The United Republic of Tanzania

MINISTRY OF FINANCE AND PLANNING

ASSESSMENT OF THE PUBLIC FINANCE MANAGEMENT SYSTEMS OF THE CENTRAL GOVERNMENT APPLYING THE PEFA 2016 FRAMEWORK

FINAL REPORT

OCTOBER, 2017

TANZANIA MAINLAND

Public Expenditure & Financial Accountability (PEFA) Performance Assessment Report

Baseline Assessment

Based on PEFA 2016 Framework

October 2017

Final Report

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Tanzania Fiscal Year: 1st, July – 30th. June

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PEFA Assessment Report of Tanzania

– Final Report – September 29, 2017

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

PEFA Secretariat,

October 6, 2017

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Acronyms and Abbreviations

ACGEN	Accountant General
AfDB	African Development Bank
AFROSAI-E	African branch of the International Organisation of Supreme Audit Institutions, English language subgroup
APER	Annual Performance Evaluation Reports (for Procurement)
BCG	Budgetary Central Government
BoT	Bank of Tanzania
CAG	Controller & Auditor General
CBA	Cost Benefit Analysis
CG	Central Government
CS-DRMS	Commonwealth Secretariat Debt Recording & Management System
CF	Consolidated Fund
COFOG	Classification of the Functions of Government
CPO	Central Payments Office
DART	Dar es Salaam Rapid Transit (bus system)
DFID	UK Department for International Development
DSA	Debt Sustainability Analysis
ECA	Export Credit Agency
EFD	Electronic Fiscal Device
EIN	Exchequer Issue Notification
EWURA	Energy & Water Utilities Regulatory Authority
FY	Fiscal Year
FYDP (II)	(Second) Five Year Development Plan
GAMD	Government Asset Management Division
GBD	Government Budget Division (of MoFP)
GDP	Gross Domestic Product
GFSM	Government Finance Statistics Manual (of the IMF)
GLGGA	Government Loans Guarantees & Grants Act
GIZ	Deutsche Gesellschaft für Zusammenarbeit (German Agency for International Cooperation)
GoT	Government of Tanzania
HCMIS	Human Capital Management Information System (Lawson system)
HRO	Human Resource Officer
IA	Internal Audit
IAG(D)	Internal Auditor General's Department
ICB	International Competitive Bidding
IDI	INTOSAI Development Institute
IFMIS	Integrated Financial Management System (Epicor system)

IIA	Institute of Internal Auditors
IMF	International Monetary Fund
IMTC	Inter-Ministerial Technical Committee (of Permanent Secretaries)
INTOSAI	International Organisation of Supreme Audit Institutions
IPPF	International Professional Practices Framework (of the IIA)
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
JICA	Japan International Cooperation Agency
JPIMC	Joint Public Investment Management Committee
LGA	Local Government Authority
LGDG	Local Government Development Grant
LPO	Local Purchase Order
LTD	Large Taxpayers' Department
MDAs	Ministries, Departments & Agencies (of Central Government)
MESTVT	Ministry of Education, Science, Technology & Vocational Training
MKUKUTA	*Mpango wa Kukuza Uchumi na Kupunguza Umasikini Tanzania* (Tanzania National Strategy for Growth & Poverty Reduction)
MoFP	Ministry of Finance & Planning
MTDS	Medium Term Debt Strategy
MTEF	Medium Term Expenditure Framework
MTSPBM	Medium Term Strategic Planning & Budget Manual
MWTC	Ministry of Works, Transport & Communications
NAOT	National Audit Office of Tanzania
NBS	National Bureau of Statistics
NCB	National Competitive Bidding
NDF	Net Domestic Financing
OC	Other Charges
OECD	Organisation for Economic Cooperation and Development
OTR	Office of the Treasury Registrar
PAA	Public Audit Act
PAC	(Parliamentary) Public Accounts Committee
PAD	Policy Analysis Division (of MoFP)
PA&OB	Public Authorities & Other Bodies
PBB	Programme Based Budgeting
PBG	Plan & Budget Guidelines
PE	Personnel Emoluments
PEFA	Public Expenditure & Financial Accountability
PER	Public Expenditure Review
PFM	Public Finance Management

PFMRP	Public Finance Management Reform Programme
PG	Paymaster General
PI	Performance Indicator (of the PEFA framework)
PIM	Public Investment Management
PIM-OM	Public Investment Management-Operational Manual
PMIS	Procurement Management Information System
PO-PSM	President's Office – Public Service Management
PO-RALG	President's Office – Regional Administration & Local Government
PPAA	Public Procurement Appeals Authority
PPP	Public Private Partnerships
PPRA	Public Procurement Regulatory Authority
PS	Permanent Secretary
PSPF	Public Services Pension Fund
QA	Quality Assurance
RAS	Regional Administrative Secretariat
RTAC	(IMF) Regional Technical Assistance Centre
SAI	Supreme Audit Institution
SAI-PMF	Supreme Audit Institutions' Performance Measurement Framework
SSRA	Social Security Regulatory Authority
TADAT	Tax Administration Diagnostic Assessment Tool
TANESCO	Tanzania Electricity Supply Company
TCCIA	Tanzania Chamber of Commerce, Industry & Agriculture
TRA	Tanzania Revenue Authority
TRIMS	Treasury Registrar Information Management System
URT	United Republic of Tanzania
USAID	United States Agency for International Development
VAT	Value Added Tax
WB	World Bank

Executive Summary

This Report presents an independent assessment of the status of public financial management (PFM) in Mainland Tanzania and an assessment of progress in the implementation of PFM reforms. It is based on the application of the PEFA methodology, as updated in 2016. In addition, the 2011 PEFA methodology has been applied so as to permit comparison with the three previous assessments conducted at the national level (2006, 2009 and 2013). Its purpose has been threefold:

(i) To assist the Government in prioritising the implementation of PFM reforms and systems enhancements;

(ii) To inform the dialogue on PFM between Government and its Development Partners;

(iii) To provide an input into how the next phase of PFMRP should be designed, implemented and monitored.

The fifth phase of the PFM reform programme (PFMRP V, 2017 – 2022) was launched in July 2017, the start of fiscal year 2017/18. The design process has taken place in parallel with the implementation of the PEFA assessment and it has drawn closely on the findings of this Report.

The Government of Tanzania (GoT) has led the 2017 PEFA assessment through the Permanent Secretary of the Ministry of Finance & Planning (MoFP), with financial support from Denmark. The Government appointed a Management & Oversight team to oversee the assessment, as well as a Task Force Secretariat to provide managerial and logistical support. The assessment has been undertaken by Fiscus – a UK based public finance consultancy company, working in conjunction with staff of SIPU International, Sweden and of IDI, the INTOSAI Development Institute based in Oslo.

The assessment covers the Central Government of Mainland Tanzania, which is comprised of approximately 50 ministries, departments and commissions, 26 Regional Administrative Secretariats and 183 autonomous or semi-autonomous agencies (extra-budgetary units). The assessment covers neither the 180 Local Government Associations (LGAs) and their related water corporations, which comprise a lower tier of Government, nor the 7 Social Security Funds and 41 Public Corporations, which comprise part of General Government and the Public Sector respectively, but not part of Central Government.

The assessment is based upon information from the three most recent completed financial years (2013/14, 2014/15 & 2015/16), and, where relevant, on information on the process of the formulation and execution of the 2016/17 Budget. Field work was undertaken in March 2017 and the analysis in this report is based on data and reports available up to 14th, July 2017, the agreed deadline for receipt of comments following the presentation of the key findings in Dar es Salaam on 4th, July 2017.

Table 0-1 presents an overview of the strengths, weaknesses, opportunities and threats identified through the 2017 assessment of the PFM system. A summary presentation of the scores against the 31 indicators of the 2016 PEFA Framework is presented in Table 0-2.

Table 0–1 Tanzania PFM system in 2017: Strengths, Weaknesses, Opportunities & Threats

Strengths	Weaknesses
▪ **PI-6: Reporting on Central Government extra-budgetary operations** ▪ **PI-10: Fiscal Risk reporting** ▪ **PI-12: Public Asset Management** ▪ **PI-13: Debt Management** ▪ **PI-17: Budget preparation process;** ▪ **PI-18: Legislative Scrutiny of Budgets** ▪ **PI-20: Accounting for Revenue;** ▪ **PI-23: Payroll Controls** ▪ **PI-31: Legislative Scrutiny of Audit reports** Emerging strengths/ areas improving: ▪ PI-24 Procurement Management ▪ PI-26 Internal Audit ▪ PI-30 External Audit	▪ **PI-2 & 3: Budget Credibility indicators** ▪ **PI-5: Budget Documentation;** ▪ **PI-9: Public Access to Fiscal Information** ▪ **PI-11: Public Investment Management** ▪ **PI-15: Fiscal Strategy;** ▪ **PI-16: Medium-term perspective in expenditure budgeting** ▪ **PI-21: Predictability of In-Year Resource Allocation;** ▪ **PI-22: Expenditure Arrears;** ▪ **PI-25: Internal controls on Non-salary spending** ▪ **PI-28: In-Year Budget Reports** Areas where reform progress is slowing: ▪ PI-19 Revenue Administration
Opportunities	**Threats**
✓ Good potential for further improvement in areas of strength to reach international best practice standards ✓ Potential for "quick wins" on Budget documentation, Public access to Fiscal information, Fiscal strategy and In-Year Budget Reports through careful attention to the format of reports & their timely publication. ✓ Public Investment Management Operational Manual (PIM-OM) and the related structures and procedures offer sound basis for strengthening investment management. ✓ Scope for re-thinking the approach to the MTEF and to Programme Based Budgeting so as to simplify formats and procedures and focus on a narrow set of objectives, where a re-designed MTEF/ PBB can have most effect.	➢ Continued discrepancies between Budgets and Actual Expenditures have undermined credibility of the Budget, reinforcing bad budgeting practices and a lack of confidence in the system at MDA level. ➢ An approach to cash management based on cash rationing rather than cash planning has undermined the system of commitment controls, resulting in expenditure arrears and unpredictable budgets. ➢ This in turn has undermined the ability of the PFM system to promote the allocation of resources in line with strategic priorities and to facilitate efficient service delivery. ➢ Consistent historical improvements in revenue administration are slowing, at a time when Tanzania is becoming increasingly reliant on domestic revenue mobilisation.

The overall picture emerging from the 2017 PEFA assessment is broadly positive: there are several important areas of strength and quite a number of the weaknesses identified could be addressed without too much difficulty in the short-term. A reading of the strengths, weaknesses and opportunities identified in Table 0-1 confirms this picture.

Government has a strong set of procedures by which to monitor and control the major potential threats to aggregate fiscal discipline, based upon the processes relating to debt management, the reporting of Central Government extra-budgetary operations, and the monitoring of fiscal risk from the wider public sector. Legislative scrutiny of the Budget and of External Audit reports work well and improvements are being recorded in Internal and External Audit and in most aspects of accounting and financial reporting, as the Government progresses towards the implementation of IPSAS accrual standards. Payroll controls have been tightened in recent years and improvements have also been recorded in procurement management. These systems provide the basic 'nuts and bolts' for efficient service delivery.

Several of the weaknesses identified in the 2017 assessment could be corrected relatively straightforwardly by dedicating attention to the specific shortcomings identified in this report. In particular, careful attention to the format of public reports and to their timely publication could generate 'quick wins' in relation to Budget documentation, Public access to Fiscal information, Fiscal strategy and In-Year Budget Reports. Strengthening Public Investment Management will be a longer term process, with extensive investment in capacity development and consolidation of systems still required but the Public Investment Management Operational Manual (PIM-OM) and the related structures and procedures recently introduced offer a sound basis for strengthening investment management.

Strengthening of medium term expenditure budgeting will also be a medium to long term process but the Government has displayed a willingness to review the current, overly complex approach that has been adopted to the implementation of the MTEF. The peculiarly detailed format that has been chosen for the formulation of medium term projections on the basis of activity-based costings generates a heavy burden of work for MDAs and, in addition, complicates the process of adapting MTEF projections during the budget scrutiny process, with the result that this is not done effectively. A review of the approach to the MTEF would be very timely, with the basic objective of developing a framework for medium term budgeting that is simple and fit for purpose, starting from a careful reassessment of what are the core objectives of such a system *in Tanzania*. However, a precondition for an effective medium term budget is a credible annual budget, which is not currently the case.

The lack of a reliable, credible annual budget is perhaps the biggest threat to the Tanzania PFM system. The continuing weaknesses in core aspects of PFM – budget credibility, cash management, commitment control – threaten to undermine the value of the improvements achieved in other areas. High levels of expenditure arrears and weaknesses in the monitoring of arrears have been persistent problems in Tanzania, reported in both the 2010 and 2013 PEFA assessments. However, the 2017 assessment points to a further deterioration, with the stock of arrears now hovering at around 10% of total expenditure.

The primary obstacle to prudent monitoring of arrears and accounts payable is the cash rationing system and the way EPICOR is set up to restrict payments, as the system rejects any expenditure entries – including entries for commitments - that go above the monthly payment ceilings, or beyond the current month. As a result, the commitment function in EPICOR is rendered effectively useless because it is only possible to make commitments for payments which will be paid in the same month and which fall within the available payment ceiling.

The cash rationing system has created a situation where the budget is not credible and arrears build up: aggregate fiscal discipline is maintained but the strategic allocation of resources is undermined and service delivery suffers. With an improved economic situation, coupled to a functioning financial management system, the time is ripe for substantial improvements, focused on more modern, and more flexible systems of cash planning and commitment control, which support the predictability of the budget, while controlling the fiscal deficit.

A less obvious, longer-term threat to the performance of the PFM system is presented by the apparent slow-down in the process of strengthening revenue administration. In the last ten years, there have been steady and consistent improvements in revenue administration but the 2017 PEFA assessment shows a deterioration relative to 2013, applying the 2011 methodology. Moreover, the score against the 2016 framework was no higher than a "C+", which suggests that the system is falling short of the high standards required of a modern, efficient tax administration. The more detailed TADAT assessment conducted in 2016 gives strong evidence in support of this view: it revealed a variety of weaknesses, most notably in relation to the reliability of the taxpayer registration database and the IT system for tax administration. Ongoing reforms are being pursued which should help to accelerate improvements in the revenue administration system: these will be especially important to implement rigorously and effectively, as the Tanzania economy grows and access to grant aid and concessional finance is reduced.

A comparison of the scores of the 2013 and 2017 PEFA assessments following the same methodology - the 2011 PEFA Framework – is complicated by the fact that the evidence base in 2017 is a good deal stronger than it was in 2013. With the benefit of hindsight and additional information, it is clear that a number of the ratings assigned in 2013 were too high. There is no procedure to make a formal correction of past PEFA reports. However, if one were to take into account the two very clear cases of "over-scoring" in the 2013 assessment, the aggregate comparison between the two periods would read: improvement in 9 indicators, deterioration in 8 indicators and no change in 11 indicators. **Overall then, the comparison points to a modest aggregate improvement in PEFA scores over the period.**

Notwithstanding this overall judgement that PFM performance is improving, it is instructive to examine the areas where deterioration is identified by application of the 2011 framework. These directly highlight the same threats to PFM performance, which we have identified above: the core processes of budgeting, cash management and commitment control have deteriorated, as also has revenue administration.

PFMRP V provides a strong basis for addressing these threats but it will be essential to ensure the scope and direction of reforms is sufficient to correct the weaknesses identified. Only if these threats are properly tackled can Tanzania strengthen the ability of the PFM system not only to ensure aggregate fiscal discipline but also to allocate resources in line with strategic priorities and to promote efficient service delivery.

Table 0–2: Summary of 2017 PEFA Scores for Tanzania Central Government

PFM Performance Indicator (2016 PEFA Framework)		Scoring Method	Dimension Ratings				Overall Rating
			i.	ii.	iii.	iv.	
	Pillar I. Budget reliability						
PI-1	Aggregate expenditure outturn	M1	C				C
PI-2	Expenditure composition outturn	M1	D	C	A		D+
PI-3	Revenue outturn	M2	D	C			D+
	II. Transparency of public finances						
PI-4	Budget classification	M1	C				C
PI-5	Budget documentation	M1	D				D
PI-6	CG operations outside financial reports	M2	B	C	B		B
PI-7	Transfers to subnational Governments	M2	D	A			C+
PI-8	Performance information for service delivery	M2	B	C	D	C	C
PI-9	Public access to fiscal information	M1	D				D
	III. Management of assets and liabilities						
PI-10	Fiscal risk reporting.	M2	D	A	B		B
PI-11	Public investment management	M2	C	C	D	D	D+
PI-12	Public asset management	M2	B	C	B		B
PI-13	Debt management	M2	B	B	C		B
	IV. Policy-based fiscal strategy and budgeting						
PI-14	Macroeconomic and fiscal forecasting	M2	A	C	D		C+
PI-15	Fiscal strategy	M2	D	C	C		D+
PI-16	Medium-term Perspective in Expenditure Budget	M2	D	D	C	D	D
PI-17	Budget preparation process	M2	A	A	B		A
PI-18	Legislative scrutiny of budgets	M1	B	A	B	A	B+
	V. Predictability and control in budget execution						
PI-19	Revenue administration	M2	C	C	C	B	C+
PI-20	Accounting for revenue	M1	A	B	A		B+
PI-21	Predictability of in-year resource allocation	M2	D	C	D	C	D+
PI-22	Expenditure arrears	M1	D	D			D
PI-23	Payroll controls	M1	A	A	B	B	B+
PI-24	Procurement management	M2	D	D	C	A	C
PI-25	Internal controls on non-salary expenditure	M2	B	C	D		C
PI-26	Internal audit	M1	B	C	C	C	C+
	VI. Accounting and reporting						
PI-27	Financial data integrity	M2	B	D	D	B	C
PI-28	In-year budget reports	M1	D	D	D		D
PI-29	Annual financial reports	M1	C	B	C		C+
	VII. External scrutiny and audit						
PI-30	External audit	M1	B	B	B	C	C+
PI-31	Legislative scrutiny of audit reports	M2	C	A	B	C	B

1. Introduction

1.1 Rationale and Purpose

1. **The purpose of this study is to present an independent assessment of the status of public financial management (PFM) in Tanzania and an assessment of progress in the implementation of PFM reforms**. This assessment is based on the application of the PEFA methodology, as updated in 2016 – the objective being to create a new baseline for measuring progress in the Government's efforts to strengthen the PFM system through the ongoing PFM reform programme, now entering its fifth phase (2017-2022). In addition, the 2011 PEFA methodology has been applied so as to permit comparison with the three previous assessments conducted at the national level (2006, 2009 and 2013).

2. Comments were received on the first draft of the Report, which was submitted in May and presented in Dar es Salaam on 4th, July 2017. Corrections and additions have been made to the report in the light of the comments made by the Tanzanian authorities and by the other peer reviewers. Following receipt of final comments from the peer reviewers and confirmation by the PEFA Secretariat of the PEFA Check process (See Box 1-1), it is here presented as the Final PEFA Report 2017.

3. As noted in the Concept Note, the findings of the assessment will be used in three principal ways:

   - To assist the Government in prioritising the implementation of PFM reforms and systems enhancements;
   - To inform the dialogue on PFM between Government and its Development Partners;
   - To provide an input into how the new phase of PFMRP should be designed, implemented and monitored.

4. **The fifth phase of the PFM reform programme (PFMRP V, 2017 – 2022) has been launched from the start of fiscal year 2017/18.** The design process has taken place in parallel with the implementation of the PEFA assessment and it has drawn closely on the findings of this Report. The timing of this assessment was scheduled, on the one hand, so as to feed into that exercise and, on the other hand, to ensure the availability of a maximum number of financial reports and other information for fiscal year 2015/16.

5. A number of PEFA assessments have been undertaken in Tanzania, all of which may be found on the website of the PEFA Secretariat. Three assessments have been conducted for Central Government in 2006, 2009 and 2013. Subnational PEFA assessments in Local Government Authorities (LGAs) were conducted in 2006 and 2016, and one in Zanzibar in 2010. A new assessment for Zanzibar is scheduled to take place later in 2017.

1.2 Assessment management and quality assurance

6. **The Government of Tanzania (GoT) has led the 2017 PEFA exercise through the Permanent Secretary of the Ministry of Finance & Planning (MoFP), with financial support from Denmark.** GoT appointed a Management & Oversight team to oversee the assessment, as well as a Task Force Secretariat to provide managerial and logistical support. (See Box 1.1). The assessment team would like to place on record their gratitude for the excellent support provided by the Task Force Secretariat right through the process of implementation of the PEFA assessment.

Box 1–1: Assessment Management & Quality Assurance Arrangements

Management & Organisation of PEFA Assessment:

- Oversight Team:
  - Chair: Mr. Doto M. James, Permanent Secretary Treasury
  - Members: Ms. Amina Shaban, Deputy Permanent Secretary, MoFP
    Mr. Richard L. Mkumbo, Director of Planning, MoFP
    Mr. Fundi Makama, Principal Finance Mgt. Officer, MoFP
    Mr. Williard Kalulu, Chief Accountant, Accountant General's Office
    Ms. Elisaraweki Macha, Finance Mgt. Officer, MoFP.
- Task Force Secretariat:
  - Sebastian Ndandala, PFMRP Programme Coordinator, MoFP
  - Linus Kakwesigabo, Financial Expert, PFMRP, MoFP
  - Alexander Lweikila, Communication Specialist, PFMRP, MoFP
  - Laiton Ernest, Finance Management Officer, MoFP
  - Simon Moshy, Coordinator PFM Development Partners Group.
- Assessment Team:
  - Andrew Lawson, Director Fiscus, UK (Team Leader)
  - Gonzalo Contreras, Fiscus, UK (Planning & Budgeting Specialist)
  - Finn Hedvall, SIPU International, Sweden (Tax, Accounting & Audit Specialist)
  - Cecilie Thue-Hansen, INTOSAI Development Institute (Audit Specialist)

Review of Concept Note:

- Date of presentation of Draft Concept Note: 10th, October 2016
- Invited Reviewers:
  - Ms. Amina Shaban, Deputy Permanent Secretary, MoFP (for the Government of Tanzania)
  - PEFA Secretariat
  - Mette Melson, Danida, Tanzania
  - Denis Biseko, World Bank, Tanzania
- Date of Final Concept Note: 26th, October 2016

Review of Assessment Report:

- Date of presentation of Draft Assessment Report: 9th, May 2017
- Invited Reviewers:
  - Ms. Amina Shaban, Deputy Permanent Secretary, MoFP (for the Government of Tanzania)
  - PEFA Secretariat
  - Mette Melson, Danida, Tanzania
  - Myra Bernardi, Delegation of the European Union, Tanzania
- Date of Final Assessment Report: 29th, September 2017

7. The assessment has been undertaken by Fiscus – a UK based public finance consultancy company, working in conjunction with staff of SIPU International, Sweden and (on a no-fee basis) of IDI, the INTOSAI Development Institute based in Oslo[1]. Although there has been close coordination with GoT in the management and organisation of the assessment, the assessment and drafting work has been undertaken exclusively by the team led by Fiscus. As such, it is a fully independent assessment.

8. The Public Finance Management Reform Programme, now entering its fifth phase (2017 – 2022), enjoys strong financial and technical support from a wide range of Development Partners[2]. As noted above, financial support for this PEFA assessment has come from Denmark but many Development Partners (DPs) have contributed to the exercise either as formal peer reviewers for the PEFA check process, or informally through the provision of comments and supporting technical reports. The assessment team would like to express its gratitude for their support and assistance.

1.3 Assessment methodology

9. **The assessment covers the Central Government of Mainland Tanzania,** which is comprised of approximately [3] 50 ministries, departments and commissions, 26 Regional Administrative Secretariats [4] and 183 autonomous or semi-autonomous agencies (extra-budgetary units). The assessment covers neither the 180 Local Government Associations (LGAs) and their related water corporations, which comprise a lower tier of Government, nor the 7 Social Security Funds and 41 Public Corporations, which comprise part of General Government and the Public Sector respectively, but not part of Central Government. On the other hand, the question of the obligations and liabilities (actual or contingent) of the Central Government in relation to these other parts of the public sector does, of course, comprise an important part of this PEFA assessment of Central Government[5].

10. **The assessment is based upon information from the three most recent completed financial years (2013/14, 2014/15 & 2015/16), and, where relevant, on information regarding the process of the formulation and execution of the 2016/17 Budget.** Field work

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1 As part of their in-house professional development, IDI generously provided the services of Cecilie Thue-Hansen – an audit specialist and coordinator of the development and roll-out of IDI's Supreme Audit Institutions' Performance Measurement Framework (SAI-PMF).

2 The fourth phase has been supported financially by the African Development Bank, Belgian Technical Cooperation, Canada, Denmark, European Union, Finland, GIZ, Irish Aid, JICA, Norway, Sweden, UK DFID, USAID, and the World Bank. In addition, the IMF has provided technical support to the programme both from Washington DC and through the East Africa Regional Technical Assistance Centre (RTAC), which is coordinated from Dar es Salaam. It is anticipated that all these stakeholders will continue to play a role in PFMRP V.

3 The data on numbers of MDAs and other institutions is taken from Appendix III of the financial statements for 2014/15, which presents Tanzania's 'Public Sector Institutional Table'. The equivalent table for 2015/16 was not available at the time of field work and may be marginally different.

4 In FY 2014/15, there were 25 regions in Mainland Tanzania, each with their own Regional Administrative Secretariat. In 2016, a new region was established – Songwe Region, separated off from Mbeya region.

5 These questions are addressed primarily in indicators PI-7, *Transfers to subnational Governments*, and PI-10, *Fiscal risk reporting*.

was undertaken in March 2017 and the analysis presented in this report is based on data and reports available up to 14th, July 2017, which was the deadline agreed for receipt of comments following the presentation of the key findings in Dar es Salaam on 4th, July 2017.

11. **The principal source of information has been the Government of Tanzania, and in particular the Ministry of Finance & Planning.** Extensive interviews were undertaken with the different divisions of MoFP, as well as the Controller & Auditor General (CAG), the Internal Auditor General (IAG), the Tanzania Revenue Authority (TRA) and the Public Procurement Regulatory Authority (PPRA). However, because the main field mission took place at the time when the divisions of MoFP were transferring their offices to Dodoma, it did not prove possible to meet all the relevant members of MoFP senior management.

12. Meetings were also held with the Public Accounts Committee and the Budget Committee of Parliament, as well as with the Bank of Tanzania (BoT), the President's Office (Public Service Management, and Regional Administration & Local Government divisions), the Social Security Regulatory Authority (SSRA), TANESCO, Dodoma Municipality, the Ministry of Works, Transport & Communications (MWTC - Works[6]) and the Ministry of Education, Science, Technology & Vocational Training (MESTVT). A lengthy interview was also held with the Tanzanian Chamber of Commerce, Industry & Agriculture (TCCIA). The assessment team would like to express its sincere gratitude for the time dedicated by all the persons interviewed and for the open and constructive spirit in which discussions were conducted.

13. The primary sources of documentary evidence for the report have been the budgetary and accounting documents for financial years 2013/14, 2014/15 and 2015/16, as well as the corresponding external audit reports for those years prepared by the Controller & Auditor General (CAG). Although the audited consolidated financial statement for 2015/16 did not become available until May 2017, well after the completion of field work, it has also been used as a reference point where relevant.

14. Official sources of information have been complemented by reference to studies prepared by the IMF, the World Bank and other Development Partners and international organisations, such as AFROSAI-E, who in 2014 undertook a quality assurance review of the National Audit Office of Tanzania (NAOT). Especially relevant have been the reports of the IMF, notably the TADAT (Tax Administration Diagnostic Assessment Tool) assessment of 2016, the annual Article IV reports and the various technical assistance reports on Tanzania produced by the East Africa Regional Technical Assistance Centre (RTAC). A listing of the sources of information consulted for each indicator is included in Annex IV, *Sources of Information*, and these sources are also clearly described in Chapter 3, in the explanation of the assessment of each of the 31 indicators of the 2016 PEFA framework.

6 It was the Works sector (Vote 98) which participated in this 2017 PEFA assessment and not the Transport sector (Vote 62), which had participated in the 2013 PEFA.

2. Country Background Information

15. The objective of this chapter is to provide background information on Tanzania, so as to permit an understanding of the core characteristics of the PFM system as well as an appreciation of the wider context for the PFM reform process. It draws on publicly available information from the Government of Tanzania and other relevant sources, such as IMF and World Bank reports.

16. **The United Republic of Tanzania (URT) was created on 26th, April 1964 - a union between the Mainland, formerly called Tanganyika, and the island of Zanzibar**, after their independence in 1961 and 1963 respectively. Zanzibar retains a high degree of autonomy, with its own Parliament and budget. Tanzania (URT) has a population of 52 million inhabitants as estimated in 2017. The demography reveals a youthful population with two thirds under the age of 25. Around 69 % of the population live in rural areas, but urbanization is steadily advancing.

17. Dodoma was instituted as the formal capital in 1996. However, most Government offices, except for the National Assembly, the President's Office and the Prime Minister's Office - have resided in the largest city – Dar es Salaam – until recently. A comprehensive move of Government offices to Dodoma is currently taking place[7], initiated by the new Government, of President John Magufuli, who was elected in the national elections of October 2015 and took office in November 2015.

18. **The President and the National Assembly are elected in general elections in the constituencies through majority vote.** The assembly has 357 seats, (239 elected by simple majority vote, 102 seats reserved for women by simple majority vote, 5 seats elected from Zanzibar, 10 appointed by the President and one reserved for the Attorney General). Members serve for a five-year term. The President also serves for a 5-year term, renewable once. The next election is scheduled for October 2020.

19. Regional and district administration in Tanzania is divided into 31 regions (*mikoa*), 26 on the Mainland and five in Zanzibar (three on Unguja, two on Pemba). Ninety-eight districts (*wilaya*) were established to increase local authority, each with at least one council, (but some with both a district and a municipality or town council – now in total 180), The district and town councils and municipalities are known collectively as Local Government Authorities (LGAs). LGAs have important service delivery responsibilities related to health (primary health centres and district hospitals), education (primary and secondary schools), agriculture, water and local roads.

20. The country borders Rwanda, Burundi, and Democratic Republic of the Congo to the West; Zambia, Malawi and Mozambique to the South; and Kenya, and Uganda to the North. The coastline bordering the Indian Ocean is 1 424 km. (See Figure 2-1)

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[7] As the move was taking place during the PEFA assessment, some difficulties were encountered in arranging meetings with key stakeholders and access to information.

Figure 2-1: Map of the United Republic of Tanzania (URT)

2.1 Country economic situation

21. **The Tanzanian GDP has shown a steady growth of around 7 % over 2013-2016, driven by mining, transport, communications and financial services.** Population growth appears to be slowing towards 2 % p.a. in 2014/15 and 2015/16 (IMF & NBS) This has allowed for a small increase in GDP per capita, which is expected to have reached US$ 932 per capita in 2015/16, in nominal terms.

22. The external current account continues to show a deficit, but the deficit has been substantially reduced in 2015/16, with the IMF staff projection anticipating a deficit of 5.6 % of GDP. Inflation as indicated by the consumer price index has gradually been reduced – from 11.3 % per annum 2012/13 to a projected 5.9 % for 2015/16. Government's debt as a percentage of GDP has increased from 30.5 % in fiscal year 2012/13 to a projected 37.7 % of GDP in 2015/16. The share of externally financed debt has risen from 22.9 % to 30.5 % of GDP over the same period. (Table 2-1.)

23. **The development agenda has been driven by the first and second MKUKUTA – Tanzania National Strategy for Growth & Poverty Reduction,** and reflected in the 5-year development plans – the current being for 2011/12-2016/17. The new Government, led by President Magufuli, came to power in November 2015, incorporating the remaining agenda items from MKUKUTA II and the First Five Year Development Plan (2011/12 – 2016/17) into a new Five Year Development Plan for 2016/17-2020/21 and the National Development vision for 2025.

