & National.	5.5	3.1	3.3	2.3	5.1	5.1	4.4	4.4	12.9	12.9	29.2	29.2	50.0	18.6
59.0	Law Reform. Commi.	0.1	0.1	0.1	0.1	0.2	0.2	0.7	0.3	0.5	0.5	0.7	0.7	0.5	0.2
60.0	Industrial Court Of Tz.	0.1	0.1	0.2	0.1	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.8	0.2
61.0	Electoral Commision	3.8	..	17.0	5.9	30.9	30.6	0.7	0.7	2.3	2.2	20.3	20.3	36.5	13.3
63.0	Local Govt. Servi. Comm.	0.2	0.2	0.2	0.2	0.3	0.3	0.4	0.4	0.6	0.6	0.7	0.7	0.0	0.0
64.0	Commercial Court	..	..	..	..	..	..	0.7	0.5	1.0	0.6	1.0	0.7	0.8	0.3
66.0	Planning Commission	4.1	3.2	3.2	2.9	4.8	4.5	16.6	13.9	36.1	29.2	24.5	15.0	22.7	4.2
90.0	Land Court									0.4	0.4	0.5	0.4	0.5	0.2
91.0	Drugs Control Commission									0.6	0.6	0.6	0.6	0.6	0.3
93.0	Immigration Department													7.3	2.7
94.0	Public Service Commission													6.4	2.2
	Sub Total	**166.9**	**133.0**	**192.3**	**162.0**	**240.7**	**203.8**	**484.1**	**378.6**	**503.5**	**430.0**	**714.9**	**615.5**	**845.9**	**256.5**
	DEFENCE AND SECURITY														
28.0	Police Force	29.7	29.7	34.9	32.2	42.0	41.9	43.4	42.2	56.2	55.3	73.0	72.4	86.8	34.5
29.0	Prison Services	16.4	16.4	19.4	16.2	20.9	20.8	23.4	23.1	32.2	32.1	39.8	39.6	42.5	17.4
38.0	Defence	73.2	..	81.7	78.5	89.2	89.2	100.0	99.7	118.6	117.9	130.0	130.0	136.6	51.9
39.0	National Service	11.4	11.8	12.1	10.9	12.5	12.5	16.4	16.2	21.5	21.5	25.5	25.5	27.6	15.5
	Sub Total	**130.8**	**131.9**	**148.1**	**137.8**	**164.6**	**164.4**	**183.1**	**181.2**	**228.4**	**226.7**	**268.4**	**267.5**	**293.5**	**119.2**
	SOCIAL SERVICES														
46.0	Education	30.4	29.8	37.7	32.1	50.8	48.4	56.4	43.9	124.2	97.3	138.5	120.5	158.4	93.4
49.0	Water,	37.1	25.5	34.2	12.0	35.5	25.2	25.4	15.0	62.8	27.7	62.3	55.1	124.2	12.5
52.0	Health	58.7	48.7	57.0	42.2	74.3	65.4	91.6	78.3	117.3	116.4	130.3	129.0	195.7	56.2
53.0	Comm. Dev.Wome. Aff.	4.1	3.4	4.9	2.8	3.6	3.5	4.4	4.4	6.2	3.5	5.4	4.8	5.0	1.7
65.0	Labour Youth Develop.	3.7	2.3	5.1	2.2	6.2	3.3	6.0	6.0	8.0	4.8	13.7	10.3	61.1	2.6
67.0	Teachers Service Comm.	0.1	0.1	0.2	0.2	1.5	5.7	1.8	1.7	1.9	1.9	2.1	2.1	0.0	0.0
68.0	Science, Tech.& H Ed	37.5	34.8	37.4	32.2	49.1	44.7	60.1	58.6	73.4	72.1	89.4	82.4	84.3	38.7
92.0	Tanzania Commission for AIDS											14.7	8.4	26.8	1.4
70 & 89	Regions	150.1	138.8	197.8	158.2	207.5	206.8	306.6	275.7	340.0	320.2	411.3	403.0	464.9	224.2
	Sub Total	**321.8**	**283.5**	**374.3**	**281.9**	**428.6**	**394.2**	**552.3**	**483.6**	**733.7**	**643.9**	**867.7**	**815.5**	**1120.4**	**430.8**
	ECONOMIC SERVICES														
47.0	Works .	56.1	25.4	73.8	49.6	87.7	72.6	104.1	99.1	188.6	142.1	204.1	132.7	246.3	66.7
48.0	Lands, Hous.,& Urb. Dev.	3.4	2.8	4.1	3.6	5.2	5.1	5.4	5.4	15.0	14.9	6.6	6.5	6.4	2.8
58.0	Energy and Minerals.	25.8	18.0	24.2	12.7	34.1	8.9	30.8	27.2	93.1	26.7	86.8	72.4	179.9	65.7
62.0	Comm.& Transport	22.6	22.2	20.7	21.9	32.8	32.8	19.6	18.8	51.3	45.9	100.7	100.7	42.3	17.6
	Sub Total	**107.9**	**68.4**	**122.8**	**87.9**	**159.9**	**119.5**	**159.9**	**150.4**	**348.0**	**229.6**	**398.2**	**312.3**	**475.0**	**152.8**
	PRODUCTIVE														
24.0	Cooperatives & Marketing							5.5	5.5	7.5	7.0	7.5	9.5	11.4	2.3
43.0	Agriculture & Food Security	42.6	27.8	40.4	19.2	28.8	25.1	25.6	23.4	34.8	30.2	73.0	60.4	64.1	24.0
44.0	Industries and Trade	5.0	4.7	4.8	3.6	4.5	4.4	7.0	6.4	8.4	7.6	10.0	8.3	8.9	4.0
69.0	Tour., Nat. Res. & Env.	15.6	8.1	12.5	7.4	19.0	16.7	19.2	18.0	31.5	25.5	55.2	34.1	47.1	13.5
	Sub Total	**63.1**	**40.6**	**57.7**	**30.3**	**52.3**	**46.2**	**57.2**	**53.3**	**82.1**	**70.4**	**145.7**	**112.4**	**131.5**	**43.7**
	CONSOLIDATED FUND SERVICE														
20.0	State house	0.9	0.9	1.0	1.0	1.1	1.1	1.4	1.4	2.0	1.9	3.5	3.4	4.2	2.0
22.0	Public Debt	238.0	232.2	294.4	286.7	286.4	261.9	337.5	275.1	321.6	262.5	311.7	305.8	477.0	113.9
	Sub Total	***238.9***	***233.1***	***295.3***	***287.7***	***287.5***	***263.0***	***338.9***	***276.5***	***323.6***	***264.4***	***315.2***	***309.2***	***481.2***	***115.9***
	GRAND TOTAL	**1029.5**	**890.4**	**1190.5**	**987.5**	**1333.7**	**1191.1**	**1775.6**	**1523.5**	**2219.3**	**1865.0**	**2710.0**	**2432.3**	**3347.5**	**1119.1**

Note * Data for FY05 are from the Expenditure Flash Reports (July 2004 - December 2004)

Source MoF (Consolidated Appropriations Accounts and Expenditure Flash Report).