Table 2–1: Selected Economic Indicators 2012/13 - 2015/16

	2012/13	2013/14	2014/15[8]	2015/16 projection
GDP at current market prices, US $ m.	**66 194**	**75 198**	**48 353**	**44 891**
GDP at current market prices, Tsh. Bn			**85 291**	**96 794**
GDP per capita (US$)	**923**	**1 006**	**1 024**	**932**
Real GDP growth (%)	**6.2 %**	**7.1 %**	**7.0 %**	**7.0 %**
Consumer Price Index (annual average change)	**11.3 %**	**6.3 %**	**5.4 %**	**5.9 %**
Stock of Government debt (% of GDP)	**30.5 %**	**31.5 %**	**35.4 %**	**37.7 %**
External terms of trade (annual percentage change)	**-1.1 %**	**-3.1 %**	**0.8 %**	**3.1 %**
Current account balance (% of GDP)	**-10.5%**	**-10.7 %**	**-9.8 %**	**-5.6 %**
Total external debt (% of GDP)		**19 %**	**32 %**	**37 %**
Gross official reserves (months of imports)	**3.7**	**4.2**	**4.5**	**3.6**

Sources: Bank of Tanzania annual report 2015/16 and IMF reports from article IV and PSI reviews.

24. **Between 2007 and 2012 the new household budget survey reported a decline in the basic needs poverty rate to 28.2%, the first significant decline in 20 years**[9]. Over the same period, the level of extreme poverty was reported to have fallen from 11.7% to 9.7%, while the depth and severity of poverty were also reported to have decreased, meaning that the average distance from the poverty line of the poor had also fallen. Until 2007 the basic needs poverty rate, in other words the numbers of households with consumption levels below the poverty line, had remained stagnant at 34%, despite relatively steady economic growth over a number of years. Commenting on the important changes recorded in the 2012 household budget survey, the World Bank reported that 'there were emerging signs of pro-poor growth in Tanzania' and that 'the poor were found to have benefitted disproportionately from economic growth during the period 2007 – 2011/12 in sharp contrast to the period 2001-07, during which growth benefitted the country's richer groups.'

25. **Notwithstanding these positive recent developments, performance against the Millennium Development Goals for 2015 has been mixed.** Satisfactory results relate to under-five weight, net enrolment in primary education, gender balance in primary education, reduced child mortality, combat of HIV/AIDS and improved drinking water quality for the urban population. Poor performance is noted for the proportion of population under the poverty line, maternal mortality, height of children under five, gender balance in secondary and tertiary education and in Parliament, clean water access for the rural population and proportion of population with access to improved sanitation.

26. **In terms of UNDP's Human Development Index (HDI), Tanzania had a score of 0.531 in 2015, an improvement of over 43% from its score of 0.370 in 1990** but one which still left it in

8 The GDP calculation was rebased in December 2014.

9 World Bank (2015), *Tanzania Mainland – Poverty Assessment*.

the low Human Development group. This HDI score places Tanzania 151 out of 188 countries and territories in the index, but with a score higher than the average for the low human development group and marginally higher than the average for Sub-Saharan Africa of 0.523 in 2015.

2.2 Fiscal and budgetary trends

Table 2–2: Tanzania Mainland Budget 2015/16 and 2016/7

Budgeted revenue and expenditure 2015/16 and 2016/17 as presented in the budget speeches. Mn TZS.					
	Volume I. Revenue	**2015/16**		**2016/17**	
A.	Total Government Revenue	*13 475 644*		*17 798 118*	
	(i) Tax Revenue (TRA)	12 362 959		15 105 100	
	(ii) Non Tax revenue	1 112 685		2 693 018	
	o/w Revenue from Gas	42 060			
B.	LGAs own Source	*521 879*		*665 415*	
C.	Grants and Concessional Loans	*2 322 518*		*3 600 807*	
	General Budget Support			483 002	
	(i) Concessional Loans	660 337			
	(ii) Projects Loans and Grants	1 463 155		2 745 659	
	(iii) Basket Loan and Grants	199 026		372 147	
D.	Non Concessional Loans	*6 175 452*		*7 475 264*	
	(i) External Non Concessional Borrowing	2 142 469		2 100 995	
	(ii) Domestic Financing (1.5 percent of GDP)	1 432 983		1 597 157	
	(iii) Rollover	2 600 000		3 777 112	
	TOTAL REVENUE		**22 495 492**		**29 539 603**
	Volume II. Recurrent expenditure				
E.	Recurrent Expenditure	*16 576 439*		*17 719 100*	
	(i) Consolidated Fund Services	6 396 602		8 000 000	
	- Domestic Interest			1 089 150	
	- Domestic Amortization (Rollover)			3 777 112	
	- External Interest and Amortization			1 586 640	
	- Government Contribution to Pension Funds			1 141 144	
	- Other Expenditure under CFS			405 954	
	o/w Payments of Loans used to finance Dev. Exp.	2 499 499			
	(ii) Wages and Salaries	6 466 481		6 600 000	
	(iii) Ministries	3 146 320			
	(iii)Other Charges			*3 119 100*	
	- Protected expenditure			2 492 934	
	- LGAs expenditure			266 166	
	- MDAs operational costs			360 000	
	Volume III, Regions and LGA				
III.	(iv) Regions	38 273			
	(v) LGAs	528 763			
	- MDAs operational costs				
F.	**Volume IV. Development Expenditure**	*5 919 053*		*11 820 503*	
	(i) Ministries	5 179 702			
	(ii) Regions	50 906			
	(ii) LGAs	688 445			
	(i) Domestic Financing			8 702 697	
	o/w LGAs Expenditure			399 249	
	(ii) Foreign Financing			3 117 805	
	TOTAL EXPENDITURE		**22 495 492**		**29 539 603**

Note: Blank spaces appear where data has been presented differently in the summary tables of the budget speeches over the two years, e.g. without a break-down or with a different division.

27. The Tanzanian budget is published in four volumes, where Volume I presents Revenue estimates, Volume II Recurrent expenditure estimates for the central ministries, Government departments, public institutions and agencies, Volume III covers Recurrent expenditure estimates for regions and local Government and Volume IV Development expenditure estimates for central, regional and local Government. The autonomous state of Zanzibar has its own legislature and budget.

28. The overall structure of the Budget is captured in Table 2-2 for 2015/16 and 2016/17 as presented in the Budget speeches of the Minister of Finance. There is some variation between the years in the structure and format of the presentations in the Budget speeches. For this reason, the presentations between the years are not identical, although overall trends are clear. Table 2-3 summarises Government of Tanzania's (GOT) actual and projected fiscal performance for the last four years.

Table 2–3: Aggregate Fiscal Data 2012/13 - 2015/16 (in percent of GDP)

	Actual	**Actual**	**Actual**	**Projected**
% of GDP	**2012/13**	**2013/14**	**2014/15**	**2015/16**
Total Revenue	15.4	15.6	14.0	15.9
- own revenues	12.8	13.5	12.8	14.6
- grants	2.6	2.1	1.2	1.3
Recurrent expenditure	14.3	13.7	12.8	14.8
- non-interest	13.1	12.4	11.3	13.2
- interest	1.2	1.3	1.5	1.7
Development expenditure	6.2	4.9	4.3	6.3
Aggregate deficit (including grants)	**-5.1**	**-3.0**	**-3.1**	**-5.2**
Primary Deficit	-3.9	-1.7	-1.8	-3.5
Net financing	5.1	2.9	3.1	5.2
- external	5.0	3.3	3.3	4.2
- domestic	3.9	3.0	3.1	3.2
Debt Amortisation	3.8	3.3	3.3	2.2

Source: IMF Staff report following Article IV consultation, July 2016.

29. **Efforts to increase tax collection and tax rates in 2015/16 were successful and collections are expected to reach the level of 14.6 % of GDP.** Table 2-3 indicates, that for central Government, revenue decreased as a share of GDP between 2013/14 and 2014/15. However, the fact that GDP was rebased in 2014 distorts the picture. Nevertheless, revenue mobilization and tax collection remain low in comparison with regional and international standards. Tax exemptions, poor compliance and administration remain challenges for the Tanzanian Government, and the new Government has declared that its aim is to improve revenue collection further through fewer

exemptions, improved systems, a widened tax base, VAT registration and control measures, including the increased use of Electronic Fiscal Devices (EFD).

30. Within the recurrent budget, interest costs are rising steadily, following the growth of the public debt to 37% of GDP (Table 2-1.). Interest constituted 1.2 % of GDP in 2012/13, and is estimated to reach 1.7 % of GDP in 2015/16. Interest was 9 % of the total central Government projected budget for 2015/16. Despite this, the related risks are considered manageable.

31. Actual development expenditure went down as a share of GDP from 2012/13 to 2014/15 from 6.2 to 4.3 %, but was projected higher for 2015/16 at 6,3 %. The projected overall balance including recurrent expenditure before grants was -5.5 % of GDP in 2015/16, This was projected to be covered by basket funds and project grants equivalent to 0.2 % of GDP, and by foreign loans of 3.8 % GDP. Government's aim is to reduce aid dependency by promoting faster growth and stronger revenue mobilisation.

32. The budget deficit was around 3.3 % of GDP up to 2014/2015, and was expected to increase in 2015/16 to 4.2 % of GDP. Over half of the deficit is externally financed. Total public debt is rising – from 30.5% of GDP to an estimated 37 % in 2015/16 (Table 2-1). This is however still low compared to many countries in the region and internationally.

33. Since the consolidated financial report of 2013/14, there is no presentation of Government's expenditure according to functional classification (COFOG or other). Table 2-4 below depicts the presentation for ministries, departments and agencies for the year ended 30th June 2014. No similar presentation appears in the consolidated accounts for 2014/15, nor is being planned for 2015/16.

Table 2–4: Budgeted and Actual expenditures by function 2013/14

Functional presentation 2013/14			
Expenses by function			
Million TZS	**Original Budget TZS 2013/14**	**Actual amount - cash based**	Actual % of total
General Public Services	16 062 988	14 248 151	86,5%
Defense	1 060 563	1 055 206	6,4%
Public Order and Safety	58 456	92 607	0,6%
Economic Affairs	3 018	781	0,0%
Environmental Protection	391	509	0,0%
Housing and Community Amenities	519 458	283 895	1,7%
Health	618 593	599 583	3,6%
Recreation and religion	841	119	0,0%
Education	39 616	62 927	0,4%
Social Protection	66 075	83 980	0,5%
Other functions	46 547	45 659	0,3%
	18 476 546	16 473 417	100,0%

34. It appears from the table that the classification of actual expenditures towards functional codes has been mechanistic, without due attention to the functions actually supported by expenditures. For

example, the presentation of the outturn for 2013/14 would appear to indicate that nearly 87 % of resources were used for general public services, with scarcely any resources assigned to education or public order and safety, which is certainly not correct[10]. (A more detailed discussion of the use of functional classifiers is presented in Chapter 3, in relation to indicator PI-4.)

35. The composition of the budget in terms of economic classifiers is more reliable, and shows a relatively stable pattern over the four years presented[11]. An effort has been made by the new Government to increase the share of capital expenditure, and in the budget for 2016/17 around 40 % of the budget excluding amortizations is allocated to that end, albeit coupled to an increase in concessional loans and external grants. Table 2-5 shows expenditure by economic classification.

Table 2–5: Budget expenditures by economic classification 2013/14 - 2015/16

Central Government expenditure (% of total)	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Proj.
Classifier				
Current expenditure	**74%**	**75%**	**70%**	**73%**
- wages and salaries	28%	32%	28%	32%
- goods and services including Transfers	38%	34%	34%	32%
- interest payments	7%	9%	8%	9%
transfers				
others	0%	0%	0%	0%
Capital expenditure	**26%**	**25%**	**30%**	**27%**
Total	**100%**	**100**	**100**	**100**

Source: Based on IMF Staff report following Article IV consultation, July 2016

2.3 Legal and regulatory arrangements for PFM

36. This section provides background information on the legislation and regulations for the different elements of public finance management. More detailed information is found in chapter 5 on PFM reform and in chapter 3, which presents the assessment of the 31indicators of the 2016 PEFA framework.

10 This illustrates some of the limitations in the capacity to supervise the correct coding of expenditures by MDA staff – an issue, which is also relevant in relation to the introduction of Programme Based Budgeting (PBB). As we note further on in the report, the GoT is attempting to introduce a relatively sophisticated PBB system, which seems unlikely to work effectively without a higher level of discipline and/ or stronger central supervisory capacity over the processes of functional and programmatic classification of expenditures by MDAs. A simpler PBB system, introduced gradually through a piloting process would seem more appropriate.

11 The reliability of the budget estimates in comparison with actual expenditures is analysed in detail under PEFA indicators PI 1-3, which are presented in Chapter 3. The purpose here is not to analyse execution against budget but simply to show the overall composition of expenditure and trends over time.

Box 2–1 Legal & regulatory arrangements for PFM in Tanzania

PFM Area	Relevant legislation & Regulations
Statutory arrangements	- The Constitution of United Republic of Tanzania, 1997, Cap.2 - Standing Orders of the National Assembly, revised 2016
Budget preparation, execution, reporting accounting.	- The Budget Act, 2015, Cap 439 - Public Finance Act, 2001, amended 2004 & 2011, Cap. 348 - Accounting Procedures Manual 2016
Tax Administration	- Tax Administration Act, 2015, Cap. 438; Regulation, 2016 - Value Added Tax Act, 2014, Cap. 148; Regulations 2015 - Income Tax Act, 2006, revised 2008, Cap. 332; Regulation 2014 - Electronic Fiscal Device Regulation 2012 - Excise Management and Tax Act 2006, revised 2008, regulations 2013 - Motor Vehicle (Tax Registration & Transfer) Act, 2006, Cap.124 - Tanzania Revenue Authority Act, 2006, Cap. 399 - Tax Revenue Appeals Act, 2006, Cap. 408 - Other acts and regulations for specific taxes.
Public sector entities	- Treasury Registrar (Powers & Functions) Act, 1959, amended 2010, Cap. 370 - Public Corporations Act, 1992, amended 2002, Cap. 257
Public Procurement	- The Public Procurement Act, 2011, amended 2016, Cap. 410.
Public Debt	- Government Loans, Guarantees & Grants Act, 1974), amended 2004 and 2017, Cap. 134
Development partners	- National framework for managing Development Cooperation
PPP- Public Private Partnerships	- Public Private Partnership Act 2010, Cap.103; and regulation 2011
Parastatals	- Treasury Registrar (Powers & Functions) Act, 1959, amended 2010, Cap. 370. - multiple Parastatal Acts
Local Government Finances	- Local Government Finance Act 1982, amended 2016, Cap.290
Internal Audit	- Public Finance Act 2001, amended 2004 & 2011, Cap. 348 - Internal Audit Manual - Internal Audit Committee Guidelines
External Audit	- Public Audit Act, 2008, amended 2011, Cap. 418
Payments	- National Payment Systems Act, 2015, Cap. 342
Internal control	- Tax Administration Act, 2015, Cap. 438; Regulation, 2016 - Tanzania Revenue Authority Act, 2006, Cap. 399 - Tax Revenue Appeals Act, 2006, Cap. 408 - The Public Procurement Act 2011, amended 2016, Cap. 410 - Public Finance Act 2001, amended 2004 & 2011, Cap. 348 - Internal Audit Manual - Public Audit Act 2008, amended 2011, Cap. 418

37. **The Constitution's chapter 7 covers "Provisions regarding the finances of the United Republic."** Amongst these some important provisions are:

- Unless otherwise specified, all revenue to be paid into one special fund, known as the Consolidated Fund (CF) of the Government of the United Republic of Tanzania. Revenue not paid into this has to be specified by law to be paid into another fund for a specified purpose. Money withdrawn from the CF can only be used to finance expenditure: (i) authorised to be charged directly on the CF; (ii) authorised under an Appropriation Act, as approved by Parliament; and (iii) authorised under other Acts.
- Article 137 provides for the preparation of estimates of revenues and expenditures for the next financial year. After the estimates are approved, an Appropriation Bill is introduced to the National Assembly for the purpose of authorising withdrawals from the CF for financing the expenditures contained in the estimates. If the amounts approved are insufficient for a certain purpose, or if funding is required for an activity not provided for in the Appropriation Act, or if money has been spent in excess of what is provided for in the budget, or is not provided in the budget at all, then a supplementary estimate/statement of excess shall be prepared and submitted to the Assembly for approval. If approved, a Supplementary Appropriation Bill is prepared for the purposes of authorising the issues of funds from the CF to meet the costs of the estimates or to pay for excess expenditures.
- No taxes shall be imposed unless provided for by law.
- If an Appropriation Bill has not been approved by Parliament by the beginning of the new financial year, then the President may authorise the issue of funds from the CF to meet the essential needs of Government for up to four months.
- Parliament may enact a law providing for a Contingencies Fund and authorising the President or a minister appointed by the President to borrow money from the Fund to meet the costs of an urgent and unforeseen need for which no funds had been provided. A supplementary estimate shall then be presented to Parliament for approval, and, if approved, a Supplementary Appropriations Bill shall be introduced to the Parliament to authorise the additional expenditure and thereby ensure that funds borrowed from the CF shall be reimbursed.
- Public debt shall be secured from the CF, including the interest charged on it.
- Chapter 7 establishes the Controller and Auditor General and outlines the responsibilities of the position.

38. **Major changes in legislation and regulations since the PEFA assessment 2013 include:**

- Updating of Standing orders of the National Assembly

- The Budget Act (2015), Cap. 439 describing the documents, contents, steps and responsibilities for the budget and Medium Term Expenditure Framework (MTEF) and to bring all finances under the Consolidated Fund.
- The Accounting Procedures Manual (2016) reviewed to enable migration to accrual accounting.
- Tax Administration Act, 2015, Cap.438 reviewed to establish a common tax procedure by TRA and enforce use of Electronic Fiscal Devices (EFDs).
- Local Government Finance Act (1982, amended 2016), Cap. 290 reviewed to increase and improve LGAs own source revenue collection, including business licenses and property tax. Property tax collection has since been centralized to TRA.
- Value Added Tax Act, 2014, Cap. 148 reviewed to reduce exemptions and bring in international best practice.
- Public Procurement Act, 2011, Cap. 410 with amendments (2016) to reduce time, costs and prices for the procurement process, to provide for a for a Public Procurement Policy Unit, and to strengthen the complaints and appeals process.
- Government Loans, Guarantees & Grants Act (1974, amended 2017), Cap.134 and regulations reviewed to establish the Debt Management Office and introduce risk assessment requirements.
- Treasury Registrar (Powers & Functions) Act (2002, amended 2010), Cap.370 revised; Parastatal acts reviewed to harmonize with the new TR Act. However, revised TR Act is yet to be enacted.
- Public Private Partnership Act (2010), Cap. 103 revised to bring the PPP unit to MoFP from Prime Minister's Office.
- Publication of the Accounting Procedures Manual of 2016 describing most PFM processes and responsibilities for budgeting, accounting and payments in Government.

2.4 Institutional arrangements for PFM

39. The GFS table of 2014/15 for the central Government budget entities lists 87 entities, whereof 21 are ministries, some of which have recently been merged but remain with specific votes. The list also contains 25 regional secretariats and a number of other central agencies. In addition, there are 183 extra-budgetary units/entities at central level and 6 social security funds, which comprise part of General Government but not Central Government. There are also 14 financial public corporations, and 27 non-financial public corporations. For local Government there are 180 district and town councils and 59 non-financial corporations – all related to water and sanitation. Table 2-6 depicts how this structure is presented in the consolidated financial accounts for 2014/15.

40. Ministries, Departments and Agencies (MDAs) have responsibility for all areas of PFM, under the leadership of the Accounting Officer, who is usually the Permanent Secretary. Most ministries and departments have their own vote in the Budget Estimates books.

Table 2–6: Structure of the Public Sector (administrative classification 2014/15)

Government structure as taken from Consolidated financial statement 2014/15		
Type of institutions	**Number of entities**	**Actual expenses bn TZS, 2014/15**
Ministries and Central Departments	50	22 144
Regions	25	3 758
Commissions	18	167
Local Governments	180	4 182
Water Entities	48	256
Commercial public sector entities-CPSEs	27	3 211
Financial Institutions incl SSFs	14	2 578
Hospitals	3	118
Academic Institutions	44	708
Agencies	25	718
Authorities	21	751
Professional Boads	6	29
Food/Crops Boards	11	21
Centres	8	58
Councils	11	65
Institutes	12	48
Others		1 028
Total		**39 840**

41. **Tanzania is characterised by a large number of Public Authorities and Other Bodies.** The majority of these are extra-budgetary units of Central Government – either statutory bodies, covered by their legislation, or executive agencies. Both of these fall under the auspices of a ministry, from whom they receive some/all of their funding in the form of a transfer, with the balance covered by directly collected fees and charges (non-tax revenues). Others are public corporations operating as fully commercial entities (e.g. TANESCO). None of the budgets of these entities are included in the Budget Estimates submitted to Parliament, only the transfers to them are. Some of the statutory bodies/ agencies of Central Government report to the Accounting Officer of the parent ministry, others have their own Accounting Officers and operate autonomously. The Office of the Treasury Registrar (OTR), a semi-autonomous unit under MoFP, monitors the financial position of the public corporations as well as that of the private corporations in which Government has a shareholding.

42. The following table has been established based on the consolidated accounts for 2014/15, which present consolidated accounts for both central and local Government. (The accounts of the public corporations and of the social security funds are separately presented.) Only the 50 MDAs are regarded as budgetary units – MDAs. The remaining institutions are regarded as extra-budgetary central institutions except for Local Government, and the related Water Institutions.

Table 2–7: Budget outturn 2014/15 according to the consolidated financial statement.

Outturn bn TZS 2014/15 Entities	MDAs	Extra-budgetary units	Local government and Water entities	Total
Number of institutions	50	225	228	503
Total Revenue 2014/15	22 627	15 877	4 447	42 951
Total expenses 2014/15	22 144	13 258	4 438	39 840
Transfers to (-) other units of central government				20 782
Transfers from (+) other units of central government				20 455
Liabilities	37 062	28 947	4 791	70 800
Current assets	564	15 559	539	16 662

43. The table demonstrates that transfers and inter-entity transactions constitute an important element of the budget. The explanatory note 14 to the consolidated statement contains a table for "Elimination of inter-entity transactions" which does not contain a break-down into categories of entities. The note calculates the total transfers to around Tsh. 20 trillion, with a negative balance of Tsh. 327 billion. Looking at the categories of entities - a substantial part of MDA expenditure (around Tsh. 15 trillion) consists of transfers, or to take the exact wording "grants/subsidies as well as other transfer payments".

44. The larger part of MDA liabilities relates to short term borrowing, but for all institutions payables and accruals dominated. Amongst current assets cash was the main item throughout, with receivables and prepayments second. However non-current assets were three times larger than current assets, with equity investments as well as property, plant and equipment dominating the picture, with a value of Tsh. 23 trillion each. Asset valuation is an on-going exercise which can change when more current figures are known.

45. **The lead ministry for Public Finance Management is the Ministry of Finance and Planning (MoFP).** The Planning Commission has recently been merged with the Ministry. The Ministry of Finance and Planning is headed by the Minister and his deputy minister. The Permanent Secretary is also the Paymaster General, and has three Deputy Permanent Secretaries, as follows:

- DPS, Treasury Services, responsible for the Internal Auditor General's Division, Financial Management Information Systems Division and the Government Asset Management Division;
- DPS, PFM, responsible for the Public Finance Management Reform Programme, Public Procurement Policy Division, and External Finance; and
- DPS, Policy and Resource Mobilization, responsible for Budget Management, Policy Analysis, Debt Management, Financial Sector Development, Public Private Partnership and Poverty Eradication Divisions.

46. The Accountant General's Department (ACGEN) reports to the Paymaster General, with responsibility for overseeing financial expenditure operations, financial management, financial systems and for facilitating payments of pensions and public debts. The Office of the Treasury Registrar (OTR) reports to MoFP, with duties related to overseeing the public corporations and private enterprises in which Government has a shareholding.

47. MoFP has a number of subsidiary institutions including: regulatory bodies such as the Bank of Tanzania (BoT), the Public Procurement Regulatory Authority (PPRA), some banking and insurance institutions, the executive agencies of Tanzania Revenue Authority (TRA) and the Millennium Challenge Cooperation, three training institutions, and the Dar es Salaam Stock Exchange. Two appeals bodies also fall under MoFP – the Tanzania Revenue Appeals Board, and the Tanzania Revenue Appeals Tribunal. The National Audit Office also has a special relationship with MoFP. The auditor general is simultaneously Controller and responsible to control that the overall releases of funds from the consolidated accounts are in line with Parliament's decisions.

48. A specific Resource and Expenditure Ceiling Committee is in place to monitor and analyse cash availability and determine payment ceilings for each vote and month. The committee is chaired by the Paymaster General (PS MoFP) and includes members from BoT, TRA, MoFP, MoF Zanzibar and the Planning Commission.

2.5 Other important features of PFM and its operating environment

49. The PFM environment is undergoing substantial reforms in relation to resource mobilisation, budget and expenditure management, IT systems and their functionality, the accounting model, investment programmes and asset management and audit modalities. The institutional set-up has been subject to consolidation, with the move of the Planning Commission and procurement overview to the MoFP. Also most aspects of tax administration are now covered under the TRA, including customs and excise, with certain non-tax revenues also coming under their purview.

50. In terms of taxation, efforts are being made to broaden the tax base, enforce the use of electronic fiscal devices in companies, and increase tax rates and collection. Tax exemptions are being reduced. The customs and tax administration systems are being enhanced - making room for on-line tax returns, customs clearance procedures, etc. Efforts are also being made to improve property tax collection, which is a local Government tax, by incorporation into the general tax administration of TRA.

51. In relation to accounting, the use of the EPICOR system – the IFMIS - is being broadened, engaging more of its functionality for commitment control, investments and asset management and accounts payable. This is simultaneous with the migration to accrual accounting in accordance with a specific roadmap up to June 2017. As in many countries the budget is prepared on a cash basis, whilst the aim is to register revenue and expenditure to satisfy both the cash based and accrual standards. An exercise to re-validate assets is currently taking place.

52. The payroll system has been upgraded, with the efforts of the President's Office–Public Service Management (PO-PSM) in this area supported by Internal Audit. Clearer accountability for the payroll has reduced the problem of ineligible payments of salaries (the infamous "ghosts").

53. Important steps have also been taken to clarify budgeting and accounting processes with clearer guidelines and legislation and a comprehensive accounting manual.

54. The internal audit and procurement support and regulatory functions have recently been established, and are now coming into full use, promising improved internal control and value for money in procurement. The establishment of appeals functions for taxation and procurement are essential steps to secure citizen's rights and a system which is fair.

55. In terms of debt management and the establishment of a single treasury account, the number of external and dormant accounts has been considerably reduced. This has diminished the borrowing needs for liquidity purposes, but the reform is still on-going and substantial further consolidation is needed to move to a single treasury account.

56. **Increased transparency has also been a theme of the PFMRP.** In particular, the publication of PFM material has been enhanced by use of internet and Government institutions' websites as well as a popular versions of the budget, leaflets describing tax regulations and procurement arrangements, etc. On the other hand, the website of the Ministry of Finance & Planning remains difficult to navigate – primarily because it has a slow web speed but also because the structure of the web-site is not as user-friendly as it might be. Further investment in the accessibility and "user-friendliness" of the MoFP website would bring big gains in fiscal transparency. In terms of legal provisions for public participation in the budget process, legislation offers little guidance except to say that the budget, consolidated accounts and audit reports shall be submitted to the Legislature, where once tabled they will be publicly available. Procurement legislation and regulations also contain requirements for advertisement of tender invitations and tender awards.

3. Assessment of PFM Performance

3.1 Overview

57. **This chapter presents on an indicator by indicator basis the assessment of the effectiveness of the PFM system of the Central Government of Mainland Tanzania, following the 2016 PEFA Framework**. For each of the 31 indicators of the 2016 Framework, it presents a score (A-D) by dimension and for the indicator as a whole, and explains the basis on which these scores have been reached, following the methodological guidance provided by the PEFA Secretariat in the PEFA Framework and the accompanying PEFA 2016 Handbook, Volume II, *PEFA Assessment Fieldguide*[12].

58. For each indicator, this chapter also reports on the progress made in developing and strengthening PFM systems and processes. Progress has been assessed on the basis of the information received and analysed in order to apply the 2016 Framework and, where relevant, by applying the 2011 PEFA framework and comparing the indicator scores with those received in the 2013 PEFA assessment. Annex II presents a table summarising the scores against the 2011 Framework, comparing the 2017 and 2013 assessments. It should be noted, however, that it is the 2016 Framework, which will provide the new baseline for the assessment of progress with the PFM reform programme.[13]

59. A good PFM system should enable the Government to implement its policies as intended and to pursue its development goals effectively. In particular, a good PFM system should enable three high-level objectives to be achieved:

- **Maintenance of aggregate fiscal discipline**, through effective control of the total budget and prudent management of fiscal risks;
- **Strategic allocation of resources,** by planning and executing the budget in line with Government priorities; and
- **Efficient service delivery,** by using budgeted revenues so as to attain the best levels of public services achievable with the available resources.

60. PEFA identifies seven pillars of performance in an open and orderly PFM system that are essential to achieving these objectives. The 31 indicators of the framework are grouped according to these seven pillars:

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12 These two documents taken together provide a full description of the methodology applied. They are available at www.pefa.org.

13 Although much of the content of the 2011 framework has been retained, four out of the 31 indicators in the 2016 Framework are new and there have been substantial changes in the numbering and calibration of the dimensions present in both frameworks, so it is therefore not feasible to directly compare the indicator-level scores of the 2016 and 2011 frameworks.

I. **Budget reliability (PI 1-3)** – The budget is realistic and is implemented as intended. This is measured by comparing actual revenues and expenditures with the original budget approved by the Legislature;

II. **Transparency of public finances (PI 4-9)** – Information on PFM is comprehensive, consistent and accessible. This is achieved through comprehensive budget classification, transparency of all Government revenues and expenditures including Inter-Governmental fiscal transfers, published information on service delivery performance and ready public access to fiscal and budget documentation;

III. **Management of assets and liabilities (PI 10-13)** – Assets and liabilities are effectively managed so as to ensure that public investments provide value for money, assets are recorded and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved and monitored;

IV. **Policy-based fiscal strategy and budgeting (PI 14-18) –** the fiscal strategy and the budget are prepared with due regard to Government fiscal policies and strategic plans and on the basis of adequate macroeconomic and fiscal projections;

V. **Predictability and control in budget execution (PI 19-26)** – The budget is implemented within a system of effective standards, processes and internal controls, ensuring that resources are obtained and used as intended;

VI. **Accounting and reporting (PI 27 – 29)** – accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management and reporting needs;

VII. **External scrutiny and audit (PI 30-31) –** Public finances are independently reviewed and there is external follow-up on the implementation of audit recommendations for improvements to be introduced by the Executive.

61. This chapter is complemented by Chapter 4, which presents an integrated analysis of the overall PFM system, assessing how the performance of PFM systems is affecting the Government's ability to deliver the three high-level objectives of a good PFM system. The content of this chapter is also summarised in Annex I, which presents, in the form of a matrix, the scores for each of the 31 indicators and their component dimensions, together with a brief justification of the scores assigned.

3.2 Pillar I – Budget Reliability

62. The first pillar of the PEFA framework, comprising three indicators, assesses the overall reliability – and thus the credibility – of the national budget. It considers the extent to which the budget is realistic and is implemented as intended. This is measured by comparing actual revenues and expenditures (the immediate outputs of the PFM system) with the original budget, approved by the Legislature.

PI-1: Aggregate Expenditure Out-turn

63. This indicator measures the extent to which the out-turns of aggregate actual expenditure reflect the amount originally approved in the Budget by the Legislature. It includes all Central Government expenditures voted within the Budget, including development projects financed by grants or concessional loans as well as interest payments on debt[14]. Actual expenditure out-turns may deviate from the originally approved budget for reasons related neither to the effectiveness of control in execution nor to the accuracy of budget forecasts – for example, as a result of a major macroeconomic shock. The calibration of this indicator therefore accommodates one unusual or "outlier" year and assesses the extent of deviations from the approved budget occurring in the two best years out of the last three fiscal years.

Indicator and dimensions	Score 2017	Explanation
PI-1: Aggregate Expenditure Out-turn	C	Aggregate expenditure outturn was between 85% and 115% of the approved budget in the last two fiscal years (FY14/15=95.2% and FY15/16=86.9%).

64. This indicator has been assessed based on the data available from the expenditure monitoring system of the Government Budget Division (GBD) of the Ministry of Finance & Planning (MoFP) for the fiscal years 2013/14, 2014/ 15 and 2015/16. These data were used because the Consolidated Financial Statements for 2015/16, prepared by the Accountant General's Department, were not yet publicly available at the time of the assessment, having been submitted for audit by the Controller and Auditor General (CAG). It should be noted, however, that the expenditure monitoring system of the Government Budget Division records actual expenditures on a cash basis, that is on the basis of payments rather than commitments.

65. As may be seen from Table 3-1, aggregate expenditures comprised 95.2 % and 86.9 % of the originally budgeted aggregate expenditure in 2014/15 and in 2015/16 respectively. As aggregate expenditure out-

14 Although it is also concerned with the reliability of the aggregate expenditure budget, this indicator is not directly comparable with indicator PI-1 in the 2011 Framework, which excludes debt servicing as well as externally financed development expenditures. The calibration of the scoring is also different.

turn was between 85% and 115% of the approved budget in the last two fiscal years, **this indicator therefore scores a "C".**

Table 3–1 Aggregate Budgeted Expenditure vs/ Actual Expenditure 2013/14 – 2015/16

	FY 2013/2014		FY 2014/2015		FY 2015/2016	
(Million Tsh.)	Budget	Actual	Budget	Actual	Budget	Actual
Allocated expenditure	14.394,0	11.507,3	15.258,2	13.730,1	15.195,3	13.058,0
Public Debt (Incl. principals)	3.319,0	3.480,7	4.354,9	5.063,9	6.390,5	6.456,8
Contingency non-emergency	535,9	151,0	240,3	106,5	909,7	27,8
Total expenditure	18.249,0	15.139,0	19.853,4	18.900,5	22.495,5	19.542,6
Overall (PI-1) variance	83,0%		95,2%		86,9%	

Source: Ministry of Finance and Planning

Progress since last assessment and key reforms under implementation or planned

66. **The deviations of aggregate expenditure from the approved budget observed in the previous PEFA assessment are appreciably lower than those recorded in this evaluation.** Applying the 2011 PEFA methodology for comparability purposes, and thus excluding debt servicing and externally financed development projects, the deviations noted in the 2013 assessment were 2.0% in 2009/10, 8.8% in 2010/11 and 5.9% in 2011/12, and in the 2017 assessment: 9.8% in 2013/14, 17,1% in 2014/15 and 9.9% in 2015/16.

67. **The score against this indicator following the 2011 PEFA framework has thus declined from a "B" in 2013 to a "C" in 2017.** If development spending is included, as required in the 2016 framework, deviations of aggregate expenditure are even higher (17.0% in 13/14, 4.8% in 14/15 and 13.1% in 15/16). Only in 2014/15 did the overall budget reliability improve in comparison with previous years, although this gain does not seem to be have been consolidated.

68. In the near future, there are no clear signs that this trend will be reversed, as assessed by the IMF in the article IV consultation: "Budget execution in early 2016/17 has been slower than expected, largely on account of ongoing external financing shortfalls. (…) Budget execution in the first quarter (July-September) was slower than expected, resulting in a surplus of 0.3 percent of GDP. Moreover, the 2015/16 budgetary outcomes were marked by external financial shortfalls and a continuous decline in grants. If this trend of external financial shortfalls continues without adjustments in development expenditure, the deficit behaviour could deteriorate" (IMF, 2017).

PI-2 Expenditure composition outturn

69. This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. It examines whether the out-turns of aggregate actual expenditure by institution (or function) and by economic classification reflect the amounts originally approved in the Budget by the Legislature. The measurement of indicator PI-2 thus

requires a comparison of the expenditure executed in relation to the original budget, at a disaggregated level. When the composition of expenditure varies considerably in relation to the original budget, the budget is no longer a useful statement of intent with regard to Government policies. Moreover, frequent changes in the composition of the budget during the period of budget execution undermine the predictability of budgets and complicate the processes of programming and managing procurement, staff recruitment and service delivery.

Indicator and dimensions	Score 2017	Explanation
PI-2 Expenditure composition outturn	**D+**	**M1 Scoring Method (WL)**
(i) Expenditure composition outturn by function	D	Variance in expenditure composition by administrative classification was more than 15% in the last three years (19.2%, 31.5% and 24.2% in 2013/14, 14,15 and 15/16, respectively)
(ii) Expenditure composition outturn by economic type	C	Variance in expenditure composition by economic classification was less than 15% in FY13/14 (9,4%) and FY15/16 (14,8%)
(iii) Expenditure from contingency reserves.	A	Actual expenditure charged to contingency non-emergency items represents less than 3% of the total approved budget. The average of the last three years is 0.5%.

(i) Expenditure composition outturn by function or institution

70. The measurement of this dimension requires an empirical assessment at a disaggregated level of actual expenditure implemented against the original budget. This may be done either for functions or institutions. The team has chosen to undertake the assessment by institution, both for ease of comparison with past assessments and because the functional classification has not been accurately applied in the period in question. (See PI-4).

71. The next three tables present the composition variance for the main institutions selected according to their budgetary weight. These institutions represent at least 75% of the total expenditure for each of the years analysed. Contingencies have been deducted (from the Treasury vote), as required by the 2016 PEFA framework, and so too have payments of interest and principal on debt ("Public Debt and General services").

Table 3–2: Expenditure Composition by Administrative head, 2013/2014

Administrative head	Budget	Actual	Adjusted absolute variation (%)
The Treasury	869.529.643.877	206.476.812.990	70,3%
Ministry of Energy and Minerals	1.289.329.129.000	916.278.347.290	11,1%
Ministry of Works	1.226.431.739.000	971.672.011.946	0,9%
Ministry of Health and Social Welfare	753.856.475.000	658.720.879.490	9,3%
Ministry of Education and Vocational Training	689.681.055.000	667.183.376.111	21,0%
DEFENCE	661.015.373.000	766.595.516.231	45,1%
Ministry of Water	582.895.874.000	256.432.236.055	45,0%
Ministry of Transport	529.405.994.000	300.579.318.644	29,0%
Ministry of Home Affairs - Police Force	364.243.913.000	428.098.975.920	47,0%
Ministry of Agriculture, Food Security and	349.284.608.000	255.232.853.032	8,6%
RAS Dar Es Salaam	313.587.569.000	238.955.194.588	4,7%
President's Office and Cabinet Secretariat	302.368.805.000	348.918.974.798	44,3%
Ministry of Finance	288.380.260.000	278.260.367.126	20,7%
Prime Minister's Office - RALG	278.686.065.000	248.045.785.049	11,3%
RAS Mbeya	277.515.379.000	233.749.300.271	5,4%
Ministry of Defence & National Service	248.682.522.000	123.127.937.625	38,1%
RAS Mwanza	237.848.653.000	217.544.643.085	14,4%
Immigration Department	222.711.068.000	127.388.428.414	28,5%
RAS Tanga	205.953.778.000	191.398.215.400	16,2%
RAS Kilimanjaro	201.603.917.000	185.072.487.843	14,8%
RAS Morogoro	200.481.156.000	188.998.877.253	17,9%
National Service	193.301.634.000	208.487.667.357	34,9%
RAS Arusha	180.599.492.000	167.130.365.669	15,8%
RAS Kagera	174.925.757.000	148.006.344.666	5,8%
RAS Dodoma	174.373.462.000	165.673.608.766	18,8%

Table 3–3: Expenditure Composition by Administrative head, 2014/2015

Administrative head	Budget	Actual	Adjusted absolute variation (%)
Ministry of Works	979.072.881.250	830.703.426.014	5,7%
Ministry of Energy and Minerals	1.077.692.347.000	547.878.266.441	43,5%
The Treasury	954.426.993.200	294.454.200.110	65,7%
DEFENCE	851.635.388.000	880.632.795.175	14,9%
Ministry of Education and Vocational Training	795.397.353.000	724.082.128.554	1,2%
Ministry of Health and Social Welfare	659.702.923.000	767.608.152.585	29,3%
Ministry of Transport	538.744.835.000	185.229.899.388	61,8%
Ministry of Water	518.981.973.000	168.799.980.770	63,9%
Prime Minister's Office - RALG	478.401.939.000	331.998.088.910	22,9%
President's Office and Cabinet Secretariat	434.163.344.000	430.287.864.091	10,1%
Ministry of Home Affairs - Police Force	427.928.142.000	793.907.631.208	106,2%
RAS Dar Es Salaam	365.174.679.000	258.413.359.528	21,4%
Ministry of Agriculture, Food Security and Cooperatives	332.560.678.000	280.397.361.604	6,3%
RAS Mbeya	308.426.573.000	248.241.535.452	10,6%
Immigration Department	279.842.016.000	122.646.692.103	51,3%
RAS Mwanza	262.592.709.000	258.931.239.730	9,6%
Ministry of Defence & National Service	249.300.146.000	87.024.152.439	61,2%
RAS Morogoro	242.974.917.000	209.436.193.418	4,2%
RAS Tanga	239.361.744.000	208.341.163.233	3,3%
RAS Kilimanjaro	229.161.853.000	206.195.025.797	0,0%
National Service	211.566.661.000	253.201.698.889	33,0%
RAS Arusha	208.343.055.000	182.707.015.712	2,5%
RAS Dodoma	197.697.264.000	179.219.848.227	0,7%
RAS Kagera	194.634.923.000	180.588.887.798	3,1%
RAS Mara	192.642.457.000	163.910.660.738	5,4%
Ministry of Foreign Affairs and International Co-operation	190.297.349.000	157.689.491.755	7,9%

Table 3–4: Expenditure Composition by Administrative head, 2015/2016

Administrative head	Budget	Actual	Adjusted absolute variation (%)
The Treasury	393.494.616.063	223.509.917.737	33,9%
DEFENCE	1.151.865.683.000	1.104.538.741.505	11,6%
Ministry of Education and Vocational Training	947.963.202.000	909.974.564.255	11,7%
Ministry of Works	923.856.108.500	1.285.318.876.211	61,9%
Ministry of Health and Social Welfare	780.740.724.000	397.757.995.408	40,7%
Ministry of Energy and Minerals	642.123.079.000	855.588.705.132	55,1%
Ministry of Water	512.235.736.000	163.371.610.275	62,9%
Ministry of Home Affairs - Police Force	460.643.658.000	551.049.155.537	39,2%
President's Office and Cabinet Secretariat	445.832.281.000	526.853.060.348	37,5%
RAS Dar Es Salaam	442.397.102.000	302.536.507.401	20,4%
Ministry of Finance	425.066.289.000	59.541.247.117	83,7%
Prime Minister's Office - RALG	395.588.786.000	245.123.131.281	27,9%
Ministry of Transport	389.437.277.000	189.806.336.840	43,3%
RAS Mbeya	322.780.554.000	287.524.479.392	3,7%
National Service	287.353.207.000	262.513.137.183	6,3%
RAS Mwanza	286.897.645.000	260.590.528.945	5,7%
RAS Tanga	270.220.276.000	236.960.980.846	2,0%
RAS Morogoro	269.372.251.000	244.576.010.718	5,7%
RAS Kilimanjaro	251.365.274.000	237.786.911.870	10,1%
Ministry of Defence & National Service	239.990.395.000	295.006.883.862	43,0%
RAS Arusha	230.926.390.000	207.508.821.869	4,6%
RAS Dodoma	211.132.385.000	201.897.525.667	11,3%
RAS Kagera	211.100.865.000	211.980.615.373	16,9%
RAS Mara	208.931.183.000	194.044.108.065	8,1%
Ministry of Agriculture, Food Security and	206.816.421.000	80.342.031.958	54,8%
Electoral Commission	191.499.632.000	182.550.648.329	10,9%
RAS Tabora	187.693.051.000	176.606.018.144	9,5%

Source: Ministry of Finance and Planning

72. The calculations for this dimension include an adjustment to remove the effects of changes in aggregate expenditure. This is achieved by adjusting the budget outturn for each institution by the proportional difference between the aggregate approved budget and the aggregate expenditure outturn. The remaining deviation within each category is based entirely on the absolute value of changes that occurred in between institutions, net of any change resulting from aggregate expenditure shifts. The detailed tables showing these calculations are presented in Annex V.

Table 3–5: Variance from Budget in the expenditure composition outturn by institution

Fiscal Year	Aggregate expenditure as percentage of Budget (PI-1)	Composition variance by administrative classification. (PI-2)
2013/2014	83.0%	19.2%
2014/2015	95.2%	31.5%
2015/2016	86.9%	24.2%

73. The three-year period 2013/14, 2014/15 and 2015/16 presents a considerable composition variance by administrative classification, since the variation is, respectively, 19.2%, 31.5% and 24.2%. **Thus, the score for this dimension is "D".**

(ii) Expenditure composition outturn by economic classification

74. This dimension measures the difference between the original approved budget and end-of-year outturn in expenditure composition by economic classification, including interest on debt but excluding contingency items. The calculation uses a two-digit economic classification comparable with the second level of the GFS[15]**.** The following tables show the variance in expenditure composition by economic classification for the last three completed fiscal years.

Table 3–6: Expenditure Composition by economic classification, 2013/2014.

Data for year =	2013/2014		
Economic head	**budget**	**actual**	**Adjusted absolute variation (%)**
Compensation of Employees	2.885.766.905.526	2.613.101.651.028	5,9%
Use of Goods & Services	2.607.333.280.500	2.195.030.126.151	1,6%
Maintenance & Repair	73.317.321.207	57.288.696.410	8,7%
Interest Payments	1.022.742.717.000	976.938.950.032	11,7%
Subsidies	144.814.076.456	146.452.516.599	18,2%
Grants	7.974.227.556.917	6.701.656.999.114	1,8%
Social Benefits in cash or kind	227.837.305.500	274.587.751.000	40,9%
Other Expenses (excl. Contingencies)	102.710.000	41.020.350	53,3%
Acquisition of Fixed & Semi-fixed Assets*	1.162.365.584.248	595.888.907.445	40,1%
Loans & other Financial Investments	1.153.013.891.000	1.345.751.883.946	36,4%
Repayment of Loans & Accounts Payable	445.758.760.523	232.247.903.343	39,1%
Total expenditure	17.697.280.108.877	15.138.986.405.420	
overall variance			116,9%
composition variance			9,4%

15 Summary economic classification for Tanzania consistent with 2-digit code of GFS 2014: Compensation of Employees (group 21), Use of Goods & Services (22), Maintenance & Repair (23), Interest Payments (25), Subsidies (26), Grants (27), Social Benefits in cash or kind (28), Other Expenses (excl. Contingencies) (29), Acquisition of Inventories (40), Acquisition of Fixed & Semi-fixed Assets (41, 42, 43 and 79), Loans & other Financial Investments (81), Repayment of Loans & Accounts Payable (82).

Table 3–7: Expenditure Composition by economic classification, 2014/2015.

Data for year =	2014/2015		
Economic head	**budget**	**actual**	**Adjusted absolute variation (%)**
Compensation of Employees	2.871.231.859.283	3.152.209.021.786	28,3%
Use of Goods & Services	2.566.515.366.575	2.275.957.353.666	3,7%
Maintenance & Repair	79.742.026.299	44.513.631.776	34,7%
Interest Payments	997.478.000.000	1.263.784.405.743	48,1%
Subsidies	257.464.695.015	213.251.395.170	3,2%
Grants	8.951.687.412.427	6.994.039.031.399	8,7%
Social Benefits in cash or kind	227.161.973.000	283.308.615.115	45,8%
Other Expenses (excl. Contingencies)	366.685.000	68.398.300	78,2%
Acquisition of Fixed & Semi-fixed Assets*	924.685.960.822	340.650.843.895	56,9%
Loans & other Financial Investments	2.267.703.556.000	2.064.356.523.368	6,4%
Repayment of Loans & Accounts Payable	456.539.027.679	292.531.221.022	25,1%
Total expenditure	19.600.576.562.100	16.924.670.441.239	
overall variance			115,8%
composition variance			15,8%

Table 3–8: Expenditure Composition by economic classification, 2015/2016.

Data for year =	2015/2016		
Economic head	**budget**	**actual**	**Adjusted absolute variation (%)**
Compensation of Employees	3.755.358.757.506	3.564.050.686.474	10,9%
Use of Goods & Services	2.720.347.835.819	1.824.505.428.132	21,6%
Maintenance & Repair	91.661.298.594	35.686.225.126	54,5%
Interest Payments	1.564.465.432.000	1.454.521.060.664	8,7%
Subsidies	239.612.961.308	210.381.658.597	2,6%
Grants	9.108.393.492.941	8.311.275.354.636	6,7%
Social Benefits in cash or kind	580.010.968.788	424.260.180.680	14,5%
Other Expenses (excl. Contingencies)	256.609.880	29.470.696	86,6%
Acquisition of Fixed & Semi-fixed Assets*	351.465.880.590	82.834.872.666	72,4%
Loans & other Financial Investments	2.703.016.000.000	3.106.468.599.069	34,3%
Repayment of Loans & Accounts Payable	468.356.102.000	516.276.155.270	28,9%
Total expenditure	21.582.945.339.426	19.530.289.692.009	
overall variance			110,5%
composition variance			14,8%

** Fixed & Semi-fixed Assets is the sum of codes 41, 42, 43 and 79.*

Source: Ministry of Finance and Planning

75. Figures show that the variance for economic classification has not improved during the last three years (9.4% in 2013/14; 15.8% in 2014/15 and 14.8% in 2015/16) although it has behaved better than the administrative/institutional variance. Considering their proportional weight, loans and financial investments present the most significant levels of variance reaching 34,3% in 2015/16. On the other

hand, salaries, despite their strong expansion (more than 20%), have behaved more predictably through the assessed period, apart from the peak in 2014/15. As variance in expenditure composition by economic classification was less than 15% in FY13/14 (9.4%) and FY15/16 (14.8%) **this second dimension scores a "C".**

(iii) Expenditure from contingency reserves

76. Dimension (iii) measures the average amount of expenditure actually charged to the contingency vote over the last three years. This dimension recognizes that it is prudent to include an amount to allow for unforeseen events in the form of a contingency vote, although this should not be so large as to undermine the credibility of the budget. Moreover, for reasons of transparency, expenditure should not actually be charged to the contingency item but rather transferred to the votes/ items where additional allocations are required and then expensed against those votes/ items.

77. In Tanzania, the contingency item is identified as "Contingencies Non-Emergency" (code 290700). In general, expenditure is not charged to this item but rather re-allocated to the votes/ items where additional expenditure is required. A small amount of expenditure has however been charged to this item. Overall, the average relative weight of this contingency item during the last three fiscal years has been 0.5%[16]. As this figure is less than 3% of the approved budget in the last three years, **the score for dimension (iii) is an "A".**

Progress since last assessment and key reforms under implementation or planned

78. **Comparing the 2013 and 2017 scores applying the 2011 PEFA framework, there has been no apparent change in the period, scoring "D+" in both assessments**. However, a more detailed examination of data for last three fiscal years shows that the overall behaviour for the composition variance has deteriorated. The average composition variance between 2009/10 and 11/12 (14.37%) was noticeably lower than for the last three fiscal years (21.6%).

79. With the actual levels of composition variance, it is increasingly difficult to utilize the budget as a useful statement of intent with regard to spending programmes and policies. The effects of this lack of predictability can be gauged for instance by observing the high levels of variation in the Ministry of Water throughout the period analysed (45%, 63% and 62% in 2013/14, 14/15 and 15/16, respectively). As may be seen from Tables 3-2, 3-3 and 3-4, the number of institutions with high levels of variation has steadily increased in the last 3 years: in 2013/14, five vote holders had a variation higher than 40%, in contrast with seven in 2014/15 and eight in 2015/16.

16 See detailed calculations in Annex V.

PI-3 Revenue outturn

80. This indicator measures the extent to which aggregate revenue receipts reflect the amount originally approved in the Budget by the Legislature. A correct revenue forecast is a key element for the preparation of a credible budget. Optimistic revenue forecasts can lead to unfundable expenditure allocations and thus to larger budget deficits, unless timely expenditure cuts can be made in response to under-collection of revenue. On the other hand, an under-estimation of revenue collections could lead to the resources, from higher than budgeted revenues, being used for expenditures that were not well planned and programmed or that have not been subject to the scrutiny of the budget process.

81. Revenue outturn can deviate from the originally approved budget for reasons unrelated to the accuracy of forecasts, such as a major macroeconomic shock. For this reason, the scoring calibration allows for one outlier year to be excluded. The focus is thus on significant deviations from the forecast that occur in two or more of the three years covered by the assessment.

82. The indicator focuses on both domestic and external revenue, which comprises taxes, grants, and other revenues including those from natural resources. External financing through borrowing is not included in the assessment of this indicator. This means that grants from Development Partners – both budget support and project grants – are included in the revenue data used for the indicator rating, but borrowing on concessionary terms from Development Partners is not.

Indicator and dimensions	Score 2017	Explanation
PI-3 Revenue outturn	**D+**	**Scoring Method M2 (AV)**
(i) Aggregate revenue outturn	D	Actual revenue was less than 92% of budgeted revenue in two of the last three years (84.6% and 85.1% in FY13/14 and FY 14/15, respectively)
(ii) Revenue composition outturn	C	Variance in revenue composition was less than 15% in two of the last three years. (14.0%, 8.4% and 16.2% in FY13/14, FY14/15 and FY15/16, respectively)

(i) Aggregate Revenue outturn

83. Receipts of Government revenue in the period under review have been consistently below the targets forecast in the initially approved annual budget (See Table 3-9 and the tables in Annex V, which present the full details of the calculations for each year.) In the last three fiscal years, collections averaged 88.1% of the total revenue budgeted. In 2015/16, deviation from the original budget was more satisfactory (94.7%) than the previous two years (84.6% and 85.1% in 13/14 and 14/15, respectively), which is suggestive of an improvement in revenue forecasting and collection. However, as actual revenue was less than 92% of budgeted revenue in two of the last three years, **this dimension obtains a "D" rating.**

Table 3–9: Collection of revenue compared with the original approved budget (Tsh. Millions)

Economic head	Actual 13/14	Variation from budget (%)	Actual 14/15	Variation from budget (%)	Actual 15/16	Variation from budget (%)
Tax revenues						
Import duties (incl. Custom refunds)	693.712	81,4%	783.623	87,1%	923.337	100,3%
VAT (incl. refunds)	2.276.633	87,9%	2.438.904	97,2%	2.983.737	84,3%
Excises	1.508.963	79,1%	1.670.588	87,5%	2.122.931	108,5%
Income tax (incl. Refunds)	3.778.546	103,3%	3.719.917	81,0%	4.599.829	107,0%
Other taxes (incl. other refunds)	1.036.562	74,7%	1.278.648	92,3%	1.781.118	109,3%
Grants						
Grants for Programme Support	514.502	66,2%	382.312	69,9%	-	N/A*
Grants for Projects	884.524	65,7%	514.184	69,0%	409.157	53,1%
Grants bor Basket Support	188.623	70,9%	127.637	67,5%	86.199	106,3%
Other revenue						
Parastatal dividends & Agencies contr.	110.014	90,1%	161.234	113,2%	388.551	109,5%
Other Treasury collections	26.098	588,7%	889	33,5%	607	24,0%
Ministries and regions	418.596	68,1%	526.561	73,7%	798.843	105,8%
TRA Non-Tax (fees and penalties)	18.102	103,5%	17.316	82,7%	23.231	124,2%
Total revenue	11.454.875	84,6%	11.621.814	85,1%	14.117.538	94,7%

*Grants for Programme Support in the approved budget was Tsh. 231.444m but actual spending in FY 15/16 was zero.

Source: Policy Analysis Division, Ministry of Finance and Planning.

(ii) Revenue composition outturn

84. The second dimension seeks to capture the quality of forecasts and the ability of the Government to collect each category of revenues as intended. As may be seen from the detailed calculations presented in Annex V, variance in revenue composition was 14.0%, 8.8% and 16.2% in 2013/14, 2014/15 and 2015/16, respectively. Therefore, variance in revenue composition was less than 15% in two of the last three years, **which scores a "C" for this dimension.**

Progress since last assessment and key reforms under implementation or planned

85. The scoring of this indicator under the 2011 PEFA framework differs from that of the 2016 framework in that it is limited exclusively to domestic revenue mobilization – both tax and non-tax. The 2016 PEFA framework compares budgets and actuals for all revenues, including external grants for budget support, projects and common basket funds.

86. As may be seen from Table 3-10 below**, a considerable part of the difference between budget and execution can be explained by the variance in the grants items, where actual receipts have always been less than 70% of budget and in 2015/16 were less than 35% of budget**, due to the suspension of all programme grants (Budget Support). On average, grants have represented 13% of total revenue, although their significance has been decreasing over time, largely due to the sharp decline in Budget Support disbursements.

Table 3–10: Collection rates for different revenue categories 2013/14–2015/16 (Tsh m)

Revenue Items	2013/14		2014/15		2015/16	
	Actual	% of Budget	Actual	% of Budget	Actual	% of Budget
Tax revenues	9,294,417	89.4%	9,891,680	87.6%	12,410,951	100.5%
Other revenue	572,810	75.5%	706,001	80.2%	1,211,231	107.1%
Total Domestic Revenue	9,867,227	**88.5%**	10,597,681	**87.0%**	13,622,182	**101.1%**
Grants	1,587,649	**66.4%**	1,024,133	**69.1%**	495,357	**34.6%**
Total Revenue	11,454,875	**84.6%**	11,621,814	**85.1%**	14,117,538	**94.7%**

Source: Policy Analysis Division, Ministry of Finance and Planning.

87. **Over the three-year period, performance has also been poor with regard to the consistency of domestic revenue collections with respect to budget forecasts.** As reported in the 2013 PEFA assessment, domestic revenue collections fell short of estimated revenues by 11 percent and 7 percent during 2009/10 and 2010/11, but exceeded estimates by 3 percent in 2011/12. Revenue outturns were thus 89%, 93% and 103% of budget estimates in 2009/10, 2010/11 and 2011/12 respectively. In this PEFA assessment, deviations from revenue forecast are significantly more pronounced than in the previous period (88.5% and 87% in FY13/14 and FY14/15, respectively) and **the scoring of this indicator against the 2011 framework has consequently deteriorated from a "C" in 2013 to a "D" in 2017.**

88. **There is a clear improvement in performance in 2015/16, with collections of domestic revenue exceeding budget forecasts, and rising by 28.5% with respect to 2014/15.** In this year, most tax revenue items hit the forecast target and the overall variance was positive (101.5%), with only VAT performing below target. (See details in Table 3-9). This has been achieved through deliberate efforts to control tax exemptions and to improve revenue administration. To the extent that this trend can be maintained, and more realistic budget forecasts can be developed for external grants, then there is every reason to see improvements in this indicator in the future. We discuss in further detail the quality of revenue administration, the reforms underway and the challenges faced in relation to indicator PI- 19, *Revenue administration*.

3.3 Pillar II – Transparency of Public Finances

89. The following indicators address questions relating to the transparency of public finances. Specifically, they consider the consistency and comprehensiveness of reporting, as well as the accessibility of such reports to the public. The pillar includes a new indicator relating to the availability of information on service delivery performance.

PI-4 Budget Classification

90. This indicator measures the extent to which the Government budget and accounts classification is consistent with international standards. A robust classification system allows transactions to be tracked

through the budget formulation-execution-reporting cycle according to institutions/ administrative units (votes and sub-votes), economic category and either function/ sub-function or programme. The classification should be embedded in the Government's chart of accounts to ensure that every transaction can be reported against each of the classifications and to help ensure that classifications are reliably and consistently applied.

Indicator and dimensions	Score 2017	Explanation
PI-4 Budget Classification	**C**	An organizational/ administrative classification is comprehensively and consistently applied. An economic classification consistent with GFSM 2014 is applied to all revenues and recurrent expenditures but not to development projects, due to the difficulties of its application to externally funded projects. A framework for applying the COFOG functional codes and for applying programme codes is in place but it is not correctly applied as yet in either case.

91. The GoT Chart of Accounts and the related Budget classification system is explained in detail in the Accounting Procedures Manual, produced by the Accountant General's Department[17]. This provides the framework for an extensive classification system including the following components:

- Economic classification, consistent with GFSM 2014, broken down across four dimensions: chapters/ sub-chapters/ items/ sub-items;
- Organisational/ administrative classification, broken down by Vote/ Sub-Vote/ Sub-warrant holder/ Cost centre;
- Project codes for projects in the Development Budget (Volume IV of the Budget books);
- Sources of Funds;
- Functions – consistent with the first level 2-digit code of COFOG;
- Programme and Sub-Programme codes;
- MKUKUTA codes, to link expenditures to the national growth and poverty reduction strategy;
- Performance codes to link expenditures to Objectives/ Targets/ Activities specified in the Medium Term Expenditure Framework (MTEF) for most MDAs;
- Location codes for Regions/ Districts.

92. Thus a coherent framework exists for comprehensive classification of revenues, expenditures, assets and liabilities, although not all of these classification systems are, as yet, utilized systematically. In

17 Accountant General's Department (2015), Accounting Procedures Manual, pp. 27-39.

relation to the four main types of classification addressed by this indicator, the degree of usage may be summarized as follows:

- The organizational/ administrative classification is used comprehensively and consistently across all four volumes of the Budget[18] and all financial reports;
- The economic classification is fully consistent with GFSM 2014, based upon a bridge table presented as Appendix 1 in the Accounting Procedures Manual[19]. It is applied throughout the accounting system and to all revenues and recurrent expenditures. It is not applied to Development projects (as listed in Volume IV), which are classified by organizational classification, by project number and source of funds but without an itemized breakdown of expenditure, following the economic classification. This is because the majority of projects are externally funded and follow the itemized expenditure classifications of the funders, which are not consistent with the Tanzanian economic classification nor with GFSM 2014.
- The functional classification is only defined for the 10 (2-digit) functions of COFOG and not for its sub-functions. More significantly, the functional breakdown of expenditure is not presented in the Budget documentation. It is generally included in the CG end-of-year financial statements but the functional codes are not applied accurately and, as a result, a disproportionate (and unfeasibly high) level of expenditure is coded as 'General Public Services'. (See Table 2-4 in chapter 2.)
- The Programme classifier is applied to Volumes I, II and III of the budget but not to Development expenditures (Volume IV) and not in the end-of year financial statements. Moreover, programmes tend to be applied simply to groupings of administrative categories. (For example, Programme 10 - 'Administration' includes a standard set of sub-votes within each MDA dealing with administrative issues.) The programme classifier does not therefore link expenditures to particular development programmes or objectives and provides no additional information on the purpose of spending than would be provided by the administrative classification of expenditure into sub-votes.

93. Thus, an organizational/ administrative classification is comprehensively and consistently applied. An economic classification consistent with GFSM 2014 is applied to all revenues and recurrent expenditures but not to development projects, due to the difficulties of its application to externally funded projects. A framework for applying the COFOG functional codes and for applying programme codes is in place but is not correctly applied as yet. **This indicator is therefore scored a "C".**

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18 The Central Government budget is presented in four Volumes: I) Revenue Estimates; II) Recurrent expenditure estimates for MDAs; III) Recurrent expenditure estimates for Regions and LGAs; IV) Development expenditure estimates.

19 The actual codes used in the GoT economic classification are not the same as GFSM 2014 but many are similar and the bridge table allows for a direct 'read across' to GFSM 2014.

Progress since last assessment and key reforms under implementation or planned

94. **There has been little change in the budget classification system since the 2013 assessment.** The 2017 assessment, according to the 2011 PEFA framework, is a "C", whereas it was scored a "B" in 2013. However, the rating in 2013 was incorrect because, while the capability to apply a functional classification existed then, as it does now, it was not actually applied and used in budgetary and financial reports.