Table A7a: Actual Recurrent Expenditure by Vote as the Share of Total Actual Recurrent Expenditure

VOTEVOTE HOLDER	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
ADMINISTRATION							
23.0Accountant General	0.00	0.00	2.17	7.01	1.56	6.30	3.05
27.0Registrar of Political Parties	0.33	0.15	0.26	0.30	0.57	0.46	0.42
30.0Presidents Office	1.99	2.19	2.39	2.41	2.84	2.61	3.31
31.02nd Vice President	0.11	0.12	0.14	0.19	1.08	1.22	1.29
32.0Civil Service Dept.	0.47	0.38	0.42	0.43	0.29	0.29	0.27
33.0Ethics Secretariat	0.02	0.01	0.02	0.02	0.02	0.03	0.02
34.0Foreign Affairs	2.48	1.88	2.37	2.16	2.44	2.33	3.26
35.0Perm. Comm. Enq.	0.03	0.02	0.03	0.00	0.00	0.00	0.00
36.0Civil Service Comm.	0.03	0.02	0.05	0.04	0.04	0.04	0.00
37.0Prime Ministers Office	0.77	0.53	0.49	0.64	1.01	0.63	0.76
40.0Judiciary	0.68	0.68	0.85	0.92	0.92	0.89	0.92
41.0Justice	0.25	0.10	0.15	0.18	0.27	0.26	0.26
42.0Office Of The Speaker	0.69	0.67	0.64	0.65	0.73	0.85	0.91
45.0Exchequer and Audit	0.10	0.12	0.17	0.15	0.19	0.23	0.24
50.0Finance	6.65	5.51	3.96	4.53	3.80	4.00	4.13
51.0Home Affairs	0.60	0.55	0.54	0.46	0.50	0.48	0.13
54.0Radio Tanzania	0.14	0.13	0.11	0.11	0.20	0.20	0.00
55.0Comm of Human Rights & Good Gov.	..	..	..	0.05	0.05	0.05	0.04
56.0Regional Adminisstration and Local Gov.	0.35	1.89	0.37	1.58	1.67	1.63	1.40
57.0Defence & National.	0.39	0.26	0.40	0.26	0.27	0.27	0.25
59.0Law Reform. Commi.	0.01	0.01	0.02	0.02	0.02	0.03	0.02
60.0Industrial Court Of Tz.	0.02	0.02	0.03	0.02	0.03	0.02	0.02
61.0Electoral Commision	0.38	0.67	2.96	0.05	0.16	1.08	1.39
63.0Local Govt. Servi. Comm.	0.02	0.02	0.02	0.03	0.04	0.04	0.00
64.0Commercial Court	..	..	..	0.04	0.04	0.04	0.03
66.0Planning Commission	0.33	0.15	0.22	1.05	1.41	0.41	0.43
90.0Land Court					0.03	0.02	0.02
91.0Anti-Drug Commission					0.04	0.03	0.03
93.0Immigration Department							0.29
94.0Public Service Commission							0.23
Sub Total	**16.85**	**16.11**	**16.61**	**23.29**	**20.23**	**24.42**	**23.13**
DEFENCE AND SECURITY							
28.0Police Force	3.81	3.65	4.05	3.25	3.67	3.55	3.43
29.0Prison Services	2.11	1.84	2.02	1.79	2.06	1.94	1.78
38.0Defence	9.48	8.91	8.63	7.74	8.32	6.88	5.41
39.0National Service	1.51	1.24	1.21	1.26	1.52	1.35	1.61
Sub Total	**16.91**	**15.64**	**15.91**	**14.04**	**15.57**	**13.72**	**12.23**
SOCIAL SERVICES							
46.0Education	2.50	2.34	2.77	2.79	2.81	2.63	3.00
49.0Water,	0.82	0.38	0.52	0.69	1.13	0.86	0.73
52.0Health	4.76	3.64	3.86	3.74	3.81	4.51	5.41
53.0Comm. Dev.Wome. Aff.	0.23	0.16	0.19	0.23	0.24	0.22	0.17
65.0Labour Youth Develop.	0.26	0.17	0.30	0.33	0.33	0.29	0.27
67.0Teachers Service Comm.	0.01	0.03	0.15	0.13	0.13	0.11	0.00
68.0Science, Tech.& H Ed	4.20	3.47	4.33	4.29	4.38	3.89	3.86
92.0Tanzania Commission for AIDS						0.22	0.15
70 - 89Regions	16.54	17.95	20.02	19.61	21.28	19.83	23.09
Sub Total	**29.33**	**28.15**	**32.14**	**31.82**	**34.11**	**32.56**	**36.68**
ECONOMIC SERVICES							
47.0Works .	0.81	3.30	5.42	3.80	3.66	3.34	3.26
48.0Lands, Hous.,& Urb. Dev.	0.35	0.41	0.40	0.36	0.34	0.30	0.27
58.0Energy and Minerals.	0.25	0.33	0.35	1.75	1.33	1.32	6.74
62.0 Comm.& Transport	1.66	1.35	1.01	0.87	2.61	3.61	1.69
Sub Total	**3.08**	**5.38**	**7.19**	**6.78**	**7.95**	**8.57**	**11.97**
PRODUCTIVE							
24.0Cooperatives & Marketing				0.42	0.43	0.38	0.23
43.0Agriculture & Food Security	2.35	0.84	1.17	0.68	1.11	2.18	1.92
44.0Industries and Trade	0.59	0.38	0.40	0.40	0.52	0.43	0.39
69.0Tour., Nat. Res. & Env.	1.02	0.84	1.12	1.10	1.43	1.39	1.36
Sub Total	**3.96**	**2.07**	**2.69**	**2.60**	**3.48**	**4.38**	**3.90**
CONSOLIDATED FUND SERVICE							
20.0State house	0.11	0.11	0.11	0.11	0.13	0.18	0.21
22.0Public Debt	29.77	32.53	25.35	21.36	18.54	16.18	11.88
Sub Total	**29.88**	**32.65**	**25.46**	**21.47**	**18.67**	**16.36**	**12.09**
GRAND TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Source: Table A6a.

Table A7b: Actual Development Expenditure by Vote as the Share of Total Actual Development Expenditure

VOTEVOTE HOLDER	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
ADMINISTRATION							
23.0Accountant General	0.00	0.00	0.42	0.08	0.08	0.26	0.00
27.0Registrar of Political Parties	0.00	0.00	0.00	0.00	0.00	0.00	0.00
30.0Presidents Office	0.00	3.39	3.28	3.06	6.38	5.29	0.43
31.02nd Vice President	0.74	1.51	0.30	0.08	0.83	1.72	0.95
32.0Civil Service Dept.	0.00	7.85	4.28	3.57	0.56	1.74	4.80
33.0Ethics Secretariat	0.00	0.00	0.00	0.00	0.00	0.00	0.00
34.0Foreign Affairs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
35.0Perm. Comm. Enq.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
36.0Civil Service Comm.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
37.0Prime Ministers Office	0.09	2.83	0.25	0.17	1.12	0.76	0.97
40.0Judiciary	0.00	0.00	0.50	0.08	0.09	0.31	0.00
41.0Justice	0.00	0.00	0.00	0.25	0.12	0.26	0.43
42.0Office Of The Speaker	0.00	0.00	0.30	0.00	0.00	0.83	0.53
45.0Exchequer and Audit	0.00	0.00	0.03	0.04	0.04	0.04	0.06
50.0Finance	0.00	1.53	0.94	0.54	2.02	2.87	0.34
51.0Home Affairs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
54.0Radio Tanzania	0.00	0.25	0.19	0.13	0.07	0.06	0.00
55.0Comm of Human Rights & Good Gov.	..	..	..	0.00	0.00	0.00	0.00
56.0Regional Adminisstration and Local Gov.	0.00	0.04	8.25	24.75	16.54	8.44	3.07
57.0Defence & National.	0.00	0.00	0.63	0.42	2.02	4.43	10.09
59.0Law Reform. Commi.	0.00	0.00	0.00	0.04	0.04	0.04	0.00
60.0Industrial Court Of Tz.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
61.0Electoral Commision	0.00	0.00	0.00	0.00	0.00	0.00	0.00
63.0Local Govt. Servi. Comm.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
64.0Commercial Court	..	..	0.00	0.00	0.00	0.00	0.00
66.0Planning Commission	0.55	1.42	1.37	0.17	2.05	1.32	0.03
90.0Land Court					0.00	0.00	0.00
91.0Anti-Drug Commission					0.00	0.00	0.00
93.0Immigration Department							0.00
94.0Public Service Commission							0.00
Sub Total	**1.39**	**18.82**	**20.74**	**33.40**	**31.98**	**28.37**	**21.71**
DEFENCE AND SECURITY							
28.0Police Force	0.00	0.00	0.00	0.13	0.74	0.97	1.06
29.0Prison Services	0.00	0.00	0.00	0.00	0.65	0.53	0.22
38.0Defence	0.00	0.00	0.00	0.00	0.00	0.00	0.00
39.0National Service	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sub Total	**0.00**	**0.00**	**0.00**	**0.13**	**1.38**	**1.50**	**1.27**
SOCIAL SERVICES							
46.0Education	9.29	10.79	12.49	3.35	12.81	13.07	40.28
49.0Water,	17.32	8.07	6.91	2.59	2.61	7.17	3.46
52.0Health	10.50	9.59	16.05	12.78	13.90	8.10	2.73
53.0Comm. Dev.Wome. Aff.	1.39	1.26	0.92	0.64	0.04	0.13	0.00
65.0Labour Youth Develop.	0.32	0.61	0.16	0.72	0.03	0.88	0.00
67.0Teachers Service Comm.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
68.0Science, Tech.& H Ed	1.85	1.47	2.65	1.40	2.25	1.62	1.05
92.0Tanzania Commission for AIDS					0.00	0.77	0.00
70 & 89Regions	8.91	0.00	0.00	9.81	4.21	5.19	1.84
Sub Total	**49.59**	**31.78**	**39.19**	**31.29**	**35.84**	**36.92**	**49.37**
ECONOMIC SERVICES							
47.0Works .	17.31	19.38	10.50	21.27	20.11	12.85	22.06
48.0Lands, Hous.,& Urb. Dev.	0.00	0.00	0.56	0.30	2.23	0.14	0.09
58.0Energy and Minerals.	14.56	9.27	3.34	1.95	1.77	8.74	0.69
62.0 Comm.& Transport	8.33	9.41	14.10	3.23	1.98	6.00	0.87
Sub Total	**40.21**	**38.06**	**28.50**	**26.75**	**26.10**	**27.73**	**23.70**
PRODUCTIVE							
24.0Cooperatives & Marketing			0.00	0.02	0.22	0.43	0.03
43.0Agriculture & Food Security	8.60	11.09	8.19	6.24	3.24	3.54	3.50
44.0Industries and Trade	0.11	0.26	0.15	0.51	0.06	0.04	0.12
69.0Tour., Nat. Res. & Env.	0.10	0.00	3.22	1.66	1.18	1.46	0.29
Sub Total	**8.81**	**11.35**	**11.57**	**8.43**	**4.70**	**5.47**	**3.95**
CONSOLIDATED FUND SERVICE							
20.0State house	0.00	0.00	0.00	0.00	0.00	0.00	0.00
22.0Public Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sub Total	**0.00**	**0.00**	**0.00**	**0.00**	0.00	0.00	0.00
GRAND TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Table A6b

Table A7c: Total Actual Expenditure by Vote as the Share of Total Actual Expenditure

VOTE	VOTE HOLDER	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
	ADMINISTRATION							
23.0	Accountant General	0.00	0.00	1.94	5.94	1.21	4.96	2.61
27.0	Registrar of Political Parties	0.29	0.13	0.23	0.25	0.43	0.36	0.36
30.0	Presidents Office	1.74	2.32	2.51	2.51	3.69	3.20	2.90
31.0	2nd Vice President	0.19	0.27	0.16	0.17	1.02	1.33	1.24
32.0	Civil Service Dept.	0.41	1.19	0.93	0.91	0.36	0.61	0.92
33.0	Ethics Secretariat	0.02	0.01	0.02	0.02	0.01	0.02	0.02
34.0	Foreign Affairs	2.17	1.68	2.06	1.82	1.85	1.81	2.79
35.0	Perm. Comm. Enq.	0.03	0.02	0.03	0.00	0.00	0.00	0.00
36.0	Civil Service Comm.	0.02	0.02	0.04	0.03	0.03	0.03	0.00
37.0	Prime Ministers Office	0.69	0.78	0.45	0.56	1.03	0.66	0.79
40.0	Judiciary	0.59	0.61	0.80	0.79	0.72	0.76	0.79
41.0	Justice	0.22	0.09	0.13	0.19	0.23	0.26	0.29
42.0	Office Of The Speaker	0.61	0.60	0.59	0.55	0.55	0.84	0.86
45.0	Exchequer and Audit	0.09	0.11	0.15	0.13	0.16	0.19	0.22
50.0	Finance	5.83	5.08	3.56	3.91	3.37	3.75	3.59
51.0	Home Affairs	0.52	0.49	0.47	0.39	0.38	0.37	0.11
54.0	Radio Tanzania	0.12	0.14	0.12	0.11	0.17	0.17	0.00
55.0	Comm of Human Rights & Good Gov.	..	..	..	0.05	0.04	0.04	0.04
56.0	Regional Adminisstration and Local Gov.	0.31	1.69	1.42	5.17	5.25	3.14	1.64
57.0	Defence & National.	0.34	0.24	0.43	0.29	0.69	1.20	1.66
59.0	Law Reform. Commi.	0.01	0.01	0.02	0.02	0.02	0.03	0.02
60.0	Industrial Court Of Tz.	0.02	0.02	0.03	0.02	0.02	0.02	0.02
61.0	Electoral Commision	0.00	0.60	2.57	0.05	0.12	0.84	1.19
63.0	Local Govt. Servi. Comm.	0.02	0.02	0.02	0.03	0.03	0.03	0.00
64.0	Commercial Court	..	..	..	0.03	0.03	0.03	0.02
66.0	Planning Commission	0.36	0.29	0.37	0.91	1.57	0.61	0.37
90.0	Land Court					0.02	0.02	0.02
91.0	Anti-Drug Commission					0.03	0.03	0.03
93.0	Immigration Department							0.24
94.0	*Public Service Commission*							0.19
	Sub Total	**14.93**	**16.40**	**17.11**	**24.85**	**23.05**	**25.30**	**22.92**
	DEFENCE AND SECURITY							
28.0	Police Force	3.34	3.26	3.52	2.77	2.96	2.98	3.09
29.0	Prison Services	1.84	1.64	1.75	1.52	1.72	1.63	1.55
38.0	Defence	..	7.95	7.49	6.54	6.32	5.35	4.64
39.0	National Service	1.33	1.11	1.05	1.06	1.15	1.05	1.38
	Sub Total	**14.81**	**13.95**	**13.80**	**11.89**	**12.16**	**11.00**	**10.66**
	SOCIAL SERVICES							
46.0	Education	3.35	3.25	4.07	2.88	5.21	4.95	8.35
49.0	Water,	2.87	1.21	2.12	0.98	1.49	2.26	1.12
52.0	Health	5.47	4.28	5.49	5.14	6.24	5.31	5.03
53.0	Comm. Dev.Wome. Aff.	0.38	0.28	0.29	0.29	0.19	0.20	0.15
65.0	Labour Youth Develop.	0.26	0.22	0.28	0.39	0.26	0.42	0.23
67.0	Teachers Service Comm.	0.01	0.02	0.48	0.11	0.10	0.09	0.00
68.0	Science, Tech.& H Ed	3.91	3.26	3.76	3.85	3.87	3.39	3.46
92.0	Tanzania Commission for AIDS					0.00	0.35	0.13
70 & 89	Regions	15.59	16.02	17.36	18.10	17.17	16.57	20.04
	Sub Total	**31.84**	**28.54**	**33.10**	**31.74**	**34.52**	**33.53**	**38.50**
	ECONOMIC SERVICES							
47.0	Works .	2.86	5.03	6.10	6.50	7.62	5.46	5.96
48.0	Lands, Hous.,& Urb. Dev.	0.31	0.37	0.43	0.35	0.80	0.27	0.25
58.0	Energy and Minerals.	2.02	1.29	0.75	1.79	1.43	2.98	5.87
62.0	Comm.& Transport	2.49	2.21	2.76	1.23	2.46	4.14	1.57
	Sub Total	**7.68**	**8.90**	**10.03**	**9.87**	**12.31**	**12.84**	**13.66**
	PRODUCTIVE							
24.0	Cooperatives & Marketing			0.00	0.36	0.38	0.39	0.21
43.0	Agriculture & Food Security	3.12	1.94	2.11	1.54	1.62	2.48	2.14
44.0	Industries and Trade	0.53	0.37	0.37	0.42	0.41	0.34	0.35
69.0	Tour., Nat. Res. & Env.	0.91	0.75	1.40	1.18	1.37	1.40	1.21
	Sub Total	**4.56**	**3.07**	**3.88**	**3.50**	**3.78**	**4.62**	**3.91**
	CONSOLIDATED FUND SERVICE							
20.0	State house	0.10	0.10	0.09	0.09	0.10	0.14	0.18
22.0	Public Debt	26.08	29.03	21.99	18.06	14.08	12.57	10.18
	Sub Total	**26.17**	**29.13**	**22.08**	**18.15**	**14.18**	**12.71**	**10.36**
	GRAND TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Source: Table A6c.