95. **There is scope for providing training and supervision to finance officers, so as to ensure that the functional classification is applied correctly in expenditure registration and thus in reporting**. This is an initiative which the Accountant General's Department appears well placed to lead. The Government Budget Division of MoFP also plans to further develop the use of programme classifiers as part of reforms aimed at moving to a Programme Based Budget (PBB). Five pilot ministries have been selected to work on the refinement of their programme classifiers, and on the definition of corresponding programme objectives, key outcomes and performance indicators[20].

PI-5 Budget Documentation

96. This indicator assesses the comprehensiveness of the information provided in the documentation for the Executive's Budget Proposal (EBP) submitted to the Legislature, as measured against a specified list of basic and additional elements. In particular, the assessment includes four basic elements of budgetary/ fiscal information that are considered the most important to enable the Legislature and other relevant decision-makers to understand the Government's fiscal position and the implications of the proposed revenue, expenditure and borrowing measures in the Executive's Budget Proposal (EBP). Eight additional elements of budget documentation are considered good practice.

Indicator and dimensions	Score 2017	Explanation
PI-5 Budget Documentation	**D**	Budget documentation is presented in the Budget Speech, the four Volumes of the Budget and the Plan & Budget Guidelines submitted in advance of the Budget. Only 2 of the 4 basic elements of information are fulfilled, although 4 of the 8 additional elements are present.

97. The scoring of this indicator has been based on an analysis of the budget documentation submitted by the Executive to the Legislature for the 2016/17 fiscal year. This documentation comprises the Budget Speech of the Minister for Finance & Planning and the 4 Volumes of the Budget: I) Revenue Estimates;

20 MoFP, (January 2016), *Plan & Budget Guidelines for 2016/17*, p.3. In fact, the PBG make mention of seven pilot ministries but only five are listed.

II) Recurrent expenditure estimates for MDAs; III) Recurrent expenditure estimates for Regions and LGAs; IV) Development expenditure estimates.

98. In addition to the formal budget documentation, the "*Guidelines for the Preparation of the Annual Plan and Budget for 2016/17 in the Implementation of the Five Year Development Plan II 2016/17 - 2020/21*" ('Plan and Budget Guidelines' - PBG) were presented to Parliament in February 2017. The PBG include a review of plan and budget implementation for the past fiscal year and the first half of the current year, a macro-economic outlook for the next budget year and over the medium term, and a Resource Envelope and Expenditure Framework for the three years of the MTEF (2016/17-2018/19). In effect, as well as instructions for budget and MTEF formulation, the PBG thus constitute a 'Budget Strategy Paper'. Given that they are presented to the Legislature shortly before the Executive's Budget Proposal (EBP), following the PEFA guidelines, the assessment team have also considered the PBG as part of the budget documentation.

99. Table 3-11 presents the team's assessment of whether the basic and additional elements categorized for this indicator are present in the budget documentation. As may be seen, the current budget documentation fulfils 4 of the 8 'additional elements' but only 2 of the 4 'basic elements'. **The score for this indicator is therefore a "D".**

Table 3–11: PI-5: Assessment of 2016/17 Budget documentation

Budget Documentation Elements	Available 2016/17	Notes
		Basic Elements
1. Forecast of Fiscal Deficit/ Surplus	**Yes**	Budget Speech presents the projected fiscal deficit in % GDP for the budget year only. However, a GFS-consistent table showing its derivation is missing and would be desirable. (The 'budget frame' in the Speech and in the PBG, tables 4.1-4.3 adds loan receipts to revenues, without showing the derivation of the deficit.)
2. Previous FY budget out-turn in same format as EBP	**Yes**	The budget outturn for 2014/15 is shown in the same format as budget for 2016/17 In Volume I for revenue collections and Volumes 2-4 for expenditure.
3. Current FY budget in same format as EBP	**No**	Volumes I – IV show only the approved estimates for the current year, not the revised budget nor the projected out-turn. The Budget Speech and the PBG present the likely outturn for the current year but only in aggregated form.
4. Aggregated budget data for Revenue & Expenditure for main classification heads, with breakdown	**No**	Volumes I-IV show a summary by Vote of the revenue and expenditure estimates but there is no presentation of revenue by categories nor of expenditure by the main heads of the economic classification. The Budget Speech presents only a highly aggregated summary.

Budget Documentation Elements	Available 2016/17	Notes
		Additional Elements
5. Deficit financing & anticipated composition	**No**	The Budget Speech and the PBG in the 'budget frame' provide details of anticipated domestic borrowing and foreign non-concessional borrowing but they merge concessional loans and grants and hence total borrowing is not clear. By mixing amortisation with current spending, the precise amount of financing for the deficit is also blurred. In short, a GFS-consistent presentation is lacking.
6. Macroeconomic assumptions	**Yes**	The Budget Speech presents macro assumptions in summary form. The PBG provides a fuller explanation and a presentation over the medium term.
7. Debt Stock, including details for start of current FY	**Yes**	The narrative text of the Budget Speech presents details of the updated valuation of the debt stock (as of March 2016), and makes reference to the Debt Sustainability Analysis (DSA). A tabular presentation would be desirable, although the PBG provides this, along with details of DSA ratios.
8. Financial Assets, including details for start of current FY	**No**	No information on the stock of CG financial assets is provided in the Budget documentation, although it is contained in the audited CG financial statements.
9. Information on Fiscal Risks, including contingent liabilities	**No**	The Budget documentation does not include any presentation or discussion of fiscal risks arising out of contingent liabilities such as loan guarantees to public corporations and non-state entities, and Private-Public Partnerships (PPPs), although there is a statement regarding clearance of the pension arrears in Social Security Funds.
10. Budget implications of new policies	**Yes**	Section IV of the Budget Speech presents the details of new revenue measures with an estimation of the net financial impact of the changes in each area (income tax, VAT, etc.), although a summary table is lacking. Estimates of the anticipated savings from steps to control expenditure are not presented. The costs of new investments are discussed but they are not presented in a consolidated financial table.
11. Documentation on medium term fiscal forecasts	**Yes**	The PBG includes 3-year fiscal forecasts in the medium term 'budget frame' (Tables 4.1-4.3) and there is a discussion of the basis of these projections and the underlying assumptions in the text.
12. Quantification of tax expenditures (exemptions)	**No**	Both the PBG and the Budget Speech present a summary of the historical trend in tax exemptions, with estimates of their costs but they do not present an estimation of the future costs of the remaining exemptions. Similarly, the estimates in the Budget Speech of the net effects of new revenue measures do not present a consolidated estimate of the cost of the remaining exemptions.

Progress since last assessment and key reforms under implementation or planned

100. **The quality and comprehensiveness of the Budget documentation has not changed significantly since the 2013 PEFA assessment.** Applying the 2011 PEFA framework, the score for this indicator in 2017 is a "C", based on the fact that 4 of the 9 elements required by the 2011 Framework are judged to be available. In 2013, it was scored as a "B" because the assessors considered 5 of 9 elements to be available. However, the difference rests on a rather generous interpretation of the 2011 PEFA framework, specifically on the fact that in 2013 the assessors judged that the net deficit financing target could be calculated from information available in the PBG, even though it was not explicitly presented.

101. **It is notable that the data necessary to improve the comprehensiveness of the information presented in the Budget documentation is readily available.** For example, the IFMIS produces regular reports based on the revised budget allocations for different Votes and expenditure items and it would not be complicated to include these data in the Budget documentation, instead of simply the approved budget estimates as at present. Similarly, the PAD and BMD produce reports on revenue and expenditure according to the main heads of the economic classification, thus it should be a simple matter to include similar summary tables in the Budget documentation. Discussions between the authorities and the IMF normally centre on the review of CG fiscal operations based on a GFS-consistent table, which again could easily be included in the Budget documentation. In short, an update of the current presentation format of Budget documentation would be advisable because revisions could be introduced, without any apparent difficulty, which would serve to significantly improve the quality of information available to the Legislature and the general public.

PI-6 Central Government operations outside financial reports

102. This indicator measures the extent to which there are significant Central Government revenues and/or expenditures which are not captured in the financial reports of Central Government. Government financial reports should cover all budgetary and extra-budgetary activities of Central Government in order to allow for a complete picture of revenue and expenditure. This is essential for aggregate fiscal discipline and also to ensure that all the resources available to Government are used in line with given policies and priorities. Wherever the revenues and expenditures of extra-budgetary units are significant, it is therefore essential that these should be captured at least in the *ex post* financial reports of Central Government. The first two dimensions of this indicator therefore assess the relative significance of unreported expenditures and revenues, while the third considers the quality and comprehensiveness of financial reporting by extra-budgetary units.

Indicator and dimensions	Score 2017	Explanation
PI-6 Central Government operations outside financial reports	**B**	**Scoring Method M2 (AV)**
(i) Expenditure outside financial reports	B	Under-reporting of expenditures from MDA non-tax revenues and of expenditures from Grant financed projects is acknowledged but there is no audit or other evidence of its approximate value. Taking high estimates of each of these potentially unreported expenditures, the total level of unreported expenditure is estimated to be some 4 % of total expenditure.
(ii) Revenue outside financial reports	C	Most revenue collection functions are centralised within TRA (see PI-19) and there are no evident sources of unreported revenue apart from internally generated funds (non-tax revenues) of MDAs and development projects financed by external grants. The potential unreported revenues from these sources estimated under dimension (i) comprise 5.7% of total revenue for 2015/16.
(iii) Financial reports of extra-budgetary units	B	All extra budgetary units submit annual financial reports to Government; not all of these submit within three months of the end of the fiscal year but most of them do submit within 6 months.

103. In Tanzania, there are three main types of central Government operations, which are not fully executed within the IFMIS system and the corresponding framework of financial reporting. Below, we review the available evidence on the coverage of these expenditures and revenues within the financial reports of Central Government:

a) Expenditures by the extra-budgetary units of Central Government;

b) Expenditures by MDAs financed by the retained portion of non-tax collections (commonly referred to as “internally generated funds”); and

c) Development expenditures financed from external project grants.

104. The consolidated financial statements for 2014/15 include a listing of 183 extra budgetary units of Central Government. These comprise statutory bodies – such as Institutes, Boards, Commissions and Tribunals – and organisations that operate as executive agencies, such as the universities and teaching hospitals. All of these extra-budgetary units have operational autonomy and manage their expenditures directly. Their operations are funded by their own internally generated funds (fees, charges, etc.) and/ or by transfers which they receive from their ‘parent ministries’ in the form of subventions.

105. Transfers and subventions to extra-budgetary units are budgeted within the relevant Votes and Sub-Votes of the ‘parent ministry’ but, beyond stating the beneficiary of these transfers, the intended use of these funds (in terms of the division between items of the expenditure classification or budget

programmes) is not presented in the Budget. Similarly, the actual use of funds is not reported in in-year budget execution reports, although the value of transfers made and the beneficiary is presented.

106. All of these extra-budgetary units are required to submit consolidated financial statements to the Accountant General and to the CAG within three months of the close of the fiscal year. In interviews with the assessment team, both the ACGEN and CAG confirmed that the compliance with this requirement is complete, although it was reported that some of these units submit their financial statements later than the 3-month deadline, but always within 6 months. **Our analysis of the 2014/15 consolidated financial statements confirmed that accounts for all 183 units were included.**

107. The reports of the CAG on the consolidated financial statements of the extra-budgetary units should provide a reliable indicator of the extent of under-reporting[21].Although there is a common perception that these institutions under-report the revenues collected and the corresponding expenditures, there is no evidence to support this. The CAG's Annual General report on Central Government included audits of 101 extra budgetary units in 2015/16. Although 27% of these received qualified or adverse opinions, **none of these related to under-reporting of revenues or expenditures**.

108. A significant proportion of non-tax revenues is collected directly by MDAs, and these represent the second potential source of unreported revenues and expenditures. Until the start of FY 2016/ 17, the majority of these MDAs were entitled to retain certain given proportions of these revenues in bank accounts which they managed directly, utilising these funds to cover operational needs. Volume I of the Budget includes estimates of the revenues expected to be collected by the MDAs and Volumes II and III show the proportion of budgeted expenditures anticipated to be financed from retentions. In addition, the Accounting Procedures Manual (2015) specifies that all expenditures financed by retentions should be registered in the IFMIS (and thus accounts) through the issue of Dummy Vouchers.

109. Despite these controls, several interviewees suggested that MDAs would frequently under-budget their anticipated collections, so as to be able to retain and spend more than they would report. In response to these concerns, the Minister of Finance in his Budget Speech for 2016/ 17 declared that the retention scheme would be suspended and that from July 2016 all revenues would have to be submitted directly to the Consolidated Fund, with subsequent disbursements to each Vote based on the approved budget. It has apparently proven difficult to implement this scheme, with several high profile ministries insisting upon the continuation of the retention scheme. Although this decision and this debate may be considered indicative of a certain level of under-reporting of internally generated funds (non-tax revenues) and of corresponding expenditures by MDAs, we have found no clear evidence of this. Moreover, the CAG's reports have not identified specific instances of under-reporting. On the basis of the circumstantial evidence available, we therefore conclude that there is some under-reporting of own revenues (and corresponding expenditures) but that it is not widespread.

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21 The consolidated financial statements of the extra budgetary units should report on all revenues received and on all expenditures undertaken, whether financed from own revenues or transfers.

110. Development projects financed by external grants are another potential source of unreported Central Government revenues and expenditures. The majority of such projects are not executed through GoT-managed bank accounts and for these it is especially difficult to comply with the GoT financial reporting procedures. Finance regulations require expenditures of GoT development projects made from commercial bank accounts to be regularised and reported within the IFMIS system through the use of Dummy Vouchers. However, such projects will generally follow the chart of accounts of their funding agencies, which in many cases are not easily compatible with the GoT system; in addition, there may often be a range of different executing agencies for a single project – different MDAs, various LGAs, as well non-Government actors. Several interviewees reported that these logistical and accounting complications would often lead to significant under-reporting of external project disbursements (revenues) and corresponding expenditures. This was also reported in the 2013 PEFA. While again the evidence is circumstantial, it suggests that under-reporting from grant-financed projects is probably the most significant source of under-reporting of central Government revenues and expenditures.

(i) Expenditure outside financial reports

111. In relation to the first dimension, which measures the extent of CG expenditure outside of financial reports, we conclude as follows:

- The coverage of reporting of extra-budgetary units within the Consolidated Financial Statements appears to be comprehensive and it therefore seems unlikely that these are a significant source of unreported expenditure.
- Expenditure from internally-generated funds (non-tax revenues) collected by MDAs is reported by the Minister of Finance to be subject to under-reporting, although we have found no clear evidence of this. Reported collections of non-tax revenues by MDAs in 2015/16 were Tsh. 798.8 billion – 4.1% of total CG expenditure. (Table 3-9.) Adopting a deliberately high estimate of the under-reporting of these revenues and corresponding expenditures of 50% of MDA non-tax collections, the total would amount to 2 % of total expenditure.
- Expenditure from externally financed development projects is widely accepted to be under-reported. This is especially true for grant financed projects, where use of commercial bank accounts not controlled by GoT is common. Reported expenditure on Grant financed projects comprised 2.1% of total CG expenditure in 2015/16. (Tsh. 409.2 billion). Again taking a deliberately high estimate, we assume that the reported expenditure corresponds to only 50% of the total: hence, unreported expenditure on externally financed projects would be 2.1% of total expenditure.
- Taking these figures together, - built up from high estimates given the lack of concrete evidence, the level of unreported expenditure is estimated to be 4.1 % of total expenditure. **This dimension therefore scores a "B".**

(ii) Revenue outside financial reports

112. The second dimension measures the extent of unreported Central Government revenue. Given that most revenue collection functions are centralised within TRA (see PI-19), there are no evident sources of unreported revenue outside of those reported above relating to unreported expenditures, namely internally generated funds (non-tax revenues) of MDAs and development projects financed by external grants. The potential amounts estimated above under dimension (i) – Tsh. 800 billion comprise 5.7% of the Tsh. 14,117.5 billion revenue for 2015/16 (Table 3-9). **Dimension (ii) therefore scores a "C".**

(iii) Financial reports of extra-budgetary units

113. The third dimension assesses the comprehensiveness of financial reporting by the extra-budgetary units of Central Government. All extra-budgetary units of Central Government are required to submit consolidated financial statements to the Accountant General and to the CAG within three months of the close of the fiscal year. Both the ACGEN and CAG confirmed that the compliance with this requirement is complete, although it was reported that some of these units submit their financial statements within 6 months but later than the 3-month deadline. Our analysis of the 2014/15 consolidated financial statements confirmed that accounts for all 183 units were included. We thus conclude that all extra budgetary units submit annual financial reports to Government; not all of these submit within three months of the end of the fiscal year but most of them do submit within 6 months. **This dimension therefore also scores a "B", giving an overall score of "B" for the indicator.**

Progress since last assessment and key reforms under implementation or planned

114. **There appears to have been a significant improvement in the reporting of off-budget CG revenues and expenditures since the 2013 PEFA assessment.** This was rated a "D+" in 2013, due to the fact that the level of unreported extra-budgetary expenditure (other than donor-financed projects) was estimated to be greater than 10% of total expenditure. Applying the 2011PEFA framework in 2017, this indicator scores a "B".

115. **There has certainly been an improvement in financial reporting by the extra-budgetary units of Central Government,** all of which are now submitting financial reports within 6 months of the close of the fiscal year. Similarly, the increased scrutiny now being given to non-tax revenue collections by MDAs seems likely to improve the reporting of such revenues and the corresponding expenditures. The quality of expenditure reporting by externally financed projects does not appear to have changed since 2013 but, as the significance of such funding relative to total expenditure has declined, this is now of less consequence.

PI-7 Transfers to subnational Governments

116. This indicator assesses the transparency and timeliness of transfers from Central Government to subnational Governments. It considers the basis for deciding on the value of inter-Governmental transfers and their horizontal allocation between subnational Governments and whether subnational Governments receive information on their allocations in time to facilitate good budget formulation and planning.

Indicator and dimensions	Score 2017	Explanation
PI-7 Transfers to subnational Governments	**C+**	**Scoring Method M2 (AV)**
(i) System for allocating transfers	D	Horizontal allocations have been transparent in the sense of being pre-announced and publicly discussed with the relevant stakeholders. However, they have been based not on formulae, which are legally or constitutionally defined, but on administratively determined norms, which since 2013/14 have been adopted in a relatively 'ad hoc' manner.
(ii) Timeliness of information on transfers	A	The process by which LGAs receive information on their annual transfers is managed through the regular budget calendar, which is generally adhered to and provides sufficiently detailed information to allow at least 6 weeks for the budget formulation process at LGA level.

117. There are 180 Local Government Authorities (LGAs) in Tanzania, comprising city councils, municipalities, town councils and rural district councils. 70% of their funding derives from transfers from Central Government, with the balance coming from own revenues, primarily property tax.

118. Under the Local Government Finance Act, the Minister for Local Government is entitled to establish individual ceilings for the transfers to each LGA based upon an aggregate ceiling agreed with the Minister of Finance for all transfers to LGAs. However, there is no clear legal or constitutional basis for the horizontal allocation of grants between LGAs: in practise allocations have been decided through a mixture of historical allocations for staff and salaries, and norm-based allocations for non-salary recurrent allocations.

119. On the other hand, ceilings for transfers to LGAs are transparent, as they are clearly presented in the Plan & Budget Guidelines for the LGAs issued by MoFP in February or March of each year after approval by Cabinet. These ceilings are broken down between recurrent personnel emoluments (PE), recurrent

other charges[22] (OC) and development[23], and further divided between the sectors, for which LGAs have defined competences – administration (general purpose grant), agriculture, primary education, secondary education, health, roads and water.

(i) System for allocating transfers

120. The first dimension measures the extent to which the horizontal allocation of Central Government grants between LGAs is transparent and rules-based. Our conclusions are as follows:

- Allocations for Personnel Emoluments are specified by sector in the PBG, based upon existing numbers of staff on strength and allocations for recruitment of new staff agreed between PO-PSM, PO-RALG and MoFP. In recent years, priority in new recruitments has been given to education and health staff. However, the resulting allocation is essentially historically-based, in the sense that the majority of the allocation is determined by the numbers in post and no specific priority is given to LGAs with greater staff shortages.
- Allocations for Other Charges (OC) are also specified by sector in the PBG in line with certain norms, such as per pupil capitation grants for primary and secondary education. Up until 2013/14, these norms were formalised as a series of sector block grants for the allocation of Other Charges, which were based on formulae. Although these allocations are still referred to as 'sector block grants', these formulae have since been under revision and are not currently in application.
- Allocations for Development spending come from two sources: (i) project allocations decided through the submission of project proposals by LGAs to PO-RALG and MoFP, as well as external funding agencies, and (ii) the Local Government Development Grant (LGDG) scheme. While allocations from the first source depend on the quality of the project submission by the LGA and the interests of potential funders (thus entailing a degree of randomness), the LGDG is designed to allocate development resources according to specific needs criteria and an assessment of performance against key administrative, planning and financial management benchmarks. Until the end of FY 2012/13, the LGDG was funded through a mainly externally funded common basket fund. With the conclusion of this external funding, the scheme was substantially downsized and new guidelines drawn up, which were issued in October 2016. LGDG allocations in 2015/16 were modest – comprising substantially less than 25% of LGA financing from CG

22 Allocations for Other Charges are provided as 'sectoral block grants': they may be assigned freely to any item falling within Other Charges, subject to certain sector-specific requirements, such as the transfer of capitation grants to primary and secondary schools in line with a defined formula.

23 Ceilings for Development spending are further earmarked by reference to their respective funding channels, such as the Local Government Development Grant (LGDG) and various sector-specific common basket funds.

grants[24] - but an expansion of the scheme in line with the new guidelines is envisaged from 2017/18.

- We conclude that horizontal allocations have been transparent in the sense of being pre-announced and publicly discussed with the relevant stakeholders. However, they have been based not on formulae, which are legally or constitutionally defined, but rather on administratively determined norms, which since 2013/14 have been adopted each year in a relatively 'ad hoc' manner. **A "D" score is therefore assigned to this dimension.**

(ii) Timeliness of information on transfers

121. The second dimension assesses the timeliness of information provided to subnational Governments on their allocations from Central Government for the forthcoming year. In particular, it assesses the extent to which subnational Governments receive reliable information on the CG grants for the forthcoming year in advance of their own budget preparation processes, thus allowing for a meaningful budget formulation process and advance planning of budget execution and the related processes, such as recruitment and procurement.

122. In Tanzania, the ceilings for the transfers to LGAs are laid down in a special set of Plan & Budget Guidelines (PBG) for the LGAs, issued by MoFP after discussion with PO-RALG, and based in turn on ceilings approved at Cabinet level. For the formulation of the 2016/17 budget, these LGA ceilings were issued in February 2016, allowing the LGAs over 6 weeks for the formulation of their budgets during March and April. These ceilings were then confirmed in the Budget approved by the National Parliament in June, prior to the start of the LGA's fiscal year (1st, July).

123. Thus, the process by which LGAs receive information on their annual transfers is managed through the regular budget calendar, which is generally adhered to and provides sufficiently detailed information to allow at least 6 weeks for the budget formulation process at LGA level. **This dimension therefore scores an "A".**

Progress since last assessment and key reforms under implementation or planned

124. **According to the 2011 PEFA framework, performance against this indicator has improved with the score improving from a "C+" in 2013 to a "B+" in 2017.** This is largely because of an improvement in the score against dimension (iii), relating to the extent of consolidation of fiscal information for general Government. This dimension does not form part of the indicator within the 2016 framework but with the adoption by LGAs of the same chart of accounts as CG from 2012/13

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24 This is relevant because the LGDG scheme is the only component of LGA financing from CG grants that is both transparent and rule-based: if funding under this scheme comprised more than 25% of such funding, then this dimension would score "C".

and the strengthening of financial reporting within LGAs, the accounts for LGAs and CG have been consolidated within the GoT financial statements in 2014/15 and 2015/16.

125. **In terms of the key element measured by this indicator in the 2016 framework – namely the use of a transparent, rules-based mechanism of horizontal allocations – the current situation is effectively in limbo.** Pending the implementation of the new guidelines for the Local Government Development Grant (LGDG) scheme, and the development of a new formula-based method for allocating sectoral grants, the rules governing horizontal allocations across LGAs have been somewhat unclear and not entirely consistent from year-to-year. With the implementation of the new LGDG guidelines from 2017/18 onwards, the allocation of development grants will again become rule-based, incorporating a mix of needs based criteria (relative levels of poverty, population density, etc.) and performance-related allocations. However, it was not clear to the assessment team when new proposals for the definition of sector block grants are expected to be finalised.

PI-8 Performance information for service delivery

126. This indicator assesses the quality of information on service delivery incorporated in four different aspects of the budgetary process: firstly, it measures the extent to which information on service delivery targets is incorporated into the Budget documentation; secondly, it assesses whether information on actual service delivery performance is presented in budget reports; thirdly, it considers whether information on the resources received by service delivery units is readily available; and finally, it assesses the extent to which service delivery performance is independently evaluated.

127. Promoting operational efficiency in delivery of public services is a core objective of the PFM system. The inclusion of performance information within budgetary documentation, although not common in 'traditional' PFM systems, is now considered to be international good practice. It strengthens the accountability of the Executive for the outputs and outcomes of budget programmes, and thus for public service delivery as a whole. Increasingly, Legislatures demand to see such information as part of their consideration of the Executive's Budget Proposal, and also in their consideration of Government accounts and the related external audit reports.

128. In Tanzania, it is the Five Year Development Plan that has historically been the key document in which to present the strategic objectives and targets of the Government. Historically, this process has been quite separate from the budget formulation process. Yet, with the development of an MTEF process (which has been an ongoing process since 1998) and, more recently, with the introduction of an incipient programme classification within the chart of accounts and a related set of codes to present objectives, targets and activities for each budget programme, the processes of strategic planning, performance monitoring and budget formulation are gradually being brought together.

Indicator and dimensions	Score 2017	Explanation
PI-8 Performance information for service delivery	**C**	**Scoring Method M2 (AV)**
(i) Performance plans for service delivery	B	Most MDAs publish annually, within the MTEF, information on the activities to be performed through their programmes and projects, the anticipated outputs and the objectives. However, the MTEF does not include a clear presentation of outcomes, nor is it disaggregated by budgetary programme or function.
(ii) Performance achieved for service delivery	C	Information is published annually within the MTEF by most MDAs on the outputs produced through the Development budget but, for the Recurrent Budget, reporting is at the level of activities.
(iii) Resources received by service delivery units	D	Information on resources received by front-line service delivery units is not systematically collected and reported on an annual basis by any sector ministry. There has been no survey in the last three years estimating resources so received.
(iv) Performance evaluation for service delivery	C	Through the 22 performance audits of NAOT and the 4 sectoral evaluations conducted through the PER process, evaluations of the efficiency or effectiveness of service delivery have been carried out at least once within the last three years in ministries comprising more than 25% of public spending.

(i) Performance plans for service delivery

129. The key document, in which performance plans are presented, is the Medium Term Expenditure Framework (MTEF), which has been produced by all the main ministries for over ten years. Sectoral MTEF documents are produced annually by each of the main ministries and agencies[25], and normally issued in February or March of each year as a pre-cursor to the tabling of the Executive's Budget Proposal (EBP). Although they do not formally form part of the Budget documentation, sector MTEFs are generally made available, and sometimes formally presented, to the sectoral committees of Parliament in advance of the submission of the EBP. Unfortunately, few MDAs make their MTEFs available on their respective websites, although they are printed in large numbers and the assessment team was able to view over 20 MTEFs, made available by the Government Budget Division of MoFP.

130. The "*Medium Term Strategic Planning & Budgeting Manual*", first issued by the Ministry of Finance in 2005 and subsequently updated, provides the conceptual and procedural framework to link the presentation of medium term (3-year) expenditure projections to strategic objectives, targets and activities. At present, these objectives, targets and activities are presented in the sector MTEF for the ministry or

25 The assessment team were able to analyse in detail the 2017/18 – 2019/20 MTEF documents of the Ministry of Works, Transport & Communications (MWTC) and the Ministry of Education, Science, Technology & Vocational training (MESTVT), and to view over 20 other MTEFs to confirm the similarity of their structures.

entity as a whole and are not as yet linked to specific budget programmes, although MoFP has plans to move to a formal Programme Based Budget (PBB), in which this will be done. In principle – and as described in the MTSPBM - activities produce outputs ('targets'), which in turn lead to outcomes ('objectives'). In practice, the formulation of the MTEFs is undertaken at a very micro level, meaning that there is a very large number of activities (which might in some cases be better described as "tasks"), with many targets better described as sub-outputs. As a consequence, the objectives presented do not in most cases represent outcomes – in the sense of a targeted improvement for the beneficiaries or users of Government services – but, rather, a presentation of outputs.

131. Thus, most ministries and agencies publish annually, within the MTEF, information on the activities to be performed through their programmes and projects, the anticipated outputs and the objectives. However, the MTEF does not, as yet, include a clear presentation of outcomes, nor is it disaggregated by budgetary programme or function. **Dimension (i) therefore scores a "B".**

(ii) Performance achieved for service delivery

132. In addition to projected activities and outputs for the forthcoming medium term period, the sector MTEF documents include summaries of achievements against planned targets for the previous fiscal year, and a mid-term (6-month) report for the current fiscal year. They do not include any quantified assessment of progress towards strategic objectives. The presentation of progress – in the same way as the presentation of future objectives, targets and activities – is divided between activities supported by the recurrent budget and those supported by the development budget. The reporting of achievement against targets in the Development Budget is generally presented at the output level and is clearly quantified, whereas the progress report for the Recurrent Budget is essentially at the activity level and less clearly quantified.

133. Thus, information is published annually within the MTEF by most MDAs on the outputs produced through the Development budget but, in relation to the Recurrent Budget, reporting is at the level of activities. **Dimension (ii) therefore scores a "C".**

(iii) Resources received by service delivery units

134. The third dimension assesses the extent to which information is available on the sources and levels of resources actually received by the service delivery units of large ministries, such as health or education. Reporting systems in Tanzania go to sub-vote (departmental or divisional) level for CG ministries and Regional Administrative Secretariats, and to the sector level for Local Government Authorities. This allows for reports on sources and receipts of funds for higher level service delivery units, such as district and regional hospitals, tertiary education institutions and district departments of agriculture, roads, etc.

135. However, the indicator focuses in particular on "front-line" service delivery units, such as schools and health centres. In Tanzania, it is LGAs who have the responsibility for delivering primary education,

secondary education and primary health services and they receive transfers from Central Government to finance the bulk of the associated costs. However, there are a variety of reasons why it is not possible to receive information on the resources received at this level:

- Firstly, health centres and aid posts do not in most cases comprise a cost code within the accounting system and in most cases only receive resources in kind (health staff, medicines, etc).
- The majority of primary and secondary schools manage their own bank accounts and do comprise cost codes but the resources they receive in these accounts are limited almost exclusively to the capitation grants for other charges. The bulk of their budgets are thus received in kind – teachers (whose salaries are managed at district HQ level), text-books (purchased and distributed by the district) and examination costs (also managed by the district). It is therefore difficult to report in a consolidated manner on resources received and this is not undertaken.
- An additional complication arises from the fact that resources from development projects transferred to front-line service delivery units will tend to use a variety of funding channels, such as transfers from commercial bank accounts run for externally financed projects, resources in-kind, etc.

136. Public Expenditure Tracking Surveys (PETS) were undertaken in the past in order to analyse data on the resources received by primary and secondary schools and health centres. However, no such survey has been undertaken since 2010.

137. Thus, information on resources received by front-line service delivery units is not systematically collected and reported on an annual basis by any sector ministry. Moreover, there has been no survey in the last three years estimating resources received by front-line service delivery units. **This dimension therefore scores a "D".**

(iv) Performance evaluation for service delivery

138. The fourth dimension considers the extent to which the design of public services and the appropriateness, efficiency and effectiveness of those services is assessed in a systematic way through independent programme or performance evaluations. In Tanzania, the conduct of such evaluations is managed through two main avenues: evaluations of the equity, efficiency and effectiveness of public spending in specific sectors or sub-sectors undertaken under the Public Expenditure Review (PER) process, and performance audits undertaken by the National Audit Office of Tanzania (NAOT).

139. Tanzania's Public Expenditure Review (PER) process provides a forum where working groups comprising of representatives from the Government, Development Partners, academia, the private sector and civil society organizations agree on an analytical agenda to improve GoT spending, finance analytical studies, and guide the implementation of study recommendations. The Government and

Development Partners agreed in 2012 to revitalize the PER process. As a result, a Champions' Group was established with the responsibility to define and approve an analytical work programme for the PER process as well as ensure its dissemination to key policy makers as part of the budget cycle. The PER process was active up to December 2015 and, in addition to more fiscally related topics, such as the analysis of pension liabilities and the management of expenditure arrears, undertook 4 evaluations of service delivery programmes and projects: nutrition programmes (2014), PPPs in the Transport sector, efficiency gains in Infrastructure investment and spending on climate change and the environment.

140. The NAOT has been gradually building up its capacity to undertake performance audits, publishing 3 such audits in 2015, 10 in 2016 and 9 in 2017. The focus of these performance audits has been on the efficiency and effectiveness of specific Government services and programmes, such as extension services to farmers (2015) or quality control in education provision (2016). The 22 performance audits published over the last three years have covered 8 sectors – agriculture, education, energy, environment, health, mining, urban planning and water.

141. Thus, through the 22 performance audits of NAOT and the 4 sectoral evaluations conducted through the PER process, evaluations of the efficiency or effectiveness of service delivery have been carried out at least once within the last three years in ministries comprising more than 25% of public spending. **This dimension therefore scores a "C".**

Progress since last assessment and key reforms under implementation or planned

142. **The Tanzania PFM system is thus rated a "C" against this new indicator of performance information for service delivery.** In many ways, this is one of the more challenging indicators in the 2016 PEFA framework, addressing a set of issues not normally addressed in traditional PFM systems. However, good progress has been made through the work that has been undertaken to develop the MTEF, as well as through the growing body of performance evaluation being undertaken by the NAOT in its performance audits and, to a lesser extent, through PER studies.

143. **Nevertheless, it should be stressed that significant work is needed to refine and develop the definition of objectives, targets and activities within the MTEF, so as to focus at a higher, more strategic level** (less micro) and to move towards a more precise definition of outcomes. Once the definition of outcomes is clarified and they come into regular use by MDAs, then it will become easier to define indicators by which to measure and monitor progress towards the outcome targets of the MDAs. At present, the information in the MTEF is too detailed and too disaggregated to be easily utilised in decision-making: once there has been a shift towards a more strategic approach based upon outcomes and key outputs, then this information will become more useful for decision-making. We understand that the action plan being developed for this Key Result Area under PFMRP V anticipates work in this area.

144. A related question, which does not yet appear to have been picked up in the PFMRP, is the issue of how to incorporate the findings of performance audits and programme evaluations more systematically into the design of service delivery and the formulation of the budget. In this respect, the PER process, which is deliberately linked to the budget cycle and the related formulation calendar, may provide a good framework for progress. Consideration should be given to re-energising the PER process and also to finding ways of linking NAOT performance audit results into the PER/ Budget process.

PI-9 Public access to fiscal information

145. This indicator assesses the scope and comprehensiveness of public access to fiscal information. Fiscal transparency depends on the extent to which information on Government fiscal and budgetary strategy and performance is available to the general public. The range and relevance of information available to the public affects their ability to engage with Government and to understand how public resources are being used. For example, Tanzania publishes audited accounts only: this delays the access of the Parliament and the public to data on spending, albeit preliminary, and is one of the reasons for a lower score in this indicator. However, it is acknowledged that this is in line with current regulations.

Indicator and dimensions	Score 2017	Explanation
PI-9 Public access to information	**D**	Only 3 of the 5 basic elements are made available to the public on a timely basis. The unaudited financial statements of the Central Government, in line with regulations, are not made available to the general public and in 2015/16 Quarterly Budget Execution reports were not published and made available to the public within the year. However, all 4 of the 'additional elements' were made available.

146. This indicator is assessed through an evaluation of the public's access to those items of information which are considered critical to an effective understanding of the budget. Public access is defined as availability without restriction, within a reasonable time, without requirement to register and free of charge. The assessment includes five basic elements of fiscal information that are considered the most important to enable the public to understand the fiscal position, and four additional elements that are considered good practice. It examines their availability during the last completed fiscal year (2015/16).

Table 3–12: PI-5: Assessment of Public Access to Fiscal Information

Key Fiscal information Elements	Available 2015/16	Notes
		Basic Elements
1. Annual Executive Budget Proposal documentation	**Yes**	The 4 Volumes of the Budget and the Budget Speech were made available to the media on the day of the presentation of the Budget Speech (8/06/16) and on the next day to the public on the websites of the MoFP and Parliament.

2.	**Enacted Budget (as approved by Parliament)**	**Yes**	The Enacted Budget was made available on the Parliament website a day after its approval. Printed copies of the Enacted Budget (Volumes I-IV) are available from the Government Printer for a modest price, shortly after approval.
3.	**In-year Budget Execution Reports**	**No**	In-Year Budget Execution Reports were not produced during the 2015/16 fiscal year itself, although some have been produced *ex post* and posted on the MoF web-site during 2016/17.
4.	**Annual Budget Execution Report**	**No**	Consolidated Financial Statements were produced within 6 months of the end the fiscal year but, in line with regulations, were submitted only to the CAG and not made available to the public.
5.	**Audited annual financial statements with CAG report**	**Yes**	Audited financial report for 2015/16 was made available in May 2017 on the NAOT website, shortly after the CAG's report on the CG financial statements became available (April 2017.)
		Additional Elements	
6.	**Pre-Budget Statement**	**Yes**	The Annual Plan & Budget Guidelines (PBG) for 2016/17, which contain the Budget frame, indicative ceilings and a statement of the fiscal strategy were made available on the MoF website in February 2016, 4 ½ months prior to the start of the fiscal year.
7.	**Other External Audit Reports**	**Yes**	All non-confidential reports of the CAG are made available on the NAOT website within 6 months of their submission to the PAC and the President.
8.	**Summary of the Budget Proposal ("citizens' Budget")**	**Yes**	A "Citizens' Budget" summarising the Budget in simple language was produced by MoFP in conjunction with the Policy Forum, in July 2016, within one month of budget approval.
9.	**Macroeconomic forecasts**	**Yes**	Macroeconomic forecasts, endorsed by the Cabinet are included in the PBG, which is tabled in Parliament and made available on the MoF website within a week of endorsement.

147. As may be seen from Table 3-12, only 3 of the 5 basic elements are made available to the public on a timely basis. The unaudited financial statements of the Central Government are not made available to the general public, as only audited financial statements are published. In 2015/16 Quarterly Budget Execution reports were not published and made available to the public within the year. Despite the fact that all four of the 'additional elements' considered good practice were made available, **this indicator is therefore scored a "D".**

Progress since last assessment and key reforms under implementation or planned

148. **This indicator scores poorly as a result of the failure to publish the in-year Quarterly Budget Execution Reports during 2015/16, although they had been published up to the end of FY 2014/15.** (See indicator PI-28). It should be stated, however, that a mid-year execution

report for 2016/17 was made available in March 2017 and it now appears that the procedures for the regular and timely production of quarterly Budget Execution Reports have been re-established. So long as this basic element of information can be made available to the public on time, along with the other elements of fiscal information currently produced, then this indicator would be scored an "A" in future PEFA assessments.

149. **The score remains unchanged, in relation to the 2011 PEFA framework, scoring a "B" both in 2013 and 2017,** due to the fact that 4 of the 6 elements required in the 2011 framework are made available to the public[26]. The 2011 framework does not draw a distinction between 'basic' and 'additional' elements and is thus less rigorous in its assessment of the quality of fiscal transparency.

3.4 Pillar III – Management of assets & liabilities

150. Pillar III considers the effectiveness of the systems and procedures for managing Government assets and liabilities. Their effective management ensures that public investments provide value for money, assets are recorded and managed, fiscal risks are identified and debts and guarantees are prudently planned, approved and monitored.

[26] The four elements available to the public are: (i) Annual Budget documentation, (iii) Audited Year-End Financial Statements, (iv) External Audit reports and (v) Details of contract awards in excess of US $ 100,000 equivalent.

PI-10 Fiscal risk reporting

Indicator and dimensions	Score 2017	Explanation
PI-10 Fiscal risk reporting	**B**	**Scoring Method M2 (AV)**
(i) Monitoring of public corporations	D	At least 50% of the Public Corporations submit audited annual reports within 9 months of the close of the fiscal year but there is no evidence that as many as 75% report within this time period. The OTR produces consolidated annual statements on the public corporation sector, covering revenues, investments and performance of guaranteed loans but these have insufficient detail either to properly assess performance of the sector or to identify key fiscal risks.
(ii) Monitoring of sub-national Government (SNG)	A	Audited financial statements are published for all LGAs within nine months of the end of the fiscal year. Moreover, consolidated reports on the net fiscal position of all LGAs are produced by PO-RALG on a quarterly basis.
(iii) Contingent liabilities and other fiscal risks	B	Most significant contingent liabilities are quantified in the annual financial reports of the ACGEN, the OTR, the SSRA and the Debt Management Unit of the PAD, MOFP. They are explicitly consolidated in the Debt Sustainability Analysis conducted every two years. However, there is no single CG annual report that quantifies and consolidates information on all significant contingent liabilities and other fiscal risks.

151. This indicator measures the extent to which fiscal risks to Central Government are monitored and reported. Fiscal risks arise when adverse circumstances – due to natural disasters, macroeconomic crises, or other causes – create unforeseen, and potentially large-scale liabilities for the Central Government. They may arise from losses in other parts of the public sector - public corporations, social security funds or sub-national Governments, where the Central Government may be compelled to accept responsibility for such losses. They may also arise from unexpected losses or unplanned expenditures by the Central Government itself, notably from the extra-budgetary units. These unexpected obligations can have a significant impact on the Budget and thus on fiscal discipline and the allocation of resources. Hence, fiscal risks need to be closely monitored, reported and where possible quantified, so that risk mitigation measures may be taken and provision made where necessary.

(i) Monitoring of Public corporations

152. The first dimension assesses the extent to which information on the financial performance and associated fiscal risks of the Public Corporations is made available to the Central Government through audited annual financial statements. It also assesses whether the CG publishes a consolidated report on the financial performance of the public corporation sector.

153. Following the amendment in 2011 of the Treasury Registrar (Powers & Functions) Act of 2002, the Office of the Treasury Registrar (OTR) was established as an autonomous entity, independent of the Ministry of Finance, with powers and responsibilities conferred to oversee all GoT investments in public enterprises and commercial entities, referred to in Tanzania as Public Authorities and Other Bodies (PA&OBs). The OTR has the power to: (i) supervise the governance of PA&OBs and their compliance with laws and regulations; (ii) supervise the remittance of own-source revenues of PA&OBs to GoT; and (iii) invest in, and dispose of, assets of PA&OBs.

154. The OTR oversees the performance of 264 PA&OBs, including all of the 14 financial and 25 non-financial Public Corporations[27], as well as all of the private companies in which the state has a shareholding, and a large number of statutory bodies, where OTR provide governance oversight, and parent ministries provide policy direction. In June 2017, the assessment team received a listing of these 264 PA&OBs, categorised according to their status (public corporations, private with GoT shareholding, statutory bodies, etc.) and is able to confirm that the categorisation of Public Corporations is consistent with the statistical definition provided for in GFS 2014, and further detailed in the PEFA Handbook Volume II[28].

155. The PA&OBs, under their authority, are required to report quarterly to OTR on financial and physical performance. In turn, OTR produce annual Statements for Investment, Revenue and Status of Loans Guaranteed, reporting the consolidated position of the PA&OBs in relation to each of these aspects. OTR's annual statement for 2014/15 was provided for scrutiny by the assessment team. Although it does represent a consolidated statement for all 264 PA&OBs, reporting an aggregated valuation of Government investment in the sector, annual receipts of non-tax revenue and status of loans guaranteed, it is a short report, presented at a highly aggregated level, which provides insufficient information either to assess properly the performance of the sector or to identify key fiscal risks.

156. All Public Corporations are required to produce audited financial statements within 6 months of the close of the financial year, and to submit these to OTR. Under Article 143 of the Constitution and Section 34 of the Public Audit Act (2008) the CAG is mandated to audit the annual financial statements of the Public Corporations. OTR reported that most Public Corporations comply with these reporting requirements, although in several cases this may take more than 6 months. The assessment team were unable to verify this, in the absence of the audited consolidated financial statements for 2015/16 (not

27 These numbers are taken from the listing of PA&OBs provided by OTR to the assessment team in June 2017. The details are consistent with the "Public Sector Institutional Table" presented as Appendix III of the 2014/15 consolidated financial statements.

28 OTR confirmed that they are not responsible for the Public Corporations of the LGAs, which comprise mainly Water Authorities. These report to the LGAs themselves and to EWURA (Energy & Water Utilities Regulatory Authority).

publicly available at the time of writing) and in the absence of a report from OTR, confirming the numbers and dates of audited financial statements received from Public Corporations.

157. The CAG submitted on 27th, March 2017 his Annual General Report on Public Authorities & Other Bodies for 2015/ 16. This included coverage of 150 entities, of which 112 were audited (receiving unqualified audits in 108 cases and qualified in 4), a further 10 could not be audited due to lack of funds, and 18 could not be audited due to the absence of constituted Boards of Directors able to issue annual accounts. 19 of the 112[29] audited entities and 1 of the 10 which would have been audited but for lack of funds comprised Public Corporations, included within the list of Public Corporations in Appendix III of the 2014/15 consolidated financial statements produced by the Accountant General. Hence, some 50% of the Public Corporations certainly submitted audited financial statements within 9 months of the close of FY 2015/16 but there is no strong evidence to confirm that the numbers reach 75% or more[30]. Moreover, 5 of the 18 entities unable to submit accounts due to the absence of a Board of Directors were in fact Public Corporations.

158. Therefore, at least 50% of the Public Corporations submit audited annual reports within 9 months of the close of the fiscal year but there is no evidence that as many as 75% report within this time period. The OTR produces consolidated annual statements on the public corporation sector, covering revenues, investments and performance of guaranteed loans but these have insufficient detail either to properly assess performance of the sector or to identify key fiscal risks. **Dimension (i) therefore scores a "D".**

(ii) Monitoring of subnational Governments

159. In relation to the CG fiscal risk arising from LGAs, it is notable that, although the LGAs are entitled to borrow under the Loans, Grants and Guarantees Act of 2004, as they are legally autonomous, this may only be done with the permission of the MoFP, after consultation with PO-RALG. Such permissions are rarely granted, meaning that fiscal risk from loan defaults is minimal. Moreover, in contrast to regional and local Governments in some neighbouring countries, the scope for establishing public enterprises owned by local authorities is also quite restricted, in practice being limited almost exclusively to local water and sewerage boards, which are directly audited by CAG as part of his audit of PA&OBs (see above).

160. LGAs report quarterly on their budget execution to PO-RALG (President's Office – Regional Administration & Local Government), to whom they also submit annual financial statements. PO-RALG

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29 The balance comprised either statutory bodies, or corporations – such as Water Boards – belonging to LGAs.

30 By way of comparison, the audited consolidated financial statements for 2014/15 include financial statements for 8 of the 14 financial public corporations and 16 of the 27 non-financial public corporations listed in the Public Sector Institutional Table included as Appendix III. A further four are listed as Joint Ventures. Thus, there were financial statements for approximately 68% of the Public Corporations listed.

produces consolidated quarterly reports from the data received and maintains a comprehensive database for all LGAs. The comprehensiveness of the reporting has improved substantially in recent years – as a consequence, in part, of the incorporation into the IFMIS system of the majority of LGAs and, in part, in response to the incentives provided through the Local Government Development Grant (LGDG) scheme, which included amongst its allocation criteria a number of benchmarks related to financial reporting. In 2015/16, PO-RALG received quarterly financial reports from 167 of the 171 LGAs then in existence.

161. The annual financial statements of the LGAs are audited annually by the CAG, in line with Article 143 of the Constitution and Section 34 of the Public Audit Act (2008). For 2015/16, the CAG submitted his Annual General Report on LGAs on 27th, March 2017. This covered all 171 LGAs, which were in existence in 2015/16[31], of which 138 (80.7%) received unqualified audit opinions, 32 (18.7%) received qualified audit opinions and 1(0.5%) received an adverse opinion.

162. Therefore, audited financial statements are published for all LGAs within nine months of the end of the fiscal year. Moreover, consolidated reports on the net fiscal position of all LGAs are produced by PO-RALG on a quarterly basis. **This dimension therefore scores an "A".**

(iii) Monitoring of Contingent liabilities and other fiscal risks

163. The pension liabilities of Central Government probably constitute the most important contingent liabilities at present. There are six autonomous public funds, which are compulsory schemes for public sector pensions and social security contributions[32]. They are guaranteed by the Central Government and, since 2010, fall under the authority of the Social Security Regulatory Authority (SSRA) as the overseeing body. Their annual financial statements are submitted to SSRA, OTR and the CAG for auditing and are included in the Consolidated General Government report amongst financial institutions. Annual contributions to the funds totalled Tsh. 2, 270 billion according to the annual report from SSRA for 2014/15.

164. The Central Government contingent liabilities in relation to these funds derive from two sources. In the first place, over the years there have been a variety of loans taken from the pension funds by different public sector institutions and not adequately repaid. Secondly, the Public Service Pension Fund (PSPF) was until 1999 a non-contributory fund providing pension benefits on a final salary scheme. It was converted to a contributory scheme in 1999 but had accumulated obligations to 198,000 public servants, who had until then been non-contributory members. An IMF report undertaken in 2010

31 16 additional LGAs came into existence from FY 2016/17.

32 These are the National Health Insurance Fund (NHIF), National Social Security Fund (NSSF), GEPF Retirement Benefit Fund, Local Authorities Pensions Fund (LAPF), Parastatal Pensions Fund (PPF), and the Public Service Pensions Fund (PSPF). These are all compulsory schemes for their designated members. In addition, SSRA oversees the Workers' Compensation Fund (WCF), a voluntary scheme for both public and private sector workers.

estimated that the combined value of the shortfall in contributions and the unrepaid loans amounted to a debt for the Central Government, equivalent to 58% of the assets of the pension funds.

165. Through parametric reforms in the sector, increases in contributions and better investment returns, this figure was estimated in a World Bank study of 2014 to have declined to 25% of assets. In order to make good the shortfall, the Central Government in 2016/17 has paid a non-cash bond, bearing interest at 5%. In addition, through revisions made in 2015 to the Social Security Regulatory Authority Act (2010), tighter restrictions have been placed on the categories of investments which the funds may undertake and benchmarks have been introduced to maintain a balance between the respective maturity of assets and of liabilities. This combination of measures has thus reduced the contingent liabilities, while also reinforcing the supervisory and monitoring role of the SSRA.

166. The Public Private Partnerships (PPP) Act of 2014 and its regulations of 2015 were promulgated in order to create a clear framework for investing in infrastructure on a joint basis with the private sector, while safeguarding the Government from the future contingent liabilities that might arise. Further to the PPP Act, a Finance Unit (FU) was created within MoFP to assess, manage and monitor fiscal risk, to assess affordability of projects, and to appraise value for money from PPPs with a view to recommend PPP projects for approval by the Minister of Finance. At present, there are four significant PPP projects[33] in the pipeline, for which negotiations are ongoing but none of these PPP agreements have been concluded as yet[34].

167. The OTR produces an annual statement on the performance of PA&OBs in relation to loans guaranteed by Central Government. Loan guarantees are also comprehensively reported in the consolidated financial statements (Note 68 for 2014/15), which also report on contingent liabilities, potentially arising out of court cases (total of Tsh 738.9 million identified in 2014/15; Note 76.)

168. In addition, the potential liabilities from guaranteed loans are analysed as part of the Debt Sustainability Analysis conducted every two years by the Policy Analysis Division of MoFP, the most recent of which was completed in November 2016. This DSA included an explicit provision for pension liabilities of Tsh 3,207.4 billion, as well a further provision of Tsh. 225.3 billion for contingent liabilities. The DSA of November 2016, together with the Medium Term Debt Strategy (MTDS) issued in December 2015 to cover the five-year period 2015/16 – 2019/20 provide the guiding framework for the annual borrowing

33 These are the DART (Dar es Salaam Rapid Transit) Phase I project, the Dar es Salaam-Chalinze toll road, Manufacture of Pharmaceuticals and Medical Supplies, and the Kinyerezi III gas-fired electricity generation. (Source: PBG 2017/18.)

34 On the other hand, there are some small-scale concession arrangements in existence, by which private or NGO bodies run public services on behalf of Government, in return for payment of operating subsidies. The most significant of these are in the health sector, where faith-based organisations agree to run hospitals in certain rural areas as 'designated district hospitals' on behalf of Government. The majority of such concessions are run by NGOs and do not represent significant contingent liabilities.

plans incorporated into the fiscal strategy presented each year with the Plan & Budget Guidelines (PBG), the most recent of which was issued in November 2016 for the 2017/18 budget formulation process.

169. Thus, most significant contingent liabilities are quantified in the annual financial reports of the ORT, the SSRA and the Debt Management Unit of the Policy Analysis division and/ or the consolidated financial statements of the ACGEN. They are explicitly consolidated in the Debt Sustainability Analysis conducted every two years. However, there is as yet no single annual report produced by Central Government that quantifies and consolidates information on all significant contingent liabilities and other CG fiscal risks. **This dimension therefore scores a "B".**

Progress since last assessment and key reforms under implementation or planned

170. **Significant improvements have been made since the 2013 assessment, leading to an overall score of a "B" in 2017,** against the 2016 PEFA framework. This has been driven in particular by improvements in the accounting and financial reporting of the LGAs and by improvements in the monitoring and reporting of contingent liabilities.

171. **Financial reporting by Public Authorities & Other Bodies remains weak, which significantly hampers the work of the Office of the Treasury Registrar (OTR).** With the information available it was not possible to confirm that all or even most of the Public Corporations publish their audited financial statements within 9 months of the close of the fiscal year. This clearly undermines the timeliness and comprehensiveness of the consolidated annual report produced by the OTR, and thus its ability to monitor fiscal risks arising from public authorities and other bodies.

172. Through the PFMRP, there have been efforts made to strengthen the OTR both through capacity building and training, and through support to the computerisation of their information system via the creation of the TRIMS (Treasury Registrar Information Management System.) These efforts have had a noticeable impact and yet there continue to be significant deficiencies both in the institutional/ legal framework of OTR and in its operational capacity. In the first place, there are still conflicting provisions in the legislative frameworks for the public and statutory corporations which remain to be ironed out through a comprehensive legislative review[35]. Secondly, on the capacity side there is an imbalance between the responsibilities of OTR and its supervisory and operational capacity. One potential way forward might be to reduce its responsibilities in relation to statutory institutions and agencies – most of which are not financially significant - so as to focus OTR work more closely (or even exclusively), on public corporations and on Government holdings in private sector commercial enterprises, while leaving statutory institutions and agencies to report to their parent ministries and to the CAG[36].

35 Specifically, there are in some cases conflicting provisions between sector-specific legislation and the legislation pertaining to OTR.

36 At present, most statutory institutions have to report on an operational basis to both their parent (sectoral) ministries and to OTR, and for auditing purposes to CAG.

173. **In relation to the 2011 PEFA framework, there has been a modest improvement in scoring against this indicator rising from a "C" in 2013 to a "C+" in 2017.** The improvement would certainly have been greater if indicator PI-9 in the 2011 PEFA framework were to include a dimension covering contingent liabilities – an area, where there have been significant improvements in monitoring and reporting.

PI-11 Public investment management

174. Public investments can serve as a key driver of economic growth and have been given enhanced attention and financing under the Government of President Magufuli. However, the effectiveness and efficiency of public investments can vary enormously and have a major influence on the level and sustainability of social and economic returns, as well as on the wider strategic impact of investments on economic growth and social welfare. Efficient management of the resources budgeted for public investment requires careful analysis to prioritise investments within sustainable fiscal limits and to ensure that approved projects are implemented as planned. This can be achieved through rigorous economic analysis, judicious selection of projects, effective management of investment expenditure, and monitoring of timely execution and completion. These are the issues measured by this indicator.

Indicator and dimensions	Score 2017	Explanation
PI-11 Public investment management	**D+**	**Scoring Method M2 (AV)**
(i) Economic analysis of investment proposals	C	At the time of assessment (FY 2015/16), economic analyses were being conducted for some major investment projects (more than 25% of the total number). These analyses were not, however, reviewed on a systematic basis by any central entity other than the sponsoring MDA.
(ii) Investment project selection	C	Through the process of budget scrutiny, some – indeed a majority - of the major investment projects were prioritised by the Planning Commission and the Government Budget Division prior to their inclusion in the Budget. The criteria for this process were stated in the Plan and Budget Guidelines, which were publicly available.
(iii) Investment project costing	D	The Budget documentation does not include a presentation of the total cost of major investment projects nor of their anticipated recurrent costs, in addition to the presentation of capital costs for the forthcoming budget year.
(iv) Investment project monitoring	D	Major projects are monitored by the implementing MDA and some of this information is reported in the sector MTEF submissions. However cumulative information on total cost to date, on projected costs to completion and on total progress against completion targets is not publicly reported for major projects.

175. The Planning Commission, which in 2015/16 was merged with the Ministry of Finance to form MoFP, has responsibility for the overall management of Public Investment. The procedures for selecting, financing, implementing and evaluating Government projects are laid down in the Public Investment Management – Operational Manual (PIM-OM), originally published in February 2015 and formally launched by the Minister of Finance & Planning in April 2016. The PIM-OM presents a coherent and clear framework for the management of public investments, responding to the recommendations made through the Tanzania PER process and inspired by models and ideas drawn from the best international practice – the National System of Investments of Chile, the Canadian approach to infrastructure development, and the Economic and Social Research Institute of Ireland, amongst others. It presents an updated institutional and procedural framework for public investment management (PIM), as well as an accompanying set of analytical techniques and decision-making tools.

176. A key change introduced by the PIM-OM is the introduction of three defined project 'types': Type I – projects with total estimated costs greater than Tsh 50 billion; Type II – Tsh. 5-50 billion; and Type III – Less than Tsh. 5 billion. The Planning Commission will have responsibility for appraising and prioritising all projects of Type I and II, submitting them for approval by the Joint Public Investment Management Committee (JPIMC), coordinating their financing and implementation and undertaking monitoring and evaluation. Type III projects will be managed in a decentralised manner by MDAs, in line with the guidance provided by the Planning Commission and the ceilings for Development spending established in the Plan & Budget Guidelines.

177. The roll-out of the PIM-OM began in 2016/17 with the development of an accompanying training programme and its delivery at the LGA level. During 2017/18, this training will be rolled out to MDAs and the structures and procedures laid down in the PIM-OM will be institutionalised. However, the focus of this indicator is on the most recently completed fiscal year, namely 2015/16 – a period in which the national PIM procedures remained somewhat 'ad hoc' and the weaknesses, which the PIM-OM was explicitly designed to address, continued to persist. Thus, the processes and procedures here evaluated are not those which the Government is currently introducing but rather those which were in existence in 2015/ 16. The assessment of this indicator can therefore serve as a useful baseline, against which to measure progress in developing improved PIM systems in future.

(i) Economic analysis of investment proposals

178. The first dimension assesses the extent to which robust appraisal methods, based on economic analysis, are used to conduct feasibility or pre-feasibility studies for major investment projects. It also assesses whether the results are reviewed by a Government entity other than the sponsoring agency and whether the results of analyses are published.

179. The primary method of evaluating major investment proposals up to and including FY 2015/16 has been under the auspices of externally financed project formulation processes, where the completion of feasibility and (depending on project scale) pre-feasibility studies applying cost benefit analysis (CBA) is

a standard requirement of most external financing agencies. Certainly, all projects above $10 million financed by the African Development Bank, the European Investment Bank or the World Bank have been subject to cost-benefit analysis. Although the GoT did not at this time have a formal categorisation of major projects, and the assessment team in the time available were unable to create a listing of major projects, resource persons from the Planning Commission and from MWTC agreed independently that those projects subject to cost-benefit analysis by external agencies would have comprised at least 25% of all major projects but not as much as 75%.

180. Some of the CBA analyses undertaken by external financing agencies would have been reviewed by the Planning Commission but it did not at this time have a formal responsibility for screening all CBA analyses of major projects. In many cases, this would therefore have remained the responsibility of the sponsoring MDA only. Many of these CBA analyses are published by the respective funding agencies.

181. Thus, at the time of assessment (FY 2015/16), economic analyses were being conducted for some major investment projects (more than 25% of the total number). These analyses were not, however, reviewed in a systematic basis by any central entity other than the sponsoring MDA. **Dimension (i) therefore scores a "C".**

(ii) Investment project selection

182. The second dimension measures the extent to which the project selection process prioritises investment projects against clearly defined – and publicly available - criteria to ensure that selected projects are aligned with Government priorities. The dimension requires that institutions are in place to guide the project selection process, including a centralised review of major project proposals before projects are included in budget submissions to the Legislature.

183. In Tanzania, all projects submitted by MDAs for inclusion in the budget are jointly reviewed by the Planning Commission and the Government Budget Division of MoFP prior to their consolidation and presentation to the Inter-Ministerial Technical Committee (of Permanent Secretaries) and then to Cabinet for the finalisation of the Executive's Budget Proposal. The Plan & Budget Guidelines (PBG) present a set of standard criteria for all MDAs to follow in the submission of Development projects, and also draw attention to the strategic priorities in the Second Five Year Development Plan (FYDP II) which guide the process of project selection.[37] The PBG are publicly available and are also tabled before Parliament for information purposes.

184. There is a question mark over how effective this process is as a method of prioritisation *across* MDAs and not purely *within* MDAs. This is because the process of budget scrutiny is undertaken on a ministry by ministry basis, taking account of their respective ceilings, as well as their adherence to the stated

[37] In the PBG issued in January 2016 for the 2016/17 Budget, these criteria were presented in section 4.4.3 of the document. The relevant sections of the FYDP II were presented in Annex A.

project selection criteria. Thus, the framework makes it difficult for one ministry's project to be prioritised over that of a different ministry. The project data-base, which it is proposed to establish as part of the implementation of the PIM-OM, would allow for projects to be compared across ministries and sectors prior to their inclusion in the data-base, using the data-base as the starting point for the inclusion of Type I & II projects in the budget submissions of MDAs. However, up to FY 2015/16, the project selection process happened exclusively through the budget scrutiny process.

185. Some projects would also have escaped this prioritisation process by virtue of having already obtained external financing. The PBG make clear that for 'Donor-funded programmes and projects, MDAs are required to prepare their development budget based on confirmed foreign resources, and ensure that counterpart funds for new and ongoing projects are available and all donor projects are reflected in the budget estimates'. (PBG, January 2016, Section 4.4.3.) For 2015/16, externally financed projects constituted 28% of the Development Budget, according to the budget frame in the PBG.

186. Thus, we conclude that, through the process of budget scrutiny, some – indeed a majority, but not as much as 75% - of the major investment projects were prioritised by the Planning Commission and the Government Budget Division prior to their inclusion in the Budget. The criteria for this process were stated in the Plan and Budget Guidelines, which were publicly available. **Dimension (ii) therefore scores a "C".**

(iii) Investment project costing

187. The third dimension evaluates whether the budget documentation includes medium-term projections of investment projects on a full cost basis and whether the budget process for capital and recurrent spending is fully integrated. Ideally, the Legislature should be made aware both of the total cost of a project over the period of implementation, as well as the ongoing recurrent costs to which it will give rise. If this information is not included in the budget presentation adopted for investment projects, the basis for budgetary approval may be incomplete. In addition, it may prove difficult to plan for future recurrent costs adequately and incorporate them into forward budgets.