Table A8a: Actual Recurrent Expenditure as a Percentage of Budgeted Recurrent Expenditure by Vote

VOTE	VOTE HOLDER	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
	ADMINISTRATION							
23.0	Accountant General			100	91	91	99	41
27.0	Registrar of Political Parties	100	50	99	98	100	100	47
30.0	Presidents Office	99	99	100	100	100	100	54
31.0	2nd Vice President	100	100	100	100	100	100	66
32.0	Civil Service Dept.	100	100	100	95	91	100	51
33.0	Ethics Secretariat	98	83	100	113	97	100	31
34.0	Foreign Affairs	106	97	120	95	102	100	93
35.0	Perm. Comm. Enq.	99	95	100	..	..	..	..
36.0	Civil Service Comm.	100	100	150	90	100	100	..
37.0	Prime Ministers Office	43	100	100	74	99	99	46
40.0	Judiciary	99	75	100	99	99	100	47
41.0	Justice	90	86	99	96	99	100	47
42.0	Office Of The Speaker	101	100	100	97	97	100	53
45.0	Exchequer and Audit	97	100	99	100	96	99	45
50.0	Finance	102	98	100	66	92	97	27
51.0	Home Affairs	101	83	100	85	93	97	40
54.0	Radio Tanzania	93	96	74	82	90	100	..
55.0	Comm of Human Rights & Good Gov.				78	73	52	19
56.0	Regional Administration and Local Gov.	44	315	100	99	96	100	37
57.0	Defence & National.	68	*100*	*100*	*100*	*100*	*100*	48
59.0	Law Reform. Commi.	99	94	99	115	98	98	43
60.0	Industrial Court Of Tz.	100	88	100	87	95	99	47
61.0	Electoral Commision	99	36	99	100	98	100	44
63.0	Local Govt. Servi. Comm.	100	99	97	112	100	100	..
64.0	Commercial Court				102	77	100	43
66.0	Planning Commission	96	70	100	96	99	100	52
90.0	Land Court					89	99	44
91.0	*Anti-Drug Commission*					98	99	44
93.0	Immigration Department							37
94.0	Public Service Commission							34
	Sub Total	**92**	**96**	**102**	**87**	**97**	**99**	**44**
	DEFENCE AND SECURITY							
28.0	Police Force	100	92	100	97	98	99	40
29.0	Prison Services	100	83	100	99	100	99	43
38.0	Defence	101	96	100	100	99	100	38
39.0	National Service	103	90	100	99	100	100	56
	Sub Total	**101**	**93**	**100**	**99**	**99**	**100**	**41**
	SOCIAL SERVICES							
46.0	Education	100	98	100	96	97	96	54
49.0	Water,	100	100	91	94	96	100	36
52.0	Health	100	95	99	98	99	100	50
53.0	Comm. Dev.Wome. Aff.	103	62	100	100	97	100	40
65.0	Labour Youth Develop.	102	51	96	99	97	100	45
67.0	Teachers Service Comm.	100	100	100	97	100	100	..
68.0	Science, Tech.& H Ed	100	95	100	99	100	100	53
92.0	Tanzania Commission for AIDS						99	32
70 & 89	Regions	107	94	100	94	99	100	53
	Sub Total	**104**	**94**	**99**	**95**	**99**	**99**	**52**
	ECONOMIC SERVICES							
47.0	Works .	128	76	100	95	94	100	50
48.0	*Lands, Hous.,& Urb. Dev.*	*80*	*100*	97	*100*	98	97	46
58.0	Energy and Minerals.	98	97	100	99	99	99	49
62.0	Comm.& Transport	97	111	100	93	97	100	70
	Sub Total	**101**	**86**	**100**	**96**	**96**	**100**	**51**
	PRODUCTIVE							
24.0	Cooperatives & Marketing				98	97	100	31
43.0	Agriculture & Food Security	95	60	100	91	97	99	52
44.0	Industries and Trade	99	93	100	89	97	100	51
69.0	Tour., Nat. Res. & Env.	101	85	86	96	99	100	46
	Sub Total	**97**	**74**	**94**	**94**	**98**	**100**	**48**
	CONSOLIDATED FUND SERVICE							
20.0	State house	100	100	100	100	94	97	49

22.0	Public Debt	98	97	91	82	82	98	24
	Sub Total	**98**	**97**	91	**82**	**82**	**98**	**24**
	GRAND TOTAL	**99**	**94**	**98**	**90**	**94**	**99**	**42**

Source: Table A6a

Table A8b: Actual Development Expenditure as a Percentage of Budgeted Development Expenditure by Vote

VOTE	VOTE HOLDER	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
	ADMINISTRATION							
23.0	Accountant General			62	14	24	94	0
27.0	Registrar of Political Parties							
30.0	Presidents Office		100	50	79	233	82	2
31.0	2nd Vice President	34	27	6	4	51	100	14
32.0	Civil Service Dept.	0	211	100	97	22	61	21
33.0	Ethics Secretariat							
34.0	Foreign Affairs							
35.0	Perm. Comm. Enq.							
36.0	Civil Service Comm.							
37.0	Prime Ministers Office	100	87	9	18	85	98	13
40.0	Judiciary			100	50	100	100	0
41.0	Justice	2			52	19	32	16
42.0	Office Of The Speaker			99			99	45
45.0	Exchequer and Audit			9	10	26	13	6
50.0	Finance	0	25	15	4	33	73	3
51.0	Home Affairs							
54.0	Radio Tanzania		68	99	101	100	100	
55.0	Comm of Human Rights & Good Gov.					0	0	
56.0	Regional Adminisstration and Local Gov.		0	48	83	68	43	3
57.0	Defence & National.	0	0	100	100	100	100	36
59.0	Law Reform. Commi.				20	89	99	
60.0	Industrial Court Of Tz.							0
61.0	Electoral Commision		0					0
63.0	Local Govt. Servi. Comm.							
64.0	Commercial Court				0	0	0	0
66.0	Planning Commission	42	120	86	15	58	43	0
90.0	Land Court							
91.0	Anti-Drug Commission							
93.0	Immigration Department							
94.0	Public Service Commission							
	Sub Total	**6**	**45**	**46**	**57**	**69**	**62**	**10**
	DEFENCE AND SECURITY							
28.0	Police Force				100	100	99	32
29.0	Prison Services					100	100	12
38.0	Defence							
39.0	National Service							
	Sub Total				**100**	**100**	**99**	**25**
	SOCIAL SERVICES							
46.0	Education	94	69	90	42	69	81	61
49.0	Water,	62	28	37	38	25	84	5
52.0	Health	54	44	75	71	99	98	5
53.0	Comm. Dev.Wome. Aff.	65	51	90	98	6	51	0
65.0	Labour Youth Develop.	21	30	9	100	4	58	0
67.0	Teachers Service Comm.							
68.0	Science, Tech.& H Ed	44	31	100	78	91	55	12
92.0	Tanzania Commission for AIDS						40	0
70 & 89	Regions	34	0		63	53	79	7
	Sub Total	**54**	**31**	**66**	**61**	**66**	**80**	**18**
	ECONOMIC SERVICES							
47.0	Works .	37	58	53	95	68	49	19
48.0	Lands, Hous.,& Urb. Dev.		0	98	100	100	100	22
58.0	Energy and Minerals.	67	46	17	58	11	77	2
62.0	Comm.& Transport	100	100	100	100	67	100	7
	Sub Total	**53**	**60**	**53**	**92**	**51**	**64**	**15**
	PRODUCTIVE							
24.0	Cooperatives & Marketing					82	594	1
43.0	Agriculture & Food Security	41	42	78	92	78	61	19
44.0	Industries and Trade	37	24	65	102	35	11	13
69.0	Tour., Nat. Res. & Env.	1	0	93	89	48	27	2
	Sub Total	**31**	**37**	**81**	**92**	**67**	**47**	**12**