188. The MTEF for each MDA includes a presentation of the anticipated costs over the medium term (5 years) for each Development project. However, the total estimated cost of project implementation is not explicitly presented (and cannot be ascertained if the project implementation period is longer than the MTEF period). Nor is there any presentation of the anticipated future recurrent costs of projects.

189. The Budget documentation does not include a presentation of the total cost of major investment projects nor of their anticipated recurrent costs, in addition to the presentation of capital costs for the forthcoming budget year. **This dimension therefore scores a "D".**

(iv) Investment project monitoring

190. The final dimension assesses the extent to which prudent project monitoring and reporting arrangements are in place to ensure value for money. The monitoring system should maintain records

on both physical and financial progress, and should produce periodic project monitoring reports, in particular for major products. The system should also identify deviations from plans and allow for identification of appropriate actions in response.

191. Project monitoring in Tanzania is the responsibility of the sponsoring MDAs, who report quarterly to the Planning Commission and to the BMD on the physical and financial progress of projects. In addition, the sector MTEF documents – normally submitted to MoFP in March of each year, prior to the finalisation of the Executive's Budget Proposal - include summaries of achievements against planned targets for the previous fiscal year, and a mid-term (6-month) report for the current fiscal year. The reporting of achievement against targets in the Development Budget is presented on a project by project basis at the output level, alongside information on expenditure to date. These MTEF documents and the corresponding annual reports on progress with major investment projects are made public. However, reports are presented on a year by year basis: thus, cumulative progress against the total estimated cost of major projects and against overall targets for project completion are not presented. Moreover, the information on major projects is not separated out and presented in a clear report.

192. Thus, major projects are monitored by the implementing MDA and some of this information is reported in the sector MTEF submissions. However cumulative information on total cost to date, on projected costs to completion (taking account of cost escalations) and on total progress against completion targets is not publicly reported. **This dimension therefore scores a "D", giving a "D+" for the indicator as a whole.**

Progress since last assessment and key reforms under implementation or planned

193. **There remain significant weaknesses in the process of public investment management but there are important reforms being put in place through the introduction of the PIM-OM** and the related structures and procedures. Moreover, there are already processes of project screening and monitoring in place, on which the PIM-OM initiative can build. This is a new indicator introduced in the 2016 PEFA framework, so there is no clear benchmark against which to compare progress but there is no doubt that the focus of reforms is right and that implementation is proceeding steadily. Given the importance given to capital investment by the Government of President Magufuli, it will be important to implement these reforms promptly and efficiently.

PI-12 Public asset management

194. This indicator assesses the management and monitoring of Government assets and the transparency of asset disposal. It is also a new indicator within the 2016 PEFA framework.

Indicator and dimensions	Score 2017	Explanation
PI-12 Public asset management	**B**	**Scoring Method M2 (AV)**
(i) Financial asset monitoring	B	Government maintains a record of its holdings in all categories of financial assets, recognised at fair or market value in line with international accounting standards. Information on performance of the financial assets is included within the consolidated financial statements but there is no consolidated report on performance of the portfolio of financial assets.
(ii) Nonfinancial asset monitoring	C	The Government maintains a register of its holdings of fixed assets, including information on their usage and age. However, the register itself is not published and it does not yet include a register of sub-soil assets.
(iii) Transparency of asset disposal	B	Clear procedures and rules for the transfer or disposal of non-financial assets are established in legislation and regulations. Extensive information on transfers and disposals is presented in the GAMD annual report and summary information is presented in the consolidated financial statements.

(i) Financial asset monitoring

195. The first dimension assesses the nature of financial asset monitoring. As noted above (under PI-10), the OTR oversees the performance of 264 PA&OBs, including all of the financial and non-financial public corporations as well as the private companies in which the state has a shareholding. These entities are required to report at least annually to OTR (joint ventures/ associate companies report annually; PA&OBs quarterly), and on this basis OTR produces an annual report on investment, which the Accountant General incorporates within the consolidated financial statements.

196. The Accountant General consolidates the information received from OTR with other data in order to produce detailed information on all financial assets within the consolidated statement on the financial position. The assessment team examined the consolidated statements for 2013/14 and 2014/15, which include details of GoT holdings in all categories of financial assets. Some of these, such as investment properties, are recognised at fair value and others, such as investments in associates and joint ventures, at equity (market) value. The performance of these assets is clearly reported, showing the change in the year-on-year valuations and details of any revenue streams resulting from dividends or profit shares. However, the consolidated financial statements do not include a report on the performance of the financial assets as a portfolio.

197. Thus, the Government maintains a record of its holdings in all categories of financial assets, recognised at fair or market value in line with international accounting standards. Information on the performance of the financial assets is included within the GoT consolidated financial statements but there is no consolidated report on the overall performance of the portfolio of financial assets. **Dimension (i) therefore scores a "B".**

(ii) Nonfinancial asset monitoring

198. The second dimension examines the processes and procedures for non-financial asset monitoring for the Budgetary Central Government (BCG). The Government Asset Management Division (GAMD) of MoFP has the responsibility to manage the non-financial assets of Government through monitoring the way they are acquired and maintained up to disposal, in a way that maximises the value of the assets. The "*Government Assets Guideline*" (2012) provides the basis for acquisition, allocation, maintenance, disposal and accounting for GoT's non-financial assets, the aim being to ensure that assets are systematically administered through documented management systems in order to control and safeguard their use in an efficient and effective manner. GAMD has offices in all the regional headquarters, from which it undertakes monitoring, inspection and training services.

199. Prior to 2008/09, the Government did not have an integrated, consolidated asset register: different MDAs kept their own registers of assets, which were not regularly monitored. Under the PFMRP, an exercise has been initiated to update and integrate these registers; by the end of FY 2015/16, 61 out of 70 MDAs had been surveyed, with updated inventories prepared of (i) vehicles & plant, (ii) office equipment & machinery, (iii) buildings and (iv) land. The surveys have included a process of codification, assessment of the condition of assets, and valuation. The responsibility for subsequent updating rests with MDAs, under the guidance of GAMD. As a result, the Central Government has a register of its holdings of fixed assets, which covers most MDAs and is updated annually and incorporated within the consolidated financial statements prepared by the Accountant General. The register, itself, is not published, however, and, although it includes land, it does not include sub-soil assets, which are relevant in Tanzania, given its mineral resources.

200. Thus, the Government maintains a register of its holdings of fixed assets, including information on their usage and age. However, the register itself is not published and it does not yet include a register of sub-soil assets. **This dimension therefore scores a "C".**

(iii) Transparency of asset disposal

201. The third dimension assesses whether the procedures for transfer and disposal of assets are established through legislation, regulation, or approved procedures. It examines whether information is provided to the Legislature or the public on transfers and disposals.

202. The disposal of assets is governed by the Public Finance Act and the related Regulations (254-257), with disposal by tender also subject to the Public Procurement Act. There are also specific regulations and legislation relevant in particular cases, notably Police General Order 304 in relation to the disposal of unclaimed or confiscated assets, TFDA (Tanzania Food & Drugs Agency) guidelines with regard to the disposal of unwanted food or drugs, and the Wildlife Conservation Act in relation to the disposal of wildlife.

203. GAMD has responsibility for undertaking disposal or sale of assets for all CG institutions, including extra-budgetary institutions (but not for LGAs or Public Corporations). The GAMD Annual Report

summarises the details of all transfers and disposals. This is a public document, available from the MoF website, but it is not formally tabled with the Legislature. Summary information on the transfer and disposal of assets is, however, included in the audited consolidated financial statements, which are tabled annually to Parliament and reviewed by the Public Accounts Committee (PAC). The consolidated financial statements include the details generally required under IPSAS standards, including information on inventories, gains and losses on disposal of assets and non-current assets held for sale.

204. Thus, clear procedures and rules for the transfer or disposal of non-financial assets are established in legislation and regulations. Extensive information on transfers and disposals is presented in the GAMD annual report and summary information is presented in the consolidated financial statements. **This dimension therefore scores a "B", giving also a "B" for the indicator as a whole.**

Progress since last assessment and key reforms under implementation or planned

205. This is a new indicator within the 2016 PEFA framework; there is thus no clear benchmark against which to measure progress. Nevertheless, based on the reports of the PFMRP, it is clear that significant efforts have been made to strengthen the functions of both GAMD and OTR. As a result, the systems for the management of financial and non-financial assets score relatively well in relation to international best practice. **Further improvements in the quality of reporting would help to consolidate the gains made to date – notably by producing a consolidated annual report on the portfolio of financial assets and by publishing the register of non-financial assets.**

PI-13 Debt management

206. This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records and controls are in place to ensure efficient and effective debt management.

Indicator and dimensions	Score 2017	Explanation
PI-13 Debt management	**B**	**Scoring Method M2 (AV)**
(i) Recording and reporting of debt and guarantees	B	Records on domestic and foreign debt and guaranteed debt are complete, accurate and updated quarterly. Most information is reconciled quarterly. Comprehensive management and statistical reports are produced annually.
(ii) Approval of debt and guarantees	B	The GLGGA grants the Minister of Finance exclusive responsibility to borrow, issue new debt and issue loan guarantees on behalf of the CG. GLGGA regulations provide guidance for undertaking borrowing, issuance of loan guarantees and for other debt-related transactions by the three responsible departments of MoFP. All such transactions are reported by the public debt section of the ACGEN and monitored on a quarterly basis by the NDMC. The annual borrowing plan is approved by the Cabinet.
(iii) Debt management strategy	C	The MTDS is publicly available and comprises a 5-year strategy for existing and projected Government debt. It indicates the preferred evolution of interest rate, refinancing and foreign currency risks but it does not explicitly lay down target ranges for these indicators. The annual borrowing plan is broadly consistent with the strategy but it is difficult to compare directly.

207. The Government Loans, Guarantees and Grants Act (GLGGA) of 1974 (revised 2004) provides the legal basis for public debt management in Tanzania. The Act empowers ACGEN to compile and issue statements of amounts outstanding each year and empowers the Minister of Finance to raise foreign and local loans respectively on behalf of GoT. A National Debt Management Committee (article 16 of GLGGA) advises the Minister of Finance on the contracting of external and domestic debt based on an evaluation against set criteria, including viability and sustainability. It also advises on the issuance of Government guarantees for loans by Public Corporations and LGAs and on the acceptance of grants on behalf of Government.

208. The overall debt strategy is laid down in the 2015/16 – 2019/20 Medium Term Debt Strategy (MTDS), which is supported by Debt Sustainability Analyses (DSAs), undertaken every two years, the most recent having been issued in November 2016. Within this framework, and taking account of the cash flow projections consolidated by MoFP, annual borrowing plans are issued each year. The implementation of these, and of the underlying debt strategy, are monitored on a quarterly basis by the National Debt Management Committee (NDMC).

(i) Recording and reporting

209. The first dimension assesses the integrity and comprehensiveness of the recording and reporting of domestic, foreign and guaranteed debt. In Tanzania, these processes fall under the responsibility of the

public debt section within the Accountant General's Department, who effect all the debt service obligations of the Central Government concerning external and domestic debt. The CS-DRMS – Commonwealth Secretariat Debt Recording and Management System – is utilised to record all debt transactions (payments, drawdowns, rescheduling, revaluations, etc.). The public debt section of ACGEN acts effectively as the "Back Office" for debt management, with the debt management unit in PAD, acting as the "Middle Office"[38], responsible for policy and strategy and for chairing the Technical Debt Management Committee, which reports quarterly to the NDMC.

210. The public debt section of ACGEN produces quarterly debt reports (for the NDMC), which provide a comprehensive up-date of records of domestic and foreign debt and guaranteed loans. Reconciliation with creditor records takes place at least quarterly but it is not undertaken as a single exercise but rather as a set of separate processes with each creditor. For all loans and debts with the World Bank, reconciliation is undertaken through the ACGEN's online access to the World Bank's debt management system; with other creditors it is undertaken either upon receipt of Demand Notes or through explicit requests for creditor records. The ACGEN produces a comprehensive Annual Public Debt Bulletin, covering debt servicing, stock and operations.

211. Thus, records on domestic and foreign debt and guaranteed debt are complete, accurate and updated quarterly. Most information is reconciled quarterly. Comprehensive management and statistical reports are produced annually. **Dimension (i) therefore scores a "B".**

(ii) Approval of debt and guarantees

212. The second dimension assesses the arrangements for the approval and control of the Government's contracting of loans and issuance of guarantees. The GLGGA grants the Minister of Finance exclusive responsibility to borrow, issue new debt and issue loan guarantees on behalf of the Central Government, after due consultation with the NDMC. The annual borrowing plan – prepared in the light of the MTDS, the fiscal frame and the annual cash-flow projections – is approved by the Cabinet, along with the annual cash-flow projections.

213. The GLGGA regulations provide guidance for undertaking borrowing, issuance of loan guarantees and for other debt-related transactions. All such transactions are reported by the public debt section of the ACGEN and monitored on a quarterly basis by the NDMC. However, there is not as yet a single debt management entity – such as a Debt Management Office – hence, some debt-related transactions are undertaken by ACGEN, others by PAD and others by External Finance Department.

214. Thus, the GLGGA grants the Minister of Finance exclusive responsibility to borrow, issue new debt and issue loan guarantees on behalf of the Central Government. GLGGA regulations provide guidance

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38 The External Finance Department of MoFP plays the "Front Office" role, taking lead responsibility for negotiations with creditors (as stipulated in the GLGGA regulations.)

for undertaking borrowing, issuance of loan guarantees and for other debt-related transactions by the three departments of MoFP responsible for different aspects of debt management. All such transactions are reported by the public debt section of the ACGEN and monitored on a quarterly basis by the NDMC. The annual borrowing plan is approved by the Cabinet. **Therefore, this dimension scores a "B".**

(iii) Debt management strategy

215. The third dimension assesses the existence and quality of the Government's debt management strategy. The MTDS presents GoT's debt strategy for the 5-year period 2015/16 - 2019/20, covering existing and projected debt. This is a public report, as are the annual debt reports produced by MoFP, reporting against the strategy.

216. The most recent MTDS presents a detailed description of the composition of the debt portfolio and its evolution over time. It assesses the future risks to debt management, given the market conditions and the Government's fiscal strategy. It "stress-tests" four proposed strategies in relation to four scenarios, with different levels of risk in relation to interest rate and foreign currency fluctuations. (All four scenarios assume a high risk from increased costs of re-financing domestic debt based on current short-term maturities.) The analysis concludes that the higher risks derive from exchange rate fluctuations due to the large foreign currency debt exposure, the high costs of non-concessional financing, and the relatively under-developed domestic borrowing market. In the light of this, the MTDS adopts a strategy ("S3"), involving increased foreign borrowing from semi-concessional sources (such as AfDB loans) and Export Credit Agencies (ECAs, such as China Exim and India Exim), combined with steps to elongate domestic debt maturities, while keeping net domestic financing (NDF) at 1.5% of GDP for year one, and 1% GDP thereafter.

217. Thus, the MTDS is publicly available and comprises a 5-year strategy for existing and projected Government debt. It indicates the preferred evolution of interest rate, refinancing and foreign currency risks but it does not explicitly lay down target ranges for these indicators. The annual borrowing plan is broadly consistent with the strategy, in following the same limits on Net Domestic Financing (NDF), but it does not specify sources of borrowing at the same level of detail, so it is difficult to compare directly. **This dimension therefore scores a "C"**.

Progress since last assessment and key reforms under implementation or planned

218. **The Tanzania debt management system is robust and largely consistent with international good practice.** The development of the MTDS for 2015/16 – 2019/20 has been an important step forward in laying out a clear debt strategy for the medium term. The next step in its development should be to include in the strategy explicit target ranges for risk indicators relating to refinancing, interest rates and foreign exchange rates. Measures should also be taken to refine the presentation of the annual borrowing plan so as to simplify its direct comparison with the MTDS.

219. **In relation to the 2011 PEFA framework, the debt management situation remains unchanged from 2013.** The 2011 framework includes two dimensions on debt management within indicator PI-17 (*Recording & management of cash balances, debt and guarantees*). In 2013 and 2017, these indicators [(i) and (iii)] score "B" and "C" respectively. The "C" score on the latter dimension reflects the fact that there is no explicit limit on the level of total guarantees provided by the Central Government. Nevertheless, given that the process of approval is exclusively under the responsibility of the Ministry of Finance and closely monitored by the NDMC, this deficiency is not perhaps as serious as is suggested by the 2011 PEFA framework.

3.5 Pillar IV – Policy-based Fiscal Strategy and Budgeting

220. Pillar IV assesses the mechanisms of formulation and approval of the fiscal strategy and the budget. In particular, it considers whether they are prepared with due regard to Government strategic plans and fiscal strategies over the medium term and on the basis of adequate macroeconomic and fiscal projections. The pillar also assesses the process of Legislative scrutiny and approval of the budget.

PI-14 Macroeconomic and fiscal forecasting

221. This indicator measures the ability to create robust macroeconomic and fiscal forecasts. These are crucial to developing a sustainable and realistic fiscal strategy and thus to ensuring predictability of budget allocations. The indicator also assesses the Government's capability with regard to the estimation of the fiscal impact of potential changes in economic circumstances.

222. The first dimension assesses the extent to which comprehensive medium term macroeconomic forecasts, and underlying assumptions, are prepared in order to inform the fiscal and budget planning process, and whether they are submitted to the Legislature as part of the annual budget process. The second dimension examines whether fiscal forecasts are prepared for the budget year and the two following years. The third dimension examines the capacity of Government to develop and publish alternative fiscal scenarios based on plausible changes in macroeconomic conditions.

Indicator and dimensions	Score 2017	Explanation
PI-14 Macroeconomic and fiscal forecasting	**C+**	**Scoring Method M2 (AV)**
(i) Macroeconomic forecasts	A	Macroeconomic forecasts are prepared for the budget year and the subsequent 4 years, based on the use of the MACMOD forecasting model. They are presented as part of the Plan & Budget Guidelines (PBG). Forecasts include estimates of GDP growth, inflation, interest rates and the exchange rate; a narrative explanation of the underlying assumptions is included in the PBG and also presented in summary form within the Budget Speech. Forecasts incorporated are reviewed and approved by a committee including BoT, TRA and NBS in addition to MoFP.
(ii) Fiscal forecasts	C	The Government prepares forecasts of revenue, expenditure and the budget balance for the budget year and the two following fiscal years but these forecasts are not included in the presentation to the Legislature, which lacks a presentation of the budget balance for the 2 years consecutive to the budget year and lacks information on the revenue breakdown and on underlying assumptions.
(iii) Macro-fiscal sensitivity analysis	D	The macro-fiscal forecasts prepared by the Government do not include a qualitative assessment of the impact of alternative macroeconomic assumptions. Budget documentation does not include any discussion of forecast sensitivities.

(i) Macroeconomic forecasts

223. The Policy Analysis Division (PAD) of the Ministry of Finance has the responsibility of preparing macroeconomic forecasts for the Government. These are prepared for the budget year and the subsequent 4 years, based on the use of the MACMOD forecasting model. They are presented as part of the Plan & Budget Guidelines (PBG)[39]. These forecasts include estimates of GDP growth, inflation, interest rates and the exchange rate; a narrative explanation of the underlying assumptions for these estimates is included in the PBG (Annex A, Chapter 1) and also presented in summary form within the Budget Speech. The lead entity managing the preparation process is PAD but the MACMOD forecasts incorporated in the budget and the fiscal strategy are reviewed and approved by a committee including BoT, TRA and NBS (National Bureau of Statistics) in addition to MoFP. **On this basis, dimension (i) scores an "A".**

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[39] The forecasts and related fiscal ceilings are first presented to Cabinet for approval in November of each year. They are then revised and updated for inclusion in the PBG, which are tabled before Parliament in February.

(ii) Fiscal forecasts

224. On the basis of the macroeconomic forecasts generated by MACMOD and the Government's adopted fiscal strategy, the PAD develop forecasts for revenue, expenditure and the budget balance for the budget year and the two following fiscal years. These are prepared in some detail within internal documentation and also in the documentation, which is shared with the IMF PSI (Policy Support Instrument) monitoring missions.

225. However, the documentation submitted to the Legislature as the 'budget frame' incorporated within the PBG and also summarised in the Budget Speech is considerably more limited in its scope and in its degree of detail:

- The Budget Speech presents the projected fiscal deficit in % GDP for the budget year only, not for the subsequent two fiscal years.
- The 'budget frame' in the Speech and in the PBG (tables 4.1-4.3) does show the two subsequent fiscal years but it does not present the projected fiscal deficit because it groups loans with revenues, without showing the derivation of the deficit. In other words, a GFS-consistent table showing the derivation of the fiscal deficit is missing.
- Within the 'budget frame' in the PBG and the Budget Speech, revenues are presented in a highly aggregated way, with the primary distinction being between domestic revenue, LGA's own sources, external loans and grants, and domestic and external non-concessional borrowing. For domestic revenue, the only distinction is between tax and non-tax, with no breakdown into major tax types (income tax, VAT, customs duties, etc.)

226. Thus, the Government prepares forecasts of revenue, expenditure and the budget balance for the budget year and the two following fiscal years but these forecasts are not included in the presentation to the Legislature, which lacks a presentation of the budget balance for the 2 years consecutive to the budget year and lacks information on the revenue breakdown and on underlying assumptions. **Dimension (ii) therefore scores a "C".**

(iii) Macro-fiscal sensitivity analysis

227. Ideally, the presentation of forecasts to Cabinet, as well as the Legislature and the public, should include a presentation of alternative fiscal scenarios based on plausible changes in macro-economic conditions which might have a potential impact on revenue, expenditure and debt. There should also be an analysis and a discussion of the sensitivity of the adopted projections to different outcomes with respect to key macroeconomic variables. A presentation of different scenarios and of the sensitivities to different outcomes allows decision-makers to have a sense of the degree of risk implicit in the adopted fiscal strategy. If economic growth was one percentage point slower would this imply a large and potentially unsustainable rise in the fiscal deficit? Or conversely, if growth was one percentage point higher, would that open up significant space for greater capital investment? By addressing such questions, it becomes

possible to fine-tune the fiscal strategy so as to optimise the use of the available fiscal space, while avoiding excessive risks.

228. However, the macro-fiscal forecasts prepared by the Government do not include a qualitative assessment of the impact of alternative macroeconomic assumptions. Budget documentation does not include any discussion of forecast sensitivities. **Dimension (iii) therefore scores a "D".**

Progress since last assessment and key reforms under implementation or planned

229. This indicator is substantially wider in its scope than the analysis of macroeconomic and fiscal forecasting in the 2011 PEFA framework, which is limited just to the first dimension of indicator PI-12, *"Multi-year perspective in fiscal planning, expenditure policy and budgeting."* In both 2013 and 2017, dimension (i) of PI-12 scores a "C" according to the 2011 PEFA framework. The overall score of this indicator in the 2016 framework is "C+".

230. **Nevertheless, the 2016 PEFA framework identifies significant deficiencies in the quality of the presentation of macroeconomic and fiscal forecasting**. These deficiencies relate to the presentational formats adopted in the annual budget documentation for presentation to the Legislature and the wider public. As was noted in the discussion of the quality of budget documentation (under PI-5), the data necessary to improve the comprehensiveness of the information presented in the Budget documentation is readily available. Discussions between the authorities and the IMF normally centre on the review of CG fiscal operations based on a GFS-consistent table, which could easily be included in the Budget documentation and in the 3 year projections included in the budget frame.

231. **A second key area of weakness is in the lack of macro-fiscal sensitivity analysis.** Such an analysis does not form part of the normal process of formulation and presentation of forecasts in Tanzania but, for several of the key macro variables, it is not technically difficult to do. It is a question of making this a priority for the forthcoming fiscal year, starting first with simple scenario analyses (of the kind presented in the MTDS, for example) and then undertaking more sophisticated sensitivity testing as capability is built up. Placing priority on such analysis would also serve to enrich the policy debate around the formulation of the fiscal strategy, helping to develop a stronger understanding of these issues within the Legislature and the political leadership of Government.

PI-15 Fiscal strategy

232. This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the Government's fiscal goals.

Indicator and dimensions	Score 2017	Explanation
PI-15 Fiscal strategy	**D+**	**Scoring Method M2 (AV)**
(i) Fiscal impact of policy proposals	D	Government prepares estimates of the fiscal impact in the budget year of all proposed changes in revenue policies but not for the proposed changes in expenditure policy. There is no presentation of anticipated fiscal impact for the subsequent two fiscal years.
(ii) Fiscal strategy adoption	C	The Government has prepared for its internal use (and for the PSI agreement with the IMF) a current fiscal strategy covering a 4-year period, including quantitative targets for fiscal policy. Very similar fiscal targets underpin the FYDP II and the 2016/17 budget. However, these two documents – which have been submitted to the Legislature – do not themselves include explicit targets for the fiscal deficit.
(iii) Reporting on fiscal outcomes	C	The Government prepares an internal report on the progress made against its fiscal strategy. In addition, the Budget Speech and the PBG, both of which are submitted to the Legislature, include reviews of performance against the fiscal targets for the previous FY. However, the explanation of the reasons for the main deviations from the objectives and targets is not systematic nor comprehensive.

233. A fiscal strategy enables Government to articulate to the institutions of central Government, to the Legislature and to the public its fiscal policy objectives. It provides the benchmarks against which the fiscal impact of revenue and expenditure proposals can be assessed during the budget preparation process. In this way, it is the fiscal strategy and the related targets that drive the budget, rather than the fiscal position ending up as the unplanned residual of poorly coordinated budgetary decisions.

(i) Fiscal Impact of Policy Proposals

234. The first dimension assesses the capacity of the Government to estimate the fiscal impact of the revenue and expenditure proposals developed during budget preparation. Such an assessment is critical to ensure that new policies and expenditure programmes are affordable and sustainable.

235. In Tanzania, such assessments are undertaken by MoFP and by the larger sector ministries, and these issues are debated during the process of budget screening by MoFP. However, these analyses are subject to a number of shortcomings:

a) In most cases, such analyses are not made explicit within the budget documentation presented to the Legislature nor in the preliminary presentations of budget proposals made to Cabinet;

b) The focus tends to be short-term: specifically on the budget year itself, without including presentation of fiscal impact over the medium term or of medium-term recurrent cost implications (in the case of projects, for example);

c) Fiscal impact analyses tend to be made more for revenue measures than for expenditure measures: for example, the 2016/17 Budget speech includes a presentation of estimates of the net effects for the forthcoming year, for different types of tax, of changes in revenue policies but such details are not included for expenditure measures.

236. Thus, Government prepares estimates of the fiscal impact in the budget year of all proposed changes in revenue policies but not for the proposed changes in expenditure policy. There is no presentation of the anticipated fiscal impacts for the subsequent two fiscal years of revenue or expenditure policy measures. **Dimension (i) therefore scores a "D".**

(ii) Fiscal strategy adoption

237. The second dimension assesses the extent to which Government prepares a fiscal strategy that sets out fiscal objectives for at least the budget year and the two following fiscal years. A well-formulated fiscal strategy includes numerical targets for the key policy parameters, such as the fiscal balance and the level of revenues and of capital and recurrent expenditures, as well as projections of changes in the stock financial assets and liabilities – particularly debt. Such a strategy may be presented as a formal statement or plan, as a set of targets in the annual budget documentation, or potentially as fiscal rules established through legislation.

238. The Budget Act of 2015 lays out in its Article 4 a series of principles of fiscal responsibility. These include, for example, '*a borrowing policy that ensures that public debt is sustainable*', '*prioritisation of productive expenditures rather than expenditures geared towards present consumption*', and other such principles geared towards a sustainable, effective and efficient fiscal strategy. However, in line with what is increasingly considered good practice in the design of legislation on fiscal rules[40], the Act does not lay down quantitative fiscal targets.

239. FYDP II, the national 5-year development plan for 2016/17 – 2020/21includes clear quantitative targets for its financing, clearly separating between public and private resources. A target of 40% of the annual budget is projected to be allocated to investment projects within FYDP II through the Development Budget. The financing chapter of the Plan includes a projection of the anticipated aggregate volume of budget spending and of the anticipated financing sources (domestic revenue, ODA flows, borrowing) over the FYDP II period. The projection is linked to the macroeconomic projections presented in the Plan, relating to GDP growth and inflation. It thus fulfils a lot of the requirements of a medium term

40 What is or is not "international good practice" with regard to legislation on fiscal rules is evidently a matter of opinion but increasingly countries – notably in Latin America - that have adopted legislation which includes restrictive quantitative targets on the fiscal deficit have tended to find either that such laws are repeatedly broken or that creative accounting is used to hide this fact. In both cases the fiscal responsibility laws lose their credibility and may thus prove more of a threat to fiscal sustainability than a support.

fiscal strategy, as specified above but – crucially – it does not include an explicit presentation of the anticipated evolution of the fiscal deficit over the FYDP II period.

240. The projections in FYDP II were developed by PAD using the MACMOD model and it is clear that a target path for the evolution of the fiscal deficit must have formed a key component of the source projection. Moreover, the Government is following a set of fiscal targets that have been agreed with the IMF in the context of the ongoing Policy Support Instrument (PSI). The fiscal targets incorporated in the PSI do present explicit targets for revenue, expenditure, the fiscal deficit and its financing, as well as more detailed targets for specific sub-components. In principle, only the targets for the current budget year (2016/17) are designated as "PSI Programme targets" but it is clear that the four year projections to 2019/20 also have the support of Government.

241. Thus, it is certainly the case that the Government has prepared for its internal use (and for the PSI agreement with the IMF) a current fiscal strategy covering a 4-year period, including quantitative targets for fiscal policy. Very similar fiscal targets underpin the FYDP II and the 2016/17 budget. However, these two documents – which have been submitted to the Legislature – do not themselves include explicit targets for the fiscal deficit. **Dimension (ii) therefore scores a "C".**

(iii) Reporting on fiscal outcomes

242. The third dimension assesses the extent to which the Government – as part of the annual documentation submitted to the Legislature – makes available an assessment of its achievements against its stated fiscal objectives and targets. This Government assessment should include an explanation of any deviations from the approved targets and a statement of the corrective actions taken.

243. In each fiscal year, one of the first pieces of analytical work coordinated by the PAD is the preparation of a review of macroeconomic and fiscal developments and an update of macro and fiscal projections for the current budget year and the subsequent three FYs. This is undertaken by the Financial Programming Working Group, which includes staff from MoFP, BoT, TRA and the National Bureau of Statistics (NBS). The document includes an assessment of progress made against the fiscal strategy[41].

244. Both the Budget Speech and the Plan and Budget Guidelines (PBG), submitted to the Legislature in advance of the budget documentation, include reviews of performance against the fiscal targets established for the previous FY. There is also some explanation of the reasons for the main deviations from the objectives and targets set. However, the presentation is not systematic nor comprehensive; hence performance against certain targets may not be discussed and certain deviations may remain unexplained.

41 Financial Programming Working Group, (Sept. 2016), *Report on Macroeconomic Developments and Projections*, MoFP.

245. Thus, the Government prepares an internal report on the progress made against its fiscal strategy[42]. In addition, the Budget Speech and the PBG, both of which are submitted to the Legislature, include reviews of performance against the fiscal targets for the previous FY. However, the explanation of the reasons for the main deviations from the objectives and targets is not systematic nor comprehensive. **This dimension therefore scores a "C", giving a "D+" for the indicator as a whole.**

Progress since last assessment and key reforms under implementation or planned

246. **The apparently low score of this indicator newly introduced in the 2016 framework – "D+", is due to the rigour with which the requirements are specified**. It hides the fact that many of the underlying processes examined by this indicator have in fact been in place for many years in Tanzania. In particular, the definition of a fiscal strategy has for many years been the starting point in the budget formulation process. Similarly, the practice of reporting on performance against the fiscal targets of the previous year is a well-established aspect of the Minister of Finance's annual Budget Speech.