	CONSOLIDATED FUND SERVICE							
20.0	State house							
22.0	Public Debt							
	Sub Total							
	GRAND TOTAL	**46**	**42**	**58**	**67**	**62**	**67**	**15**

Source: Table A6b

Table A8c: Actual Total Expenditure as a Percentage of Budgeted Total Expenditure by Vote

VOTE	VOTE HOLDER	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
	ADMINISTRATION							
23.0	Accountant General			98	90	87	99	35
27.0	Registrar of Political Parties	100	50	99	98	100	100	47
30.0	Presidents Office	99	99	85	95	131	92	35
31.0	2nd Vice President	51	38	19	38	84	100	47
32.0	Civil Service Dept.	91	160	100	96	42	71	25
33.0	Ethics Secretariat	98	83	100	113	97	100	31
34.0	Foreign Affairs	106	97	120	95	102	100	93
35.0	Perm. Comm. Enq.	99	95	..	..	..	..	..
36.0	Civil Service Comm.	100	100	150	90	100	100	..
37.0	Prime Ministers Office	43	95	59	64	95	99	31
40.0	Judiciary	99	75	100	97	99	100	41
41.0	Justice	81	86	99	82	65	68	33
42.0	Office Of The Speaker	101	100	100	97	97	100	52
45.0	Exchequer and Audit	97	100	78	70	81	75	36
50.0	Finance	76	89	83	48	73	92	25
51.0	Home Affairs	101	83	100	85	93	97	40
54.0	Radio Tanzania	93	89	78	85	91	100	..
55.0	Comm of Human Rights & Good Gov.	..	..	..	78	34	32	19
56.0	Regional Adminisstration and Local Gov.	44	73	55	87	73	56	10
57.0	Defence & National.	56	70	100	100	100	100	37
59.0	Law Reform. Commi.	99	94	99	45	94	98	43
60.0	Industrial Court Of Tz.	100	88	100	87	95	99	31
61.0	Electoral Commision		35	99	100	98	100	36
63.0	Local Govt. Servi. Comm.	100	99	97	112	100	100	..
64.0	Commercial Court	..	..	..	72	58	74	34
66.0	Planning Commission	77	90	92	83	81	61	18
90.0	Land Court					89	99	44
91.0	Anti-Drug Commission					98	99	44
93.0	Immigration Department							37
94.0	Public Service Commission							34
	Sub Total	**80**	**84**	**85**	**78**	**85**	**86**	**30**
	DEFENCE AND SECURITY							
28.0	Police Force	100	92	100	97	98	99	40
29.0	Prison Services	100	83	100	99	100	99	41
38.0	Defence		96	100	100	99	100	38
39.0	National Service	103	90	100	99	100	100	56
	Sub Total	**101**	**93**	**100**	**99**	**99**	**100**	**41**
	SOCIAL SERVICES							
46.0	Education	98	85	95	78	78	87	59
49.0	Water,	69	35	71	59	44	88	10
52.0	Health	83	74	88	85	99	99	29
53.0	Comm. Dev.Wome. Aff.	81	56	96	99	57	88	33
65.0	Labour Youth Develop.	64	43	54	99	60	75	4
67.0	Teachers Service Comm.	100	100	377	97	100	100	..
68.0	Science, Tech.& H Ed	93	86	91	97	98	92	46
92.0	Tanzania Commission for AIDS						57	5
70 & 89	Regions	92	80	100	90	94	98	48
	Sub Total	**88**	**75**	**92**	**88**	**88**	**94**	**38**
	ECONOMIC SERVICES							
47.0	Works .	45	67	83	95	75	65	27
48.0	Lands, Hous.,& Urb. Dev.	80	88	97	100	99	97	44
58.0	Energy and Minerals.	70	53	26	88	29	83	37
62.0	Comm.& Transport	98	106	100	96	89	100	42
	Sub Total	**63**	**72**	**75**	**94**	**66**	**78**	**32**
	PRODUCTIVE							
24.0	Cooperatives & Marketing				99	94	126	20
43.0	Agriculture & Food Security	65	47	87	92	87	83	37

44.0	Industries and Trade	95	76	97	91	91	84	44
69.0	Tour., Nat. Res. & Env.	52	59	88	94	81	62	29
	Sub Total	**64**	**52**	**88**	**93**	**86**	**77**	**33**
	CONSOLIDATED FUND SERVICE							
20.0	State house	100	100	100	100	94	97	49
22.0	Public Debt	98	97	91	82	82	98	24
	Sub Total	**98**	**97**	**91**	**82**	**82**	**98**	**24**
	GRAND TOTAL	**86**	**83**	**89**	**86**	**84**	**90**	**33**

Source: Table A6c

Table A9a: Recurrent Expenditure - Regions (in Bill. Tsh.)

VOTE	VOTE HOLDER	1998/99 Budget	1998/99 Actual	1999/00 Budget	1999/00 Actual	2000/01 Budget	2000/01 Actual	2001/02 Budget	2001/02 Actual	2002/03 Budget	2002/03 Actual	2003/04 Budget	2003/04 Actual	2004/05 Budget	2004/05* Actual
70.0	Arusha	7.7	8.4	12.2	11.7	15.1	15.1	18.2	18.1	12.4	11.3	15.6	15.5	17.8	9.4
71.0	Coast	3.8	4.1	5.9	5.7	7.1	7.0	9.5	8.6	11.3	9.3	13.0	13.0	14.3	7.9
72.0	Dodoma	6.1	6.5	8.9	8.9	10.5	10.5	12.9	12.8	15.4	13.6	19.0	19.0	20.9	10.9
73.0	Iringa	6.8	7.3	7.3	2.3	11.4	11.3	13.7	13.6	16.9	15.8	20.6	20.6	22.4	12.4
74.0	Kigoma	4.7	4.9	5.1	6.4	7.9	7.9	9.8	9.8	11.0	9.8	13.2	13.2	16.4	9.0
75.0	Kilimanjaro	8.8	9.3	12.7	12.6	15.2	15.2	17.7	17.1	20.9	18.5	25.0	24.8	25.5	14.4
76.0	Lindi	3.6	3.9	5.1	5.1	6.4	6.3	7.8	7.8	9.1	7.4	11.1	11.1	12.1	6.3
77.0	Mara	6.1	6.7	8.6	8.6	11.0	11.0	13.6	13.4	15.6	13.4	17.3	17.3	19.5	10.2
78.0	Mbeya	8.2	8.5	11.5	11.4	13.4	13.3	16.3	16.3	19.5	17.3	24.5	24.5	30.2	15.0
79.0	Morogoro	6.8	7.4	9.9	9.9	11.5	11.5	13.8	13.8	16.2	14.5	20.2	20.2	21.8	12.1
80.0	Mtwara	4.4	4.7	6.4	6.4	7.7	7.7	9.2	9.0	10.7	9.5	13.9	13.9	16.6	7.9
81.0	Mwanza	8.4	9.2	12.3	12.2	13.9	13.9	17.7	17.6	20.9	18.6	27.3	27.1	29.4	14.0
82.0	Ruvuma	5.2	5.6	7.6	7.6	8.8	8.8	11.5	11.5	12.3	11.1	15.3	15.3	16.8	8.8
83.0	Shinyanga	6.6	7.3	7.3	9.6	11.3	11.3	14.5	14.5	17.9	15.2	22.7	22.7	26.9	15.0
84.0	Singida	4.2	4.4	5.9	5.8	7.0	7.0	8.8	8.3	10.2	9.1	12.6	12.5	13.6	7.6
85.0	Tabora	5.3	5.5	7.1	7.1	8.4	8.4	10.9	10.9	12.9	11.6	15.9	15.9	18.9	8.6
86.0	Tanga	7.1	7.5	10.1	10.1	12.0	12.0	14.5	14.4	17.0	15.4	21.0	21.0	23.2	12.5
87.0	Kagera	6.3	6.8	9.0	8.9	10.8	10.7	14.1	13.2	15.8	13.9	19.0	18.9	21.8	10.2
88.0	D'Salaam	6.7	6.8	10.0	2.7	11.5	11.4	27.4	13.6	18.9	18.0	24.1	24.1	24.3	13.9
89.0	Rukwa	4.0	4.1	5.6	5.5	6.4	6.4	8.1	8.1	9.7	8.6	12.2	12.2	14.0	7.7
95.0	Manyara	..	..	..	..	..	..	..	..	9.8	7.8	12.0	12.0	13.9	7.4
	Total	**120.9**	**129.0**	**168.6**	**158.2**	**207.5**	**206.8**	**270.0**	**252.4**	**304.4**	**269.8**	**375.7**	**374.9**	**420.2**	**221.3**