247. **Building on existing practices and procedures, good progress could be made against this indicator simply by formalising the processes of fiscal strategy formulation and reporting.** More attention to the formats used for presentation of information in the PBG and the Budget Speech could help both to make the presentation of fiscal strategy targets more explicit and to systematise the process of reporting against targets in the subsequent year. The analytical capacities and tools necessary to do this are in place because the corresponding internal reports and procedures exist: the priority must be to make available in an explicit and systematic manner within the Budget Speech and the PBG the information, which is currently produced for internal purposes.

PI-16 Medium term perspective in expenditure budgeting

248. This indicator examines the extent to which expenditure budgets are prepared for the medium term within explicit medium-term budget ceilings. It also examines the extent to which annual budgets are derived from medium term budget estimates and the extent to which those medium term estimates are in turn derived from strategic plans.

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42 The assessment team was advised that this was a regular annual procedure; it was able to examine the report for the most recent FY.

Indicator and dimensions	Score 2017	Explanation
PI-16 Medium term perspective in expenditure budgeting	**D**	**Scoring Method M2 (AV)**
(i) Medium-term expenditure estimates	D	Each MDA produces a detailed 5-year MTEF as part of the budget formulation process but the MTEF is not included in the annual budget documentation, which is limited to estimates of the budget year itself. This may be attributable to the activity-based costing approach used to develop the sector MTEFs, which results in voluminous documents and worksheets that are exceedingly difficult to adapt and refine in the time available.
(ii) Medium-term expenditure ceilings	D	The aggregate "budget frame" included in the Plan & Budget Guidelines, includes indicative three-year targets for the overall fiscal strategy. However, the ceilings issued to MDAs are limited to the budget year only and do not include the subsequent two fiscal years.
(iii) Alignment of strategic plans and medium-term budgets	C	Medium-term strategic plans are prepared for some ministries and some expenditure proposals in the annual budget estimates align with the strategic plans.
(iv) Consistency of budgets with previous year estimates	D	Budget documents do not provide an explanation of the changes to aggregate expenditure estimates between the second year of the most recent MTEF and the first year of the current MTEF.

(i) Medium-term expenditure estimates

249. The first dimension assesses the extent to which medium term estimates are prepared and updated as part of the annual budget process. In Tanzania, each of the major MDAs produces a Medium Term Expenditure Framework (MTEF), as part of the budget preparation process. For the 2017/18 budget formulation process, draft MTEFs have been submitted by the MDAs in March 2017 for consideration by the MoFP.

250. The presentation for each MDA includes a projected breakdown by sub-vote of revenue, recurrent expenditure and development expenditure. The projections of revenue as well as the overall summary tables have a three-year perspective, covering the budget year and the two subsequent fiscal years. For expenditure, projections are presented for a five-year time frame (2017/18 – 2021/22 in the MTEF documents tabled in March 2017). The expenditure projections are derived from an activity-based costing framework, based upon the identification, within each sub-vote, of a series of target objectives. For each target objective, activities are then identified to be undertaken over the 5-year period in pursuit of the stated objective and costings are developed for each of these activities, using the 5-digit GFS codes for the economic classification.

251. The resulting worksheets are voluminous and highly detailed, making their assessment and review by MoFP in the budget scrutiny process a highly challenging task. In practice, it seems that the feedback provided by MoFP to MDAs is limited to general comments on the overall MTEF, with detailed

comments and changes being focused on the proposals for the budget year. In the next stage of the budget formulation process, documentation covers the budget year only and there is no further updating of the MTEF or any attempt to produce a version approved by the Executive or the Legislature. Thus, the budget documentation submitted to the Legislature for consideration of the Executive's Budget Proposal does not include the MTEF and presents estimates only for the budget year itself.

252. Thus, although each MDA produces a detailed 5-year MTEF as part of the budget formulation process, the MTEF is not included in the annual budget documentation, which is limited to estimates of the budget year itself. In part, this may be attributable to the activity-based costing approach used by the MDAs to develop their MTEFs, which generates very detailed costings by sub-vote for the 5-digit economic classification, resulting in voluminous documents and worksheets that are exceedingly difficult to adapt and refine in the time available. **This dimension therefore scores a "D".**

(ii) Medium-term expenditure ceilings

253. The second dimension assesses whether medium term expenditure ceilings are issued to MDAs in order to guide the preparation of the sector MTEFs and ensure that they are consistent with Government fiscal policy and budgetary objectives. The aggregate "budget frame" included in the Plan & Budget Guidelines, issued by MoFP to initiate the process of budget formulation, includes indicative three-year targets for the overall fiscal strategy. However, the ceilings issued to MDAs are limited to the budget year only and do not include the subsequent two fiscal years. **This dimension therefore scores a "D"**.

(iii) Alignment of strategic plans and medium-term budgets

254. The third dimension assesses the extent to which the expenditure proposals approved in the budget are aligned with costed ministry strategic plans or sector strategies. The guiding framework for planning and strategic budgeting in Tanzania is provided by the Second Five Year Development Plan (FYDP II), which amongst other things includes indicative costings for the priority projects identified within the FYDP II. These priority projects are then reflected in the sector strategies of the relevant ministries, notably for Works, Energy, Transport, Education, Health and Water. The costings in these sector strategies are focused on the development projects, which have been prioritised within the FYDP II. However, some sector strategies – notably for education - do also include projections of recurrent expenditure, including the recurrent implications of projects.

255. Thus, medium-term strategic plans are prepared for <u>some</u> ministries and <u>some</u> expenditure proposals in the annual budget estimates align with the strategic plans. **Dimension (iii) therefore scores a "C".**

(iv) Consistency of budgets with previous year estimates

256. The final dimension considers whether the expenditure estimates in the last MTEF provide the basis for the preparation of the current MTEF. In other words, do the projected estimates for years "t+1" and "t+2" in the last MTEF provide the basis for years "t" and "t+1" in the new MTEF? And where there are changes are these clearly explained?

257. As we have noted, in Tanzania the MTEF is not formally approved as a unified document or a unified set of sector MTEFs, which reflect the fiscal strategy and the strategic objectives of Government. Rather, it comprises a number of budgetary proposals by MDAs which take a medium term format and which loosely follow the budget frame laid down in the Plan & Budget Guidelines. It is therefore not surprising that there are significant differences in the future years' estimates presented in one MTEF and the updated estimates for the same years produced in the next MTEF. Moreover, there is no attempt to explain these changes or to justify them by reference to specific changes in macroeconomic circumstances or in Government policy.

258. Budget documents do not provide an explanation of the changes to aggregate expenditure estimates between the second year of the most recent MTEF and the first year of the current MTEF. **This dimension therefore scores a "D".**

Progress since last assessment and key reforms under implementation or planned

259. **The development of a robust medium term expenditure framework is a challenging undertaking for any country and it is not surprising that limited progress has been made in recent years**. A precondition for any MTEF to work well is that there should be a reasonable degree of consistency and predictability in the annual budget. This has not been the case in Tanzania, as may be seen clearly from the poor scores for indicators PI-1 to PI-3, which assess the credibility and reliability of the annual budget. If MDAs are conscious that even annual budgets are rarely implemented as planned, then they will naturally be sceptical of the usefulness of making detailed medium term projections and are very unlikely to undertake the task with any degree of rigour.

260. **An additional problem has arisen from the peculiarly detailed format that has been chosen for the formulation of medium term projections on the basis of detailed activity-based costing.** Apart from the heavy burden of work that the preparation of such formats must represent, their length and complexity make them very difficult to adapt and change in the light of the budget scrutiny process.

261. **A review of the approach to the MTEF would appear to be overdue, with the basic objective of developing a framework for medium term budgeting that is simple and fit for purpose**. In particular, it is important to consider what is the principal objective of the MTEF *in Tanzania* and to adapt the design to a set of processes that can deliver that objective, given the institutional and political context, as well as the prevailing human resource and other constraints.

PI-17 Budget preparation process

262. This indicator considers the effectiveness of participation in the budget formulation process by relevant stakeholders, including political leadership, also assessing whether participation is orderly and timely.

Indicator and dimensions	Score 2017	Explanation
PI-17 Budget preparation process	**A**	**Scoring Method M2 (AV)**
(i) Budget calendar	A	A clear budget calendar exists, supported by the Budget Act (2015) and Regulations. It is adhered to and allows MDAs 6 weeks from receipt of the Budget Circular to complete their estimates.
(ii) Guidance on budget preparation	A	Comprehensive budget circulars are issued, covering all budget expenditure (Development & Recurrent) for the budget year. MDA Estimates reflect ceilings approved by Cabinet, prior to distribution of the Circular.
(iii) Budget submission to the legislature	B	The Executive Budget Proposal was submitted to the Legislature more than 2 months before the start of the fiscal year in 2016 and 2017, but not in 2015.

(i) Budget calendar

263. A new budget calendar was put in place for the formulation of the 2013/14 Budget aimed at bringing forward to June the date of approval of the budget by the Legislature so as to ensure that the fiscal year would start with an approved budget. The calendar also aimed to incorporate a formal place in the calendar for long and medium term planning and the definition of a medium term economic and financial plan (akin to a medium term fiscal strategy). The revised calendar was subsequently confirmed in Part IV of the Budget Act (2015) and Regulations. The key elements in the calendar are as follows:

- ***September:*** MoFP Review of fiscal performance of past FY & updating of fiscal strategy
- ***November:*** Approval of Plan & Budget Guidelines (PBG) & ceilings by Cabinet
- ***Dec. – Feb:*** Preparation of Budget/ MTEF estimates by MDAs
- ***February:*** Submission of PBG to Parliament with updated budget frame
- ***March:*** MDAs submit MTEF/ Budget estimates for MoFP scrutiny
- ***April:*** Approval by Cabinet of Executive's Budget Proposal & submission to Parliament
- ***May:*** EBP considered by Parliament, through scrutiny by specialised committees
- ***June:*** Budget Speech, plenary Budget debate and approval.

264. Thus, a clear budget calendar exists, supported by Part IV of the Budget Act (2015) and Regulations. The Budget Circular issued by the MoFP (Government Budget Division - BMD) on 23rd, November 2016 for the formulation of the 207/18 budget was consistent with the required calendar, requiring

submission of budget estimates by 17th, March 2017. Interviews both with BMD and with MESTVT, MWTC and PO-RALG confirmed that the calendar had been adhered to[43] and that it allowed MDAs more than 6 weeks from receipt of the Budget Circular to complete their estimates. **The first dimension therefore scores an "A".**

(ii) Guidance on Budget preparation

265. The Plan & Budget Guidelines (PBG) provide a comprehensive framework for the preparation of budget and MTEF estimates, covering all budget expenditure (Development & Recurrent) for the budget year. The PBG include one-year ceilings for each MDA divided between Development and Recurrent PE (Personal Emoluments) and Recurrent OC (Other Charges). These ceilings are approved by Cabinet in advance of the circulation of the Guidelines. **Dimension (ii) therefore scores an "A".**

(iii) Budget submission to the Legislature

266. According to dates confirmed by the Parliamentary Budget Committee and BMD, the Executive Budget Proposal was submitted to the Legislature in April in 2016 and 2017 and in May in 2015. Thus, the EBP was submitted more than 2 months before the start of the fiscal year in 2016 and 2017, but not in 2015, **scoring a "B" on this dimension.**

Progress since last assessment and key reforms under implementation or planned

267. **The quality of the budget formulation and approval process has improved since 2013,** scoring an "A" against the 2011 framework in 2017, as compared with a "B+" in 2013. The process of budget formulation in Tanzania has always been orderly and well managed. The reason for the improvement is due to the fact that the budget has been approved by the Legislature in advance of the start of the fiscal year in two of the last three years. Prior to the change in the budget calendar formalised in the Budget Act of 2015, the budget was frequently approved after the start of the fiscal year, which would tend to complicate (and potentially undermine) the orderly execution of the budget.

PI-18 Legislative scrutiny of budgets

268. This indicator assesses the nature and extent of legislative scrutiny of the annual budget proposals. It considers the methods by which the Legislature scrutinises, debates and approves the annual budget, including the extent to which the procedures for Legislative scrutiny are well established and respected. The indicator also assesses the existence of rules for in-year amendments to the budget, without ex-ante approval by the Legislature.

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43 The BMD were unable to provide a detailed list of the dates of receipt of budget submissions by different MDAs. While recognising that some MDAs did submit late, they stressed that such practices were strongly criticised by the Magufuli Government and were rare. Interviews with MESTVT, MWTC and PO-RALG confirmed this.

Indicator and dimensions	Score 2017	Explanation
PI-18 Legislative scrutiny of budgets	**B+**	**Scoring Method M1 (WL)**
(i) Scope of budget scrutiny	B	The Legislature's review of the proposed budget covers fiscal policies and aggregates for the medium term as well as details by MDA of revenue and expenditure for the coming year. Medium term projections for expenditure programmes and projects are not reviewed, however.
(ii) Legislative procedures for budget scrutiny	A	The Legislature's procedures for scrutiny of budget proposals include specialised committees, public consultations and agreed negotiation processes. They are approved in advance and adhered to. The Parliamentary Budget Committee coordinates the process with technical support from the 15 staff of the Parliamentary Budget Office.
(iii) Timing of budget approval	B	The Legislature approved the annual budget in advance of the fiscal year in 2015 and 2016. In 2014, there was a delay of less than 1 month.
(iv) Rules for budget adjustments by the Executive	A	Clear rules exist in the Budget Act (2015) and Regulations for in-year budget amendments by the Executive. These are always adhered to, as confirmed by the CAG's reports.

(i) Scope of Budget scrutiny

269. The Legislature's review of the proposed budget covers fiscal policies and aggregates for the medium term as well as details by MDA of revenue and expenditure for the coming year. Medium term projections for expenditure programmes and projects are not reviewed, however. **Dimension (i) therefore scores a "B".**

(ii) Legislative procedures for Budget scrutiny

270. The Legislature's procedures for scrutiny of budget proposals include specialised committees, public consultations and agreed negotiation processes. They are approved in advance, through Parliamentary Standing Orders, and adhered to. The Parliamentary Budget Committee coordinates the process with technical support from the 15 staff of the Parliamentary Budget Office. **Dimension (ii) therefore scores an "A".**

(iii) Timing of Budget approval

271. The Legislature approved the annual budget in advance of the fiscal year in 2015 and 2016. In 2014, there was a delay of 2-3 weeks[44]**.** These dates were confirmed – separately - to the assessment team by the Parliamentary Budget Committee and by BMD[45]. **Dimension (iii) therefore scores a "B".**

(iv) Rules for Budget adjustments by the Executive

272. Clear rules exist for in-year budget amendments by the Executive in Section 41 of the Budget Act, Cap. 439 and Sections 26-28 of the Budget Regulations. In particular, an Accounting Officer may reallocate funds within a vote up to 7% of the total budget allocation for the respective vote, so long as these reallocations do not involve ring-fenced expenditures, or transfers from capital investment or from wages. Reallocations in excess of 7% require the approval of the Minister of Finance and reallocations within a vote may never exceed 10% of the total expenditure approved for the Vote. All reallocations between Votes must be approved by the Minister of Finance and may not exceed 5% of the total Government budget. These rules have always been adhered to, as confirmed by the CAG's reports for the last three completed fiscal years. **Dimension (iv) therefore scores an "A", giving a "B+" for the indicator as a whole.**

Progress since last assessment and key reforms under implementation or planned

273. **The passing of the Budget Act (2015) and the related regulations has helped to strengthen the process of Legislative scrutiny of the Budget**. In particular, it has helped to formalise the budget formulation calendar, ensuring that the Executive's Budget Proposal is presented to the Legislature at least 2 months before the close of the FY, and ensuring the approval of the Budget prior to the start of the next FY. The legislation has also helped to strengthen the rules for in-year budget amendments by the Executive. Due to the particular formula for aggregating the dimension scores under this indicator in the 2011 PEFA framework (the "weakest link" methodology – M1), there is no change in the score of the indicator, which remains a "B+" in 2017. However, two dimension scores [(ii) and (iv)] now score "A" rather than "B", reflecting the improvements in procedures mentioned above.

3.6 Pillar V – Predictability and Control in Budget Execution

274. The indicators covered by Pillar V focus on the mechanisms and processes of budget execution. Specifically, they assess the extent to which the budget is implemented within a system of effective standards, processes and internal controls, ensuring that resources are mobilised and used as intended.

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44 Unfortunately, the assessment team were unable to obtain precise dates of submission from the Parliamentary Budget Office, despite requesting this information.

45 Two PFM advisors of the Development Partners, who were in Tanzania at the time were also able to confirm that approval occurred in advance of the fiscal year in 2016 but were unable to recall submission dates for earlier years.

PI-19 Revenue administration

275. This indicator assesses the procedures used to collect and monitor central Government revenues. It addresses four dimensions relating to the clarity of the rights and obligations of the payers of taxes and other revenues, the effectiveness of risk management by revenue agencies, the coverage and quality of revenue audit and investigation, and the effectiveness of the monitoring of revenue arrears. It covers the entities that administer the revenues of central Government, which include tax administration and customs and excise administration, as well as non-tax revenues from royalties, fees and fines. It excludes the revenues of Local Government Authorities (LGAs) and also the revenues of the public sector pension funds, which form part of General Government but operate as autonomous funds under the supervision of the Social Security Regulatory Authority.

Indicator and dimensions	Score 2017	Explanation
PI-19 Revenue administration	**C+**	**Scoring Method M2 (Av)**
(i) Rights and obligations for revenue measures	C	TRA, which is responsible for most Government revenue collection (78%), uses multiple channels to provide tax-payers with easy access to comprehensive information on main revenue obligations and rights, including redress procedures. However, information is not always up-to-date, notably in cases where legal or administrative changes are introduced for which tax payers should be given advance notice, or at least prompt notice.
(ii) Revenue risk management	C	TADAT 2016 assessment noted that not all the information at the TRA's disposal is used to build knowledge of taxpayer compliance levels and emerging risks, and that the risk assessment process does not inform the selection of cases for audit. Thus, TRA uses approaches that are partly structured and systematic for assessing and prioritising compliance risks for some revenue streams, given that there is also a concentration on large taxpayers.
(iii) Revenue audit and investigation	C	TRA, which is responsible for collecting most revenues, undertakes audits and fraud investigations as part of a compliance improvement plan and completes a majority (but not all) of its planned audit and fraud investigations.
(iv) Revenue arrears monitoring	B	Based on data received from TRA and supporting information from CAG, it is estimated that the stock of arrears at end 2015/16 would have been below 20% of the total revenue collections for the year, with the revenue arrears older than 12 months comprising less than 50% of total arrears.

276. The Tanzania Revenue Authority (TRA) was established by Act of Parliament 11 of 1995 as a semi-autonomous body, reporting to the Minister of Finance & Planning. It is charged with the responsibility of managing the assessment, collection and accounting of all central Government revenue. It has direct responsibility for the collection of customs and excise duties, VAT and income tax, which together accounted for 78% of Central Government revenue in 2015/16. (See table 3-13).

Table 3–13: PI-19: Domestic revenue collections by type & source, 2015/16

Revenue items	Actual outturn 2015/16; TSh. millions		Responsibility for Collection
Customs and Excise	3 090 110	**23%**	**TRA**
VAT	2 983 737	**22%**	**TRA**
Income tax	4 608 245	**34%**	**TRA**
Transfers & refunds	(192 599)	**-1%**	**TRA**
Other taxes	1 921 459	**14%**	**TRA/ Some MDAs**
Non-tax revenue	1 211 231	**9%**	**TRA for mining royalties; MDAs other non-tax**
Total CG revenue	13 622 182	**100%**	
LGAs Own Sources	425 852		

Source: Tanzania Revenue Authority.

277. In relation to non-tax revenue and other taxes, although certain large items such as royalties on minerals, oil and gas are collected by TRA, the primary responsibility for collection, at least until the close of fiscal year 2015/16, lay with other MDAs. In this area, the formal responsibility of the TRA is 'to monitor and ensure the collection of fees, levies, charges or any other tax collected by any Ministry, Department or Division of the Government'.[46] In the 2016/17 Budget speech of the Minister of Finance & Planning, the Government indicated its intention to bring responsibility for collection of non-tax revenues also under the responsibility of the TRA. This measure has yet to be fully operationalised but even excluding non-tax collections, the TRA was already responsible in 2015/16 for the administration of most central Government revenue[47]. (Table 3-13).

278. Contributions to public sector pension and social security funds are collected by six autonomous public funds: the financial statements of these are included in the Consolidated General Government report amongst financial institutions. The Social Security Regulatory Authority (SSRA) is the overseeing body for these funds. As these funds are administered independently and do not form part of the central Government[48] they do not form part of the PEFA assessment for indicators 19 and 20.

(i) Rights and obligations for revenue measures

279. TRA maintains a website (www.tra.gov.tz) with comprehensive and up-to-date information on issues relating to personal and corporate income taxes, VAT, and customs and excise duties. This includes information on redress processes and procedures. TRA also regularly advertises tax information in newspapers and TV and distributes leaflets and brochures with tax information in Kiswahili and English.

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46 Tanzania Revenue Authority Act, Revised edition, November 2006, Para. 5(1c).

47 The 2016 PEFA Framework defines 'most' as being 75 % or more.

48 Within the annual consolidated financial statements, they are classified as part of General Government.

280. It has a call centre providing tax information by use of telephone, e-mail and social media. Direct information is also provided through seminars and presentations as well as through TRA's offices, which are situated in all 26 regions of the country. Thus, information on taxes and changes in taxes is comprehensive and provided through a variety of sources. In interviews with the PEFA assessment team, a positive assessment of the availability of information was made by representatives from the Tanzania Chamber of Commerce, Industry & Agriculture (TCCIA). However, the 2016 TADAT assessment[49] raised concerns about the timeliness of tax information: advice should be provided ahead of legal or procedural changes in tax administration processes or at least shortly after changes are introduced, and TRA do not currently do this systematically. The assessment also observed that TRA should work more collaboratively with users to make sure that advisory material is targeted and appropriate.

281. In summary, TRA, which is responsible for most Government revenue collection (78%), uses multiple channels to provide tax-payers with easy access to comprehensive information on main revenue obligations and rights including redress procedures. However, information is not always up-to-date, notably in cases where legal or administrative changes are introduced for which tax payers should be given advance notice, or at least prompt notice. **The rating for dimension (i) is therefore a "C".**

(ii) Revenue risk management

282. TRA applies a risk based assessment for the taxes it collects including VAT, income tax and customs and excise. It conducts research and gathers intelligence to identify compliance risks. A risk profiling tool is used by TRA to establish risks and levels of non-compliance. A structured risk management methodology is in place, based upon a segmentation of tax-payers into large, medium and small. TRA has a designated Large Taxpayer Department responsible for 471 large taxpayers that represent around 40 % of TRA's tax collection, and risk assessment work is concentrated on this segment of tax-payers.

283. However, the TADAT 2016 assessment noted, firstly, that not all the information at the TRA's disposal is used to build knowledge of taxpayer compliance levels and emerging risks, and secondly, that the risk assessment process does not inform the selection of cases for audit. We thus conclude that TRA uses approaches that are partly structured and systematic for assessing and prioritising compliance risks for some revenue streams. **Dimension (ii) is therefore also rated a "C".**

(iii) Revenue audit and investigation

284. TRA plans and undertakes audit and fraud investigations for the revenues it collects. There is a monitored business plan for the audits, linked to a compliance improvement plan, and taxes gained are calculated. However, as noted under dimension (i), the selection of audit does not make full use of the

[49] Muyangwa M., Zake J., Remington W., Rafferty E. & A. Kanyangeyo, (April, 2016), TADAT Performance Assessment Report: United Republic of Tanzania, TADAT Partners.

risk assessment process. Moreover, the Controller and Auditor General in his annual report for the year 2014/15 raises concerns about the effectiveness of tax audit and investigation and the control and monitoring mechanisms over clearance of imported and transit goods.

285. The TRA were unable to provide a full report of the planned audit and fraud investigations completed in 2015/16. However, a report was received in this respect from the Large Taxpayers' Department (LTD) responsible for 40% of tax collections, where the plan contained 159 audits, of which 137 or 86 % had been closed.

286. On this basis, we conclude that the TRA, which is responsible for collecting most revenues, undertakes audits and fraud investigations as part of a compliance improvement plan and completes a majority (but not all) of its planned audit and fraud investigations. **Therefore, dimension (iii) is rated a "C".**

(iv) Revenue arrears monitoring

287. Upon request, the TRA has provided the following information related to tax arrears as at 30 June 2016:

- The stock of tax arrears from the large tax payers as at 30 June 2016 was Tsh. 38.7 billion of a total collection for the year 2015/16 of Tsh. 5,441 billion, hence the stock was 0,71 % of the collection. Revenues older than 12 months constituted 0.92 % of these arrears.
- For customs and excise, the stock reported was Tsh. 19, 559 million at 30 June 2016, with a total collection of Tsh. 3,090,110 million in 2015/16. This represents 0.6 % of actual collections; 0.2 % of these were older than 12 months.

288. Data on arrears for smaller taxpayers, who represent nearly 60% of tax collections – some 33% of overall revenue collections, has not been presented. However, the Controller and Auditor General in his report for 2014/15 assesses the taxes not collected as Tsh.297 billion, or 2,7 % of that year's actual collection. Based on the incomplete data received to date from the TRA and the supporting information from the CAG, we estimate that the stock of arrears at end 2015/16 would have been well below 20% of the total revenue collections for the year, with the revenue arrears older than 12 months comprising less than 50% of total arrears[50]. **On this basis, dimension (iv) is rated a "B".**

Progress since last assessment and key reforms under implementation or planned

289. **By use of the new PEFA framework a "C+" score is given for the indicator. Overall, the TRA has prepared a good basis for an efficient tax administration.** This in turn has provided a sound base for revenue mobilization, and is demonstrated by the steady increases in tax collection

50 The assessment team were unable to obtain from TRA a complete report on arrears in 2015/16. However, the Policy Analysis Department of MoFP, as well as the BoT, reported a high level of collection of tax arrears in 2015/16 so it is likely that the stock of arrears at end 2015/16 was in fact less than 10% of total revenue collections, which would score an "A" for this dimension.

achieved, in absolute terms, since the last PEFA assessment. (Table 3-14). However, efforts are needed to generate timely information related to new tax measures and the risk based approach needs to be strengthened and fully utilized in the tax audit process. Moreover, the TADAT report of 2016 demonstrates than in several important respects – most notably in relation to the reliability of the taxpayer registration database and the IT system for tax administration, TRA needs to continue raising its standards in order to become the modern, efficient tax administration, to which it aspires.

290. **The assessment of the revenue administration system through the application of the 2011 PEFA framework gives indications of some deterioration in performance**. The different aspects of revenue administration are spread across three indicators of the 2011 PEFA framework – PI-13, Transparency of Taxpayer Obligations & Liabilities; PI-14, Effectiveness of measures for Taxpayer registration and assessment; and PI-15, Effectiveness in collection of tax payments. The score against PI-13 has declined from a "B+" to a "C", while scores against PI-14 and PI-15 have remained unchanged at "C" and "B+", respectively. The changes registered since the 2013 assessment may be summarised as follows:

- Dimension (i) of PI-13 on the clarity and comprehensiveness of tax liabilities was rated a "C" in 2013 because of the extent of unpredictable tax exemptions. Despite reductions, the extent of exemptions is still high, corresponding to around 2 % of GDP. The rating by use of the old framework therefore remains a "C".
- For dimension (ii) of PI-13 that covers the access to tax information and taxpayers' rights and obligations, the assessment is the same as for PI 19 (i) above "C". It appears the 2013 rating may have been too high as the timeliness criterion on dissemination of information for new tax measures was probably not met in 2013 either.
- Dimension (iii) of PI-13 relating to the existence and functioning of a tax appeals mechanism was rated "A" in 2013. The subsequent build-up of cases in the tax appeals system has reduced the efficiency rating, which would score a "C" in 2017 by use of the old framework.
- Dimension (i) of PI-14 rating the controls and integration of the taxpayer registration systems scored a "C" in 2013. The rating this year remains the same, although there are plans in TRA's fourth corporate plan to integrate tax systems.
- Dimension (ii) of PI-14 rating "the effectiveness of penalties for non-compliance with registration and declaration obligations" was rated a "C" in 2013 in the absence of sufficient penalties for non-registration. The rating would remain a "C" this year by use of the old framework.
- Dimension (iii) of PI-14 on planning and monitoring of tax audit programmes received a "C" in 2013 and remains a "C" awaiting full application of the risk-based approach developed.
- The rating of tax arrears monitoring and collection [PI-15 (i)] received an "A" in the 2013 report and also this year.

291. **In absolute terms, revenue collection has increased significantly over the past five years**. However, as a percentage of GDP revenue collection has declined, partly as a result of the rebasing of GDP in 2014/15. (Table 3-14).

Table 3–14: PI-19: Domestic revenue collections relative to targets, 2010/11 - 2015/16

Million TZS						
Overall revenue collection performance for Tanzania	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Target	5 721 831	6 329 413	7 978 158	10 957 001	12 078 015	13 997 523
Actual	5 443 592	6 586 585	7 912 304	10 026 659	10 743 765	14 048 034
% of GDP collected	15,5%	15,8%	16,0%	16,9%	12,8%	14,5%
Tax exemptions as % of GDP	2,9%	4,4%	3,1%	3,3%	1,9%	
Source 2010-2015 CAG annual report, 2015/16 TRA statitics						

292. **The tax effort of Tanzania is still considered low as compared to some neighbouring countries in the region.** To a significant extent, this has been due to generous tax exemptions and rebates granted in the past, although the Government has sought to reduce these from levels of 4.4 % of GDP noted in the PEFA assessment for 2011/12, to 1.9% 2014/15 (CAG reports).

293. A number of measures have been taken to increase Central Government revenue collections, including enforced use of Electronic fiscal devices (EFDs) as well as VAT and customs reforms. Ongoing reforms include widening of the tax base – especially through registration of the informal sector actors, mainly small and medium sized enterprises - and strengthened monitoring of revenue collection. An action plan has been developed to improve non-tax revenue collection and local Government revenue, and tax systems have been further integrated. Plans to establish a Tax Ombudsman have been stalled, but the Tax Administration Law was enacted in April 2016 replacing and harmonizing earlier tax legislation. Achievements can be noted in terms of automation of key processes, such as e-filing of VAT, introduction of a computerized drivers' license system, customs modernization and introduction of EFD devices for tax and transaction registration[51].

294. In its fourth corporate plan TRA aims to simplify registration, assessment and payment processes and to increase self-assessment for filing of personal income and VAT returns. TRA also plans to introduce one-stop border operations for prompt customs clearance and to enhance the functionality and integration of TANCIS. Currently 4 such border operations are in use, 3 more have been completed, but are not yet operational, and 2 are under construction. A new integrated system for domestic tax administration is to be introduced.

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51 However, the CAG in his 2015/16 report notes that out of 9 ,743 taxpayers due to pay VAT, 84 % were not in possession of an EFD device.

295. **However, important challenges remain to achieve a significant improvement in the efficiency and fairness of tax collection.** These relate to further reduction of exemptions, clearing of balances in the appeals system, and incorporation of eligible taxpayers in tax registration. The integration of different administrative systems, as well as the more complete application of a risk-based compliance improvement programme also provide further potential for improving tax collections. (See TADAT Report of April 2016.)

PI-20 Accounting for revenues

Indicator and dimensions	Score 2017	Explanation
PI-20 Accounting for revenues	**B+**	**Scoring method: M1 (WL)**
(i) Information on revenue collections	A	PAD obtains revenue data monthly from entities collecting all central Government revenue. The information is broken down by revenue type and consolidated into a monthly report.
(ii) Transfer of revenue collections	B	Transfers to the BoT revenue account are made at least weekly for most Government revenue.
(iii) Revenue accounts reconciliation	A	TRA, representing most central Government revenue, undertakes at least quarterly within four weeks of the end of quarter a complete reconciliation of its assessments, collections, arrears and transfers to BoT.