Note: * Data for FY05 are from the Expenditure Flash Reports (July 2004 - December 2004)

Source : MoF (Consolidated Appropriations Accounts and Expenditure Flash Report).

Table A9b: Development Expenditure - Regions (in Bill. Tsh.)

VOTE	VOTE HOLDER	1998/99 Budget	1998/99 Actual	1999/00 Budget	1999/00 Actual	2000/01 Budget	2000/01 Actual	2001/02 Budget	2001/02 Actual	2002/03 Budget	2002/03 Actual	2003/04 Budget	2003/04 Actual	2004/05 Budget	2004/05* Actual
70.0	Arusha	3.5	0.1	3.5	0.0	3.4	2.6	3.1	2.7	1.5	1.2	1.7	1.4	1.5	0.1
71.0	Coast	0.5	0.3	0.5	0.3	0.7	0.7	1.6	1.2	1.2	0.9	1.1	1.1	1.6	0.1
72.0	Dodoma	2.4	0.1	2.4	0.0	2.6	1.0	0.3	0.3	0.3	0.3	1.2	0.5	1.4	0.2
73.0	Iringa	2.8	1.3	2.8	2.3	5.0	0.4	3.6	3.4	4.4	0.3	4.1	2.2	1.9	0.4
74.0	Kigoma	1.4	0.0	1.4	0.0	0.2	0.2	0.4	0.4	0.3	0.3	0.4	0.4	1.5	0.1
75.0	Kilimanjaro	0.3	0.0	0.3	0.0	0.4	0.4	0.4	0.4	1.0	0.5	1.0	0.4	1.5	0.1
76.0	Lindi	0.4	0.1	0.4	0.0	1.3	0.3	1.8	0.3	0.8	0.3	1.0	0.9	1.6	0.1
77.0	Mara	1.7	2.6	1.7	1.5	3.5	1.4	4.5	1.7	1.1	0.8	1.2	1.3	1.6	0.1
78.0	Mbeya	0.4	0.1	0.4	0.0	0.7	0.5	0.6	0.6	2.3	0.6	3.7	1.6	2.5	0.1
79.0	Morogoro	0.6	0.1	0.6	0.0	3.2	0.3	3.3	0.3	3.3	3.3	3.6	3.6	3.5	0.1
80.0	Mtwara	0.6	0.1	0.6	0.0	1.3	0.3	1.3	0.5	1.4	0.4	1.6	1.5	1.8	0.1
81.0	Mwanza	1.8	0.8	1.8	0.6	2.2	2.2	2.9	2.3	5.0	0.4	2.1	1.4	5.1	0.1
82.0	Ruvuma	0.4	0.2	0.4	0.2	0.5	0.5	0.3	0.4	1.1	0.3	1.3	0.7	1.5	0.2
83.0	Shinyanga	0.3	0.0	0.3	0.0	0.3	0.3	0.4	0.4	0.4	0.4	0.5	0.5	1.9	0.1
84.0	Singida	0.4	0.1	0.4	0.0	0.9	0.4	0.8	0.6	1.8	0.6	1.1	1.1	1.4	0.0
85.0	Tabora	0.2	0.1	0.2	0.0	0.3	0.3	0.4	0.4	0.4	0.4	0.6	0.6	2.5	0.2
86.0	Tanga	1.5	0.1	1.5	0.9	0.9	0.9	1.6	1.4	1.6	1.4	1.7	1.7	3.4	0.1
87.0	Kagera	5.6	3.5	5.6	3.8	9.3	7.7	8.4	4.9	5.2	4.6	5.4	3.1	2.5	0.0
88.0	D'Salaam	4.0	0.1	4.0	0.0	0.2	0.2	0.6	0.6	0.1	0.1	0.7	0.6	0.6	0.0
89.0	Rukwa	0.3	0.1	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	1.5	0.1
95.0	Manyara	..	..	..	..	..	..	..	..	2.1	1.4	3.1	3.1	3.8	1.0
	Total	**29.2**	**9.8**	**29.2**	**9.7**	**37.1**	**20.9**	**36.6**	**23.1**	**35.6**	**18.9**	**37.536**	**28.105**	**44.619**	**2.940**

Note: * Data for FY05 are from the Expenditure Flash Reports (July 2004 - December 2004)

Source: MoF (Consolidated Appropriations Accounts and Expenditure Flash Report).

Table A9c: Total Expenditure - Regions (in Bill. Tsh.)

VOTE	VOTE HOLDER	1998/99 Budget	1998/99 Actual	1999/00 Budget	1999/00 Actual	2000/01 Budget	2000/01 Actual	2001/02 Budget	2001/02 Actual	2002/03 Budget	2002/03 Actual	2003/04 Budget	2003/04 Actual	2004/05 Budget	2004/05* Actual
70.0	Arusha	11.2	8.5	15.7	11.7	18.6	17.8	21.3	20.8	13.9	12.6	17.3	16.9	19.2	9.5
71.0	Coast	4.3	4.4	6.4	6.0	7.8	7.7	11.1	9.8	12.5	10.2	14.1	14.1	15.9	8.0
72.0	Dodoma	8.5	6.6	11.4	8.9	13.1	11.5	13.2	13.1	15.7	13.9	20.2	19.5	22.3	11.1
73.0	Iringa	9.6	8.7	10.1	4.6	16.4	11.7	17.3	17.0	21.3	16.2	24.7	22.8	24.3	12.8
74.0	Kigoma	6.1	4.9	6.5	6.4	8.1	8.1	10.2	10.2	11.3	10.2	13.6	13.6	17.9	9.1
75.0	Kilimanjaro	9.0	9.3	13.0	12.6	15.6	15.6	18.1	17.5	21.9	18.9	26.0	25.2	27.1	14.4
76.0	Lindi	4.0	4.1	5.5	5.1	7.7	6.6	9.6	8.1	9.9	7.7	12.1	12.0	13.7	6.4
77.0	Mara	7.9	9.3	10.3	10.0	14.5	12.4	18.1	15.1	16.7	14.2	18.6	18.5	21.1	10.3
78.0	Mbeya	8.7	8.6	11.9	11.4	14.1	13.7	16.9	16.9	21.8	17.9	28.2	26.1	32.7	15.1
79.0	Morogoro	7.4	7.5	10.6	9.9	14.7	11.8	17.1	14.1	19.5	17.9	23.8	23.8	25.3	12.2
80.0	Mtwara	5.0	4.8	7.0	6.4	9.0	8.0	10.5	9.5	12.1	9.9	15.6	15.4	18.4	7.9
81.0	Mwanza	10.2	10.0	14.0	12.9	16.1	16.1	20.6	19.9	25.9	19.0	29.4	28.5	34.5	14.1
82.0	Ruvuma	5.6	5.8	8.0	7.7	9.3	9.3	11.8	11.9	13.4	11.4	16.6	16.1	18.3	9.0
83.0	Shinyanga	6.9	7.3	7.6	9.6	11.6	11.6	14.9	14.9	18.2	15.5	23.3	23.3	28.8	15.0
84.0	Singida	4.6	4.5	6.3	5.8	7.9	7.4	9.6	8.9	12.0	9.8	13.6	13.6	15.0	7.6
85.0	Tabora	5.6	5.6	7.4	7.1	8.8	8.8	11.3	11.3	13.3	12.0	16.5	16.5	21.4	8.8
86.0	Tanga	8.5	7.6	11.6	11.0	12.9	12.9	16.1	15.8	18.6	16.8	22.7	22.7	26.7	12.6
87.0	Kagera	11.9	10.3	14.6	12.6	20.1	18.4	22.5	18.1	21.1	18.5	24.4	22.1	24.3	10.2
88.0	D'Salaam	10.7	6.9	14.0	2.7	11.7	11.6	28.0	14.2	19.1	18.1	24.8	24.7	24.9	13.9
89.0	Rukwa	4.3	4.2	5.9	5.5	6.6	6.6	8.4	8.4	10.0	8.8	12.5	12.5	15.5	7.8
95.0	Manyara	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.9	9.2	15.2	15.1	17.7	8.5
	Total	150.1	138.8	197.8	167.8	244.7	227.7	306.6	275.5	340.0	288.7	413.3	403.0	**464.8**	**224.2**

Note: * Data for FY05 are from the Expenditure Flash Reports (July 2004 - December 2004)

Source: MoF (Consolidated Appropriations Accounts and Expenditure Flash Report).

Table A10a: Actual Recurrent Expenditure as a Percentage of Budgeted Recurrent Expenditure - Regions

VOTE	VOTE HOLDER	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
70.0	Arusha	108%	96%	100%	99%	91%	99%	53%
71.0	Coast	108%	97%	99%	91%	82%	100%	55%
72.0	Dodoma	106%	100%	100%	99%	89%	100%	52%
73.0	Iringa	108%	32%	100%	99%	94%	100%	55%
74.0	Kigoma	104%	124%	100%	100%	90%	100%	55%
75.0	Kilimanjaro	106%	99%	100%	97%	88%	99%	56%
76.0	Lindi	109%	99%	99%	100%	82%	100%	53%
77.0	Mara	110%	100%	100%	99%	86%	100%	53%
78.0	Mbeya	104%	99%	99%	100%	89%	100%	50%
79.0	Morogoro	110%	99%	100%	100%	90%	100%	56%
80.0	Mtwara	105%	100%	100%	98%	89%	100%	47%
81.0	Mwanza	109%	100%	100%	99%	89%	99%	48%
82.0	Ruvuma	106%	99%	100%	100%	90%	100%	52%
83.0	Shinyanga	112%	132%	100%	100%	85%	100%	56%
84.0	Singida	106%	99%	99%	94%	90%	100%	56%
85.0	Tabora	102%	99%	100%	100%	90%	100%	46%
86.0	Tanga	106%	99%	100%	99%	90%	100%	54%
87.0	Kagera	109%	99%	99%	94%	88%	100%	47%
88.0	D'Salaam	101%	27%	99%	50%	95%	100%	57%
89.0	Rukwa	104%	98%	100%	100%	88%	100%	55%
95.0	Manyara					80%	100%	53%
	Total	**107%**	**94%**	**100%**	**93%**	**89%**	**100%**	**53%**

Source: Table 9a.

Table A10b: Actual Development Expenditure as a Percentage of Budgeted Development Expenditure - Regions

VOTE	VOTE HOLDER	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04*	2003/04*
70.0	Arusha	3%	1%	77%	87%	81%	85%	6%
71.0	Coast	64%	56%	100%	73%	75%	98%	5%
72.0	Dodoma	4%	0%	39%	92%	98%	43%	12%
73.0	Iringa	47%	83%	7%	94%	8%	53%	21%
74.0	Kigoma	..	0%	100%	113%	100%	100%	7%
75.0	Kilimanjaro	..	2%	100%	102%	45%	43%	3%
76.0	Lindi	25%	2%	23%	17%	35%	94%	4%
77.0	Mara	149%	85%	40%	38%	74%	102%	3%
78.0	Mbeya	23%	9%	71%	101%	26%	42%	4%
79.0	Morogoro	17%	0%	10%	9%	100%	100%	2%
80.0	Mtwara	18%	1%	22%	37%	31%	92%	4%
81.0	Mwanza	46%	37%	100%	78%	9%	68%	1%
82.0	Ruvuma	58%	41%	100%	139%	23%	57%	10%
83.0	Shinyanga	..	0%	100%	106%	100%	97%	5%
84.0	Singida	25%	1%	50%	76%	35%	100%	0%
85.0	Tabora	44%	2%	100%	108%	100%	100%	6%
86.0	Tanga	7%	62%	100%	87%	91%	100%	2%
87.0	Kagera	62%	67%	83%	58%	88%	57%	2%
88.0	D'Salaam	2%	0%	100%	100%	100%	79%	6%
89.0	Rukwa	36%	2%	100%	98%	100%	100%	5%
95.0	Manyara					66%	100%	27%
	Total	**34%**	**33%**	**56%**	**63%**	**53%**	**75%**	**7%**

Source Table 9b.

Table A10c: Actual Total Expenditure as a Percentage of Budgeted Total Expenditure - Regions

VOTE	VOTE HOLDER	1998199	1999100	2000101	2001/02	2002103	2003104	2004105
70.0	Arusha	75%	75%	96%	98%	90%	98%	49%
71.0	Coast	103%	93%	99%	88%	82%	100%	50%
72.0	Dodoma	77%	79%	88%	99%	89%	91%	50%
73.0	Iringa	90%	46%	71%	98%	76%	92%	53%
74.0	Kigoma	80%	97%	100%	100%	90%	100%	51%
75.0	Kilimanjaro	103%	97%	100%	97%	86%	97%	53%
76.0	Lindi	100%	91%	86%	85%	78%	99%	47%
77.0	Mara	118%	97%	86%	84%	85%	100%	49%
78.0	Mbeya	100%	96%	97%	100%	82%	92%	46%
79.0	Morogoro	102%	94%	80%	82%	92%	100%	48%
80.0	Mtwara	94%	91%	89%	90%	82%	99%	43%
81.0	Mwanza	98%	92%	100%	96%	73%	91%	41%
82.0	Ruvuma	103%	96%	100%	101%	84%	97%	49%
83.0	Shinyanga	106%	126%	100%	100%	85%	100%	52%
84.0	Singida	99%	92%	94%	93%	81%	100%	51%
85.0	Tabora	100%	96%	100%	100%	90%	100%	41%
86.0	Tanga	89%	95%	100%	98%	90%	100%	47%
87.0	Kagera	86%	87%	92%	80%	88%	90%	42%
88.0	D'Salaam	64%	19%	99%	51%	95%	99%	56%
89.0	Rukwa	99%	93%	100%	100%	89%	100%	50%
95.0	Manyara					78%	100%	48%
	Total	**92%**	**85%**	**93%**	**90%**	**85%**	**98%**	**48%**

ource : Table 9c.

Table A11: Ministerial - Recurrent Expenditure Variances (approved/original budget compared to actual expenditure in mil. Tsh.)

VOTE	VOTE HOLDER	2000101 diff	2000101 abs. diff	2001102 diff	2001102 ahs diff	2002103 diff	2002103 abs diff	2003104 diff	2003104 abs diff
	ADMINISTRATION								
23.0	Accountant General	6195.3	6195.3	70854.1	70854.1	-3716.0	3716.0	56701.1	56701.1
25.0	Prime Ministers Office	-9.0	9.0	-15.1	15.1	86.0	86.0	-65.8	65.8
26.0	Vice President	73.5	73.5	77.4	77.4	-274.0	274.0	-9.8	9.8
27.0	Registrar of Political Parties	-33.4	33.4	-82.9	82.9	20.0	20.0	-26.0	26.0
30.0	Presidents Office & Cabinet	0.0	0.0	2839.9	2839.9	36433.0	36433.0	4545.4	4545.4
31.0	Vice President	-230.5	230.5	846.2	846.2	-1549.0	1549.0	6465.5	6465.5
32.0	President's Office - Civil Service Dept	876.3	876.3	1672.9	1672.9	379.0	379.0	587.2	587.2
33.0	Ethics Secretariat	-6.2	6.2	0.6	0.6	2.0	2.0	-12.3	12.3
34.0	Foreign Affairs	10284.2	10284.2	2284.5	2284.5	-6309.0	6309.0	11910.9	11910.9
35.0	Perm. Comm. Enq.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
36.0	Civil Service Comm.	-18.6	18.6	-56.3	56.3	-5.0	5.0	33.6	33.6
37.0	Prime Ministers Office	544.2	544.2	-265.2	265.2	-1858.0	1858.0	-1478.1	1478.1
40.0	Judiciary	803.7	803.7	281.6	281.6	-674.0	674.0	588.6	588.6
41.0	Justice & Constitutional Affairs	132.7	132.7	836.7	836.7	-147.0	147.0	318.9	318.9
42.0	Office Of The Speaker	1486.4	1486.4	450.0	450.0	-30.0	30.0	4707.9	4707.9
45.0	Exchequer and Audit	99.0	99.0	-21.7	21.7	109.0	109.0	-61.4	61.4
50.0	Finance	-33644.8	33644.8	-30476.6	30476.6	76742.0	76742.0	-47836.5	47836.5
51.0	Home Affairs	-764.4	764.4	-1035.2	1035.2	1921.0	1921.0	-657.8	657.8
54.0	Radio Tanzania	-397.3	397.3	-195.1	195.1	228.0	228.0	-140.3	140.3
55.0	Comm of Human Rights & Good Gov.	165.7	165.7	-722.0	722.0	273.0	273.0	-1043.9	1043.9
56.0	President's Office Regional Adm. & Local Gov.	-10254.6	10254.6	-131.7	131.7	801.0	801.0	-1588.6	1588.6
57.0	Defence & National.	1555.1	1555.1	531.8	531.8	-176.0	176.0	1104.6	1104.6
59.0	Law Reform. Commi.	-29.1	29.1	1.2	1.2	5.0	5.0	7.5	7.5
60.0	Industrial Court Of Tanzania.	41.9	41.9	72.2	72.2	-26.0	26.0	343.4	343.4
61.0	Electoral Commision	1478.2	1478.2	258.9	258.9	-538.0	538.0	18506.9	18506.9
63.0	Local Govt. Servi. Comm.	-6.3	6.3	-0.4	0.4	-5.0	5.0	34.5	34.5
64.0	Commercial Court	-280.0	280.0	462.6	462.6	179.0	179.0	143.6	143.6
66.0	President's Office - Planning & Privatization	-1806.6	1806.6	-11779.1	11779.1	-2005.0	2005.0	-400.1	400.1
90.0	Land Court	0.0	0.0	0.0	0.0	46.0	46.0	-11.1	11.1
91.0	Anti-Drug Commission	-57.5	57.5	0.0	0.0	10.0	10.0	-40.4	40.4
92.0	Tanzania Commission for AIDS	0.0	0.0	0.0	0.0	0.0	0.0	-62.9	62.9
	Sub Total	-23802.2	71217.3	36689.2	126251.7	99922.0	134536.0	52564.8	159394.4
	DEFENCE AND SECURITY								
28.0	Police Force	2547.0	2547.0	2800.8	2800.8	-563.0	563.0	2092.8	2092.8
29.0	Prison Services	-752.4	752.4	634.5	634.5	24423.0	24423.0	1058.2	1058.2
38.0	Defence	1879.3	1879.3	2948.6	2948.6	-6870.0	6870.0	4339.7	4339.7
39.0	National Service	627.5	627.5	2366.5	2366.5	-1033.0	1033.0	168.4	168.4
	Sub Total	4301.4	5806.2	8750.4	8750.4	15957.0	32889.0	7659.2	7659.2
	SOCIAL SERVICES								
46.0	Education	-3283.3	3283.3	-16943.1	16943.1	-975.0	975.0	-9663.3	9663.3
49.0	Water	1084.8	1084.8	-1046.2	1046.2	-17.0	17.0	193.1	193.1
52.0	Health	-4072.2	4072.2	730.1	730.1	4142.0	4142.0	-5585.1	5585.1
53.0	Comm. Dev.Wome. Aff.	-30.7	30.7	820.4	820.4	77.0	77.0	182.7	182.7
65.0	Labour, Youth Dev. & Sports	-27.7	27.7	-49.3	49.3	19.0	19.0	87.5	87.5
67.0	Teachers Service Comm.	-24.0	24.0	13.2	13.2	-83.0	83.0	-30.2	30.2
68.0	Science, Tech.& H Ed	3964.0	3964.0	2637.5	2637.5	-2920.0	2920.0	4054.6	4054.6
	Sub Total	-2389.0	12486.7	-13837.4	22239.9	243.0	8233.0	-10760.6	19796.6
	ECONOMIC SERVICES								
47.0	Works.	14486.5	14486.5	685.2	685.2	2240.0	2240.0	3475.6	3475.6
48.0	Lands, Hous.,& Urb. Dev.	-360.4	360.4	15.0	15.0	-69.0	69.0	296.8	296.8
58.0	Energy and Minerals.	639.6	639.6	18998.7	18998.7	3118.0	3118.0	-329.1	329.1
62.0	Comm.& Transport	474.0	474.0	839.8	839.8	-2753.0	2753.0	46867.1	46867.1
	Sub Total	15239.6	15960.4	20538.7	20538.7	2536.0	8180.0	50310.5	50968.7
	PRODUCTIVE								
24.0	Cooperatives & Marketing	1792.5	1792.5	-1640.2	1640.2	-346.0	346.0	285.2	285.2
43.0	Agriculture & Food Security	149.8	149.8	1558.7	1558.7	-1013.0	1013.0	18586 3	18586.3
44.0	Industries and Trade	28.9	28.9	132.3	132.3	-33.0	33.0	-222.3	222.3
69.0	Tour., Nat. Res. & Env.	-2420.1	2420.1	-471.4	471.4	-209.0	209.0	-117.8	117.8
	Sub Total	-448.8	4391.4	-420.5	3802.6	-1601.0	1601.0	18531.4	19211.6
	CFS								
20.0	State house	0.0	0.0	-276.4	276.4	0.0	0.0	-1.5	1.5
22.0	Public Debt	-30721.7	30721.7	-56101.9	56101.9	-59115.2	59115.2	-99274.4	99274.4
	Sub Total	-30721.7	30721.7	-56378.3	56378.3	-59115.2	59115.2	-99275.9	99275.9
	GRAND TOTAL	-37820.7	140583.6	-4657.9	237961.7	57941.8	244554.2	19029.4	356306.4
	Index of Budget Deviation		16.0%		24.1%		22.1%		23.9%
	Index of Budget Deviation						**excl. Votes 43 & 58**		22.6%

ote:

For year **2003/04,** votes **43** and **58** represents part of supplimentary budget to carter for drought related expenditures (i.e. Strategic Grain Reserve-SGR & TANESCO)

Source: MoF, Budget Books and IFMS Reports