296. Indicator PI-20 assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts. It covers both tax and nontax revenues collected by Central Government. It excludes the revenues collected by Local Government Authorities (LGAs) and the contributions made to the social security funds, each of which comprise part of General Government but not Central Government. Indicator PI-20 should be read in conjunction with PI-19, which reports on the overall framework for revenue administration.

(i) Information on revenue collections

297. The assessment team were advised that the Policy Analysis Division of MoFP receive data on a monthly basis from TRA on tax collections and the other revenues for which it is responsible, and from the Accountant General in respect of non-tax revenue. The PAD utilises these data as the basis of their monthly reports to the Resource & Expenditure Ceiling Committee, for the purposes of cash management and in-year control on expenditure authorisation. These monthly reports consolidate data on all central Government revenue, broken down by revenue type.

298. In the past, these data have also been presented in a summary consolidated format in the MoF quarterly Budget Execution Reports but these were not published in 2015/16 nor in the first quarter of 2016/17.

MoFP did, however, post a Budget Execution Report for the half-year period July-December 2016, which included consolidated information on CG revenues, broken down by revenue type.

299. In addition to its direct responsibilities for revenue collection, TRA is charged with the wider responsibility of managing the assessment, collection and accounting of all central Government revenue[52]**.** In line with this wider remit, TRA publishes quarterly reports for the taxes it collects by month, summarised by the responsible TRA department and by region. However, the data is not presented with a summary by revenue type.

300. Thus, TRA, as a central agency responsible for revenue, produces monthly internal reports for the 78% of central Government revenue, for which it is responsible. At PAD further data from non-tax revenue is added and a consolidated report is produced on a monthly basis, covering all central Government revenue broken down by revenue type. **The rating for this dimension is therefore an "A"**.

(ii) Transfer of revenue collections

301. All revenue controlled by TRA is transferred to one central revenue account in the Bank of Tanzania. Tax collection takes place at three levels in the Government structure - District, Regional and Central. Payments of tax amounts above Tsh. 50 million, representing the majority of tax revenue, are made directly to a BoT account at either regional or central level. Other tax payments are transferred weekly from the District level.

302. Payments are also made to commercial banks, in particular for customs and excise payments. 21 commercial banks are currently approved, each having a designated revenue account. Transfers are made three times per week from these accounts to BoT.

303. A proportion of non-tax revenue is retained by the respective ministries and the retained amounts are kept in separate bank accounts by those ministries, as a way of directly financing their expenditures. The assessment team were advised that the non-retained portions are paid to the central BoT revenue account on a monthly basis, but the team did not have access to documentation by which to verify this.

304. As a whole, the banks and other entities collecting revenues on behalf of TRA, which comprises most of central Government revenue, transfer the collections to the central account in BoT at least weekly. **The rating for this dimension is therefore a "B".**

(iii) Revenue accounts reconciliation

305. Reconciliation and reporting relating to taxes that fall under TRA include a) amounts assessed and levied for each revenue item, b) amounts collected, c) and arrears. A system – ITAX – is in use to keep track of taxes due and paid, and outstanding amounts. The system does not allow analyses of age

52 Tanzania Revenue Authority Act, 1995 and Revised edition, November 2006.

profiles of arrears, which is done manually. Reconciliation is done at the end of each month as well as reporting on arrears.

306. For customs clearance, another system is in use - TANCIS. Payments are made by the importers to commercial banks that transfer the amounts to the BoT revenue account three times weekly. Customs collection reports are presented daily, but transfer reports are reconciled on a monthly basis.

307. For non-tax revenue collected by MDAs, separate bank accounts are kept by each MDA. These are reconciled by the Accountant General on a monthly basis. However, this comprises a simple bank reconciliation between payments transferred to the BoT revenue account and payments reported by MDAs in the Epicor system. Records of amounts levied (or assessed) are not kept for non-tax revenues collected by MDAs.

308. In summary, entities collecting most central Government revenue undertake a complete reconciliation of assessments, collections, arrears, and transfers to BoT at least quarterly within four weeks of the end of the quarter. **The dimension is therefore rated an "A".**

Progress since last assessment and key reforms under implementation or planned

309. **The procedures for accounting for revenue were already strong in 2013 and have remained strong**. The rating for the two comparable dimensions in the 2011 PEFA framework, [PI-15, dimensions (ii) and (iii)] relating to transfers of collections and reconciliation processes remain unchanged since 2013, again scoring "B" and "A" respectively.

PI-21 Predictability of in-year resource allocation

310. This indicator assesses the extent to which the Ministry of Finance & Planning is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to the budgetary units responsible for service delivery.

Indicator and dimensions	Score 2017	Explanation
PI-21 Predictability of in-year resource allocation	**D+**	**Scoring Method M2 (Av)**
(i) Consolidation of cash balances	D	GoT does not operate a single treasury account. Cash balances are not consolidated for all the GoT accounts held at the BoT and many accounts are held in commercial banks, whose cash balances cannot be consolidated on a monthly basis. Thus, although the accounts corresponding to the Consolidated Fund are consolidated daily, these are likely to constitute less than 75% of cash balances.
(ii) Cash forecasting and monitoring	C	A cash flow forecast is prepared for the fiscal year. Monthly expenditure ceilings are determined by the Resource and Expenditure Ceiling Committee based on revenue availability, but not actual expenditure projections. The cash flow forecast is then adjusted monthly in the light of ceilings but without an update for the remaining months of the year.
(iii) Information on commitment ceilings	D	Information on credible expenditure ceilings are provided monthly - but often during the month of execution and sometimes retrospectively.
(iv) Significance of in-year budget adjustments	C	Significant budget adjustments are made on a monthly basis in response to the monthly expenditure ceilings. They follow procedures and are duly recorded in IFMIS but are only partially transparent because in the absence of regular Budget Execution Reports, information on adjustments may not become public until annual financial statements are released. Moreover, a detailed justification for the distribution of the monthly ceilings, which drive adjustments is not issued.

(i) Consolidation of cash balances

311. Government bank accounts held by the BoT fall into seven categories - four exchequer accounts, into which monies are received and held pending transfer into three expenditure accounts, from which end payments are made[53]:

- Exchequer accounts, revenue;
- Exchequer accounts, recurrent expenditure;
- Exchequer development accounts – local component,
- Exchequer development accounts – foreign component;
- Recurrent expenditure account;
- Development expenditure account; and

53 The Exchequer accounts are effectively funding accounts, which could potentially go into overdraft. They are not used for end payments but only for transfers into the Expenditure accounts. The latter may not go into overdraft.

- The Deposit account for ‘non-voted’ items (where the Government effectively holds money in trust on behalf of third parties; these might include for example funding for Tanzanian participation in UN peace-keeping missions.)

312. The first six of these sets of accounts (thus excluding the non-voted account), together comprise the Consolidated Fund. The Consolidated Fund is managed by the Central Payments Office (CPO) of the Accountant General, who has responsibility for emitting Exchequer Issue Notifications (EINs) authorising the BoT to transfer funds from the relevant Exchequer accounts into Expenditure Accounts. In order to activate payments from these Expenditure Accounts, the relevant Accounting Officers from MDAs then issue Warrants or Sub-Warrants of Funds. Once funds are released through these two consecutive processes (issue of EINs and of Warrants/ Sub-warrants), payments can be generated through IFMIS by printing of cheques or, more commonly, through direct payment by bank transfer from BoT. Two electronic systems are used by the BoT to make direct payments: the RTGS (Real Time Gross Settlement System) and the EFTS, (Electronic Funds Transfer System). The latter is used for lesser amounts such as for monthly salary payments and is free of charge.

313. In addition to the Deposit Accounts for non-voted funds and the various BoT accounts which comprise the Consolidated Fund, there are several Government accounts held in foreign exchange within the Central Bank. There are of three types: Budget Support accounts, Basket fund accounts and Special Accounts - used mainly for investment projects financed by the multilateral development banks. These operate under a variety of arrangements but in general they are used for retaining GoT receipts in foreign currency in their denominated currencies up to the moment when authorisation is received – normally from both GoT and the respective funding agency, to transfer funds to the Exchequer accounts. However, payments in foreign currency – for example to overseas suppliers – may often be made directly from these funds. Individual MDAs have 2-4 accounts, but some may have 10. In totality Government has some 900 accounts in the BoT.

314. A Treasury Single Account (TSA) at BoT level is not yet in place, as restrictions apply to transfers into the Exchequer accounts from the other GOT accounts held in BoT. In particular, these restrictions make it impossible for many of the basket fund and special accounts to be consolidated with the accounts that comprise the Consolidated Fund. On the other hand, reconciliation and consolidation (where possible) of the BoT controlled accounts is done daily,

315. In addition to the BoT accounts, the central Government has a large number of accounts in commercial banks. These are essentially of two types – “transition” accounts used for the receipt of tax and other revenue payments, and project accounts, which comprise the majority. Taxes paid to commercial bank accounts are transferred daily to the BoT. However, MDAs collecting non tax revenue that can be retained keep this in special accounts, mostly in commercial banks. The retained amounts are spent outside of BoT accounts and not transferred to the Consolidated Fund.

316. The 2013 PEFA assessment indicated that GoT held 29, 022 accounts in commercial banks with a total balance of Tsh. 832 billion. The majority of these were used for development projects. This situation impeded efficient cash management, as GoT had no access to the balances held in commercial bank

accounts. Access to these would have permitted GoT to offset temporary shortfalls in financial resources during the year and thus to facilitate orderly budget execution.

317. The current status of the number of commercial bank accounts and their balances has not been available for this assessment. Section 15 of the Public Finance Act of 2001provides that "No public or official account shall be opened in any bank without the authority in writing of the Accountant General". In addition, the accounting manual requires accounts in commercial banks to be reconciled and reported annually. Nevertheless, there is widespread anecdotal evidence that these regulations have not been consistently followed. Thus, the current number of commercial bank accounts and corresponding balances seems likely to be of an order of magnitude, similar to that identified in the 2013 PEFA.

318. The number of commercial bank accounts that are not consolidated and the absence of a single treasury account system for BoT accounts leads to the conclusion that many cash balances are not consolidated. Indeed, in the absence of evidence to the contrary, we estimate that the unconsolidated balances in commercial banks and in BoT special accounts comprise more than 25% of GoT cash balances. **The rating of this dimension is therefore a "D"**.

(ii) Cash forecasting and monitoring

319. Cash flow forecasts for the year are prepared for all votes and submitted to MoFP by the MDAs when the budget is approved. They are updated monthly, but only for the up-coming month rather than for the year as a whole. In addition, these updates are mainly based on new data on revenue inflows, as projections of expenditure needs are not systematically updated.

320. The Resource and Expenditure Ceiling Committee meets monthly to monitor and analyse cash availability and determine payment ceilings for each vote and month. The committee is chaired by the Paymaster General (PS MoF) and includes members from BoT, TRA, MoFP, MoF Zanzibar and the Planning Commission.

321. **The dimension is rated a "C"** as an annual cash forecast is prepared, but it is not successively updated each month for the whole year, based upon updated projections of cash outflows and inflows.

(iii) Information on commitment ceilings

322. Decisions and information on expenditure ceilings are provided for a month at a time but not generally in advance, and at times only after the end of the month. For example, the expenditure payment ceilings for February 2017 were issued in March at the time of the PEFA field mission. Stakeholders from the MDAs confirmed that this was a common occurrence. **The dimension is therefore rated a "D".**

(iv) Significance of in-year budget adjustments

323. **Budget adjustments are frequent and significant, primarily due to the need to adapt the composition of expenditure to the limits imposed by the monthly payment ceilings.** As noted in indicator PI-1, actual expenditure has been consistently lower than the approved budget in

each of the last three completed fiscal years (17% lower in 2013/14, 4.8% lower in 2014/15 and 13.1% lower in 2015/16). However, at the level of institutions, the compositional variance has been still higher, as shown in indicator PI-2 (i), which shows compositional variance of 19.2% in 2014/14, 31.5% in 2014/15 and 24.2% in 2015/16. These high variances between approved and actual budgets at the institutional level are found also with respect to budget items (i.e. the economic classification). To a degree, they reflect the Government's efforts to protect certain expenditures, such as salaries, debt servicing and capital investments, but they also suggest that certain programmes or projects are under-budgeted in the budget estimates approved by the Parliament.

324. These budget adjustments are made on a monthly basis. Evidence suggests that the correct procedures for virements and budget reallocations are followed in making these adjustments, with all such changes being made through the IFMIS system and duly recorded. There is therefore a degree of transparency but with in-year Budget Execution Reports not being regularly published[54], the details of such re-allocations may not become clear to the Parliament or to other interested parties until the time of the publication of the annual financial statements. Moreover, it is largely the distribution of monthly ceilings, which is the factor driving the monthly budget adjustments. The distribution of ceilings is decided by the committee and the rationale or basis for the decisions, except for the general shortage of funding, is not communicated. We therefore conclude that in-year adjustments to budget allocations are frequent and only partially transparent. **Dimension (iv) is therefore rated a "C".**

Progress since last assessment and key reforms under implementation or planned

325. **The predictability of in-year budget allocations constitutes a major problem area for the Tanzanian Government, where further deterioration is evident.** The corresponding indicator of the 2011 framework (PI-16) scored low in 2013 – a "C", and performance has now deteriorated further, scoring a "D+".

326. In terms of the consolidation of Government's cash balances the number of accounts outside the consolidation process is reported to have been reduced, but still remains high, causing unnecessary liquidity rationing and borrowing costs. The corresponding dimension of the 2011 framework [PI-17, (ii)] was rated a "D" in 2013, and remains a "D".

327. For information on commitment ceilings, [PI-16(ii)] the 2013 rating was a "C" indicating that reliable information was provided to MDAs one or two months in advance. The rating according to the old framework drops to a "D" as the advance notice now is less than a month. The new framework rating is also a "D" for the same reason.

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54 See indicator PI-28. No quarterly Budget Execution Reports were published during the 2015/16 fiscal year nor for the first quarter 2016/ 17. A mid-year report for the first two quarters of 2016/16 was, however, released in late March 2017.

328. **The cash rationing system has a long history in Tanzania's Government, and has for many years created a situation where the budget is not credible, where arrears build up, and service delivery suffers**. With an improved financial situation, GDP growth, increased revenue collection coupled to a functioning financial management system, the time is ripe for substantial improvements. Although a concrete programme of improvements has yet to be defined, discussions on a potential way forward have been held by the PFMRP team, focused upon the following principles:

- **Improvements must start from the principle that it is the budget – rather than cash ceilings – that should set the framework of control.** This in turn requires more careful attention to the realism of revenue projections and to the completeness and accuracy of expenditure estimates.
- **Where cash ceilings are applied, these must have at least a quarterly, if not a six-monthly horizon,** with special arrangements incorporated to honour the longer term expenditure commitments required for projects.
- **The whole process of preparation, monitoring and updating of cash forecasts must be structured so as to predict cash-flow constraints** in advance and introduce corrective measures (revised borrowing plans, new revenue measures or budget revisions) which avoid the need for last minute adjustments.
- **The Resource and Expenditure Ceiling Committee should therefore change its focus from the present to the future**, looking not at the current or the forthcoming month - where corrective measures are inevitably disruptive and often ineffective – to the forthcoming quarters where corrective measures may be introduced in a predictable and less costly manner.

PI-22 Expenditure arrears

Indicator and dimensions	Score 2017	Explanation
PI-22 Expenditure arrears	**D**	**Scoring Method M1 (WL)**
(i) Stock of expenditure arrears	D	Reports generated for the article IV consultations reveal arrears above 10 % of CG total expenditure in more than two of the last three completed years.
(ii) Expenditure arrears monitoring	D	Although ad hoc monitoring of arrears takes place, there is no systematic reporting of arrears within the financial reporting system of the Central Government. As a result, data on the stock, age profile and composition of arrears is not generated annually at the end of each fiscal year.

329. This indicator measures the extent to which there is a stock of expenditure arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control.

(i) Stock of expenditure arrears

330. An estimate of the total expenditure arrears at Central Government (CG) level is reported in the annual Article IV consultations with IMF. The latest reports reveal a significant jump in the level of arrears to 11% of total CG spending in 2013/14, and 19% in 2014/15, falling to a still high level of 9% in 2015/16. (Table 3-15)

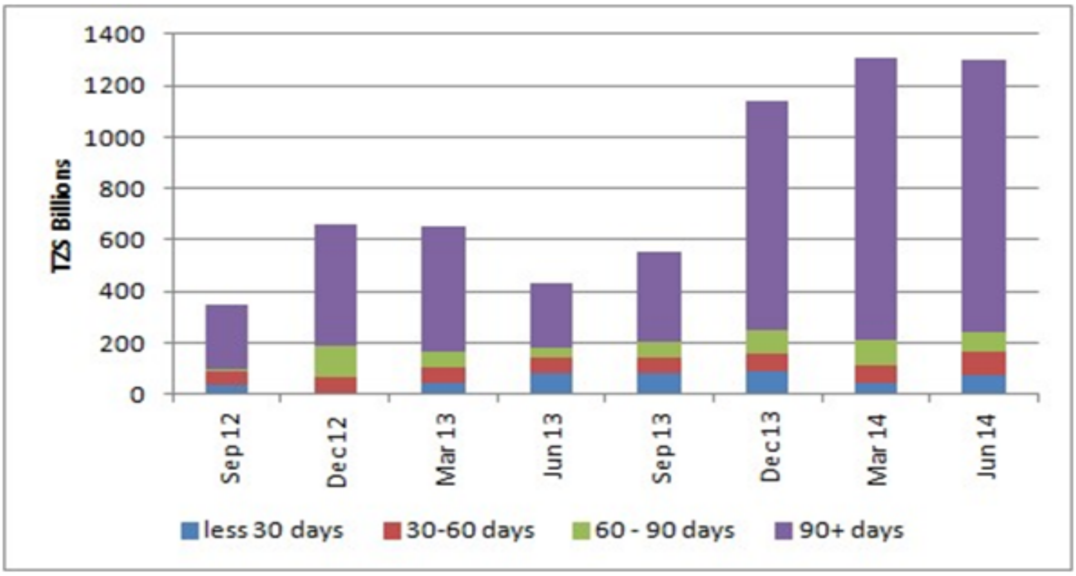
Table 3–15: Stock of arrears - Central Government of Tanzania. (Tsh. Billions)

Year	Stock of Arrears	Total CG expenditure	Stock as percentage of total CG expenditure	
2012/13	506	13 543	4%	actual
2013/14	1 148	10 182	11%	actual
2014/15	2 135	10 958	19%	actual
2015/16	1 202	14 014	9%	projected

Source: IMF Article IV reports

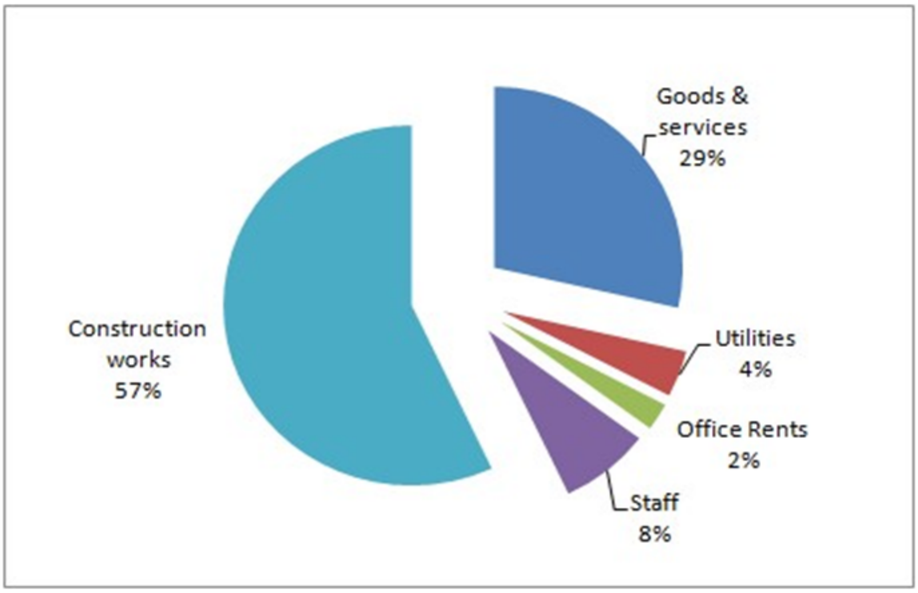
331. The IMF/AFRITAC 2014 study of arrears[55] in Tanzania reveals the age structure shown in Figure 3-1. This demonstrates a substantial increase of arrears aged more than 90 days in fiscal year 2013/14. The report also analyses the composition of arrears in terms of type of expenditure (Figure 3-2), illustrating that 57% of arrears related to construction works and nearly 30% to goods and services.

Figure 3-1: Age profile of arrears 2012 – 2014 - Central Government (Tsh. Billions)



55 Anderson, G. and A. Tripathi, (November 2014), PER study on the Prevention and Management of Payment Arrears, IMF/ Afritac East; Washington DC & Dar es Salaam.

Figure 3-2: Composition of expenditure arrears at end of June 2014



332. The stock of arrears is included in data for accounts payable in the consolidated annual statements for Government and cannot be distinguished from payments that are not yet overdue. The team were advised that separate reports on expenditure arrears are provided on a quarterly or monthly basis to the Accountant General by MDAs but it was unable to gain access to these reports.

333. The Controller and Auditor General (CAG) in his annual general report for 2014/15 notes the accumulation of accounts payable, including arrears, amounting to Tsh. 1,443 bn. In his report for 2015/16 the figure has increased to Tsh. 1 979 bn. This is below the figure mentioned in the IMF report for arrears only, and points to the existence of substantial arrears not captured in the IFMIS/EPICOR system. The figure for accounts payable showed an increase of 89 % since 2013/14. The CAG also noted expenditure arrears that were not budgeted for the following year, causing further accumulation of arrears and budget constraints. The largest portion of arrears was noted for the Police Force (27 % of total liabilities), Health and Social Welfare (13 %), Ministry of Water (10 %) and Ministry of Works (9 %). For Health, a large portion related to medical treatment in Indian referral hospitals.

334. The reports generated for the article IV consultations identify arrears above 10 % of CG total expenditure in more than two of the last completed years. Data in the consolidated financial statements of Central Government, reported upon by the CAG, are consistent with these estimates. **Dimension (i) is therefore rated a "D".**

(ii) Expenditure arrears monitoring

335. Dimension (ii) focuses on the extent to which the financial reporting system of the Central Government identifies and monitors expenditure arrears. At present, reports on arrears cannot be generated automatically through the IFMIS system during the year. Moreover, until the quarterly production of in-year Budget Execution Reports is re-introduced, it is not clear where data on expenditure arrears

could easily be incorporated into in-year reporting. In the consolidated annual financial statements for Government, arrears feature as a portion of accounts payable, but arrears or overdue payments are not presented separately from payments due.

336. The assessment team were advised that currently data on the stock of arrears (and the corresponding debtors' lists) are submitted at the end of the fiscal year by MDAs to the Accountant General, for subsequent verification by the Internal Auditor General, and inclusion in the subsequent year's budget for payment. However, these reports were not made available to the team. On the other hand, for 2015/16 some ministries provided a full presentation of their arrears according to type and age composition in their annual consolidated accounts and the assessment team were able to analyse a selection of these MDA level consolidated accounts. It seems then that the source information on arrears is maintained and monitored at MDA level, which might provide the basis for consolidated monitoring of arrears at the central level, in future.

337. Nevertheless, given that there is no regular in-year reporting of expenditure arrears and that they are combined with accounts payable in the consolidated annual financial statements, systematic reporting of arrears cannot be said to take place currently in Government's consolidated financial reporting. **Dimension (ii) is therefore rated a "D".**

Progress since last assessment and key reforms under implementation or planned

338. **High levels of expenditure arrears and weaknesses in the identification and monitoring of arrears have been persistent problems in Tanzania, reported in both the 2010 and 2013 PEFA assessments**. However, the 2017 assessment points to a further deterioration in this area since 2013, with the stock of arrears now hovering at around 10% of total expenditure.

339. The 2013 PEFA assessment reported a "C" score against indicator PI-4, Stock & monitoring of expenditure payment arrears, the same score which had been reported in 2010. The details and the points of comparison with the 2017 assessment are as follows:

- For dimension (i) relating to the stock of arrears, the rating in 2013 was a "C" as the stock of arrears was 8,5 % of total expenditure in 2012/13 (less than 10%) and the bulk of arrears was more than 90 days old (thus not diminishing). By use of the 2011 framework and the provisional arrears data presented to the IMF, the rating in 2017 would remain a "C" as the level is below 10 % for the latest year. By use of the 2016 framework this dimension is rated a "D" as the stock of expenditure arrears has exceeded 10 % in more than 2 of the last 3 completed years.
- With regard to monitoring of expenditure arrears, this dimension was rated a "C" in 2013 as the data on arrears was generated outside the IFMIS system and may not have been comprehensive. The rating is deemed to remain a "C" by use of the old framework as the reporting still takes place outside of the IFMIS system and the CAG report points towards inconsistencies. By use of the new framework the rating is a "D" as no regular data on the stock and composition of arrears is published through the CG financial reporting system.

340. **The primary obstacle to prudent arrears and accounts payable monitoring is the cash rationing system and the way EPICOR is set up to restrict payments**, as the system rejects any expenditure entries – including entries for commitments - that go above the monthly payment ceilings, or beyond the current month. As a result, the commitment function in EPICOR is rendered effectively useless because it is only possible to make commitments for payments which will be paid in the same month and which fall within the available payment ceiling[56]**.**

341. The assessment team were advised that in practice, many expenditure commitments are made outside of the IFMIS through the issue of "Calls of Order"**.**[57] When goods or services are delivered, a Delivery Note is issued but no payment is made until resources are made available through the monthly expenditure ceilings. At that point, it seems that MDAs make the corresponding commitment, the entry in accounts payable and the payment authorisation simultaneously or, at least, in quick succession. If there are insufficient resources within the monthly ceiling to complete this process, the outstanding obligation remains unrecorded, which is one of the reasons why the IFMIS is unable to identify and monitor payment arrears. For the obligations which cannot be paid during the year, entries for accounts payable are made at year's end but not comprehensively, and not in concurrence with the budget.

342. **These factors impede the proper functioning of the budget and expenditure control system and make expenditure arrears an endemic problem.** A major revision of the cash ceiling and commitment control process and the related functions of the IFMIS system would be necessary in order to tackle this problem in an effective and lasting manner.

PI-23 Payroll controls

343. This indicator is concerned with the payroll for public servants: how it is managed, how changes are handled, and how consistency with personnel records management is achieved. Wages for casual labour and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25.

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56 Normally, such a commitment would be rare: in principle, an expenditure commitment should be made at the point where goods or services are ordered, with the commitment reflecting a payment due at the time of delivery or completion of services, which for most Government operations would be more than 4 weeks in the future.

57 Many stakeholders asserted that the Government would not be able to function without breaking the commitment rules because medicines need to be provided to sick people, prisoners need to be fed, etc. Investment projects with high political priority also need to be implemented, even where the commitments cannot immediately be financed by the available ceilings. Thus, the practice is effectively condoned, which may open up opportunities for abuse, thus necessitating an audit of arrears prior to payment – further increasing costs and delays.

Indicator and dimensions	Score 2017	Explanation
PI-23 Payroll controls	**B+**	**Scoring Method M1 (WL)**
(i) Integration of payroll and personnel records	A	Approved staff list, personnel database, and payroll are integrated in the HCMIS (Lawson) system to ensure budget control, data consistency and monthly monitoring.
(ii) Management of payroll changes	A	Changes to the personnel and payroll system are updated monthly through the HCMIS system which leaves an audit trail. The number of retroactive adjustments made over a 7-month period in 2016/17 concerned only 19,219 (3.6%) of the 540,000 Central and Local Government employees on the payroll, over half of which were teachers employed by Local Government.
(iii) Internal control of payroll	B	Authority to change personnel and payroll records is restricted and results in an audit trail. Although it has not yet been possible to ensure full integrity of data, evidence suggests that data integrity is high, particularly in the light of the improvements introduced during 2016/17, with direct Presidential support.
(iv) Payroll audit	B	Frequent payroll audits are undertaken by Internal audit, CAG and PO-PSM. Between these 3 entities, payroll audits covering all CG entities would have been conducted at least once in the last three completed fiscal years.

344. The overall civil service is estimated at 540, 000 staff comprising all MDAs, Autonomous Agencies, Local Government Authorities (LGAs) – including teachers - and the Police Force. The armed forces and the staff of public enterprises are not included in this total.

345. The Public Service Act makes all public sector employers (i.e. MDAs) responsible for the management of their payroll under the overall oversight of the Public Service Management Division of the Office of the President (PO-PSM). The payroll is controlled through a computerised database known as the Human Capital Management Information System (HCMIS, commonly known as "Lawson"), managed by PO-PSM in collaboration with the financial management systems division in MoFP. The HCMIS includes all staff names and associated relevant data (e.g. dates of birth, professional qualifications), positions held by staff, salaries, and changes in employee circumstances (e.g. salary changes, promotions). Lawson was originally introduced in 2001, and upgraded (to Lawson 9) in 2011.

346. Payroll management was decentralised to MDAs during 2011-12, the MDAs now access and enter changes in personnel records into HCMIS directly, after which the PO-PSM controls and authorizes the changes. There are currently 1, 560 users across 409 MDAs that can access the system, but with varying degree of user authority. Salary payments cannot take place outside the system. The system handles statutory deductions, taxes, insurance and pension payments as well as deductions for loans, but not travel allowances.

347. The Chief Secretary, as head of PO-PSM controls the establishment list in terms of the numbers and definitions of positions in the schemes of service. Any request by an MDA to fill a vacant position, terminate a staff member's employment, increase/decrease the number of positions or to make

promotions and transfers, is validated and checked against the establishment list by PO-PSM and against the approved budget by the Budget Division and approved by the Chief Secretary.

348. Lawson integrates the staff list and the establishment list, and generates the monthly payroll based on its data, including reported changes and exceptions. The staff list contains data related to each employee's ID and bank A/C number. The system generates a monthly payroll report that is scrutinized by the HR manager in each MDA and authorized by the accounting officer in the MDA for payment. This is then controlled against budget and processed by the Central Payments Office in the Accountant General's office in MoFP, through the issue of a Dummy Voucher to the corresponding Vote and item in IFMIS. The Budget Department has read-only access to HCMIS, so that it can know the amount of payroll to be paid in future months.

349. Audit of the payroll is carried out by Internal Audit, by the CAG and also through PO-PSM controls. Ineligible salary payments have been a considerable problem in the past, but payroll cleansing exercises have resulted in a reduction. The annual reports of the CAG noted ineligible salary payments, the amount of which decreased between 2009 and 2013 from Tsh. 1.8 billion in 2009/10, Tsh.142.7 million in 2010/11 and Tsh. 55.7 million in 2012/13. The CAG however in his 2014/15 report noted that salaries paid to employees who were no longer in public service had reached Tsh. 392 million. Half of this amount related to the police department. In his 2015/16 report he noted that payments to non-existing staff had mounted further to Tsh. 1 007 million, related to 260 staff.

(i) Integration of payroll and personnel records

350. The establishment list and the staff list are now integrated in HCMIS, and changes inputted by MDAs into HCMIS are checked and authorized by PO-PSM. The system generates the monthly payroll, which is checked at the MDA and against the budget in accordance with a Government circular.

351. **The dimension is rated an "A"** as the approved staff list, personnel database, and payroll are directly linked to ensure budget control, data consistency, and monthly reconciliation.

(ii) Management of payroll changes

352. Changes to the payroll are processed on a monthly basis: so long as the Human Resource Officers (HROs) in the MDAs enter the relevant changes by the 9th of the month, the approval process by PO-PSM normally allows such changes to be incorporated in the same month[58]**.** The exception is in respect of approval of new recruits, where delays can reach 2 or 3 months in respect of staff recruited by Local Government Authorities, where consultation with PMO-RALG and potentially the lead sector ministry is likely to be necessary. For Central Government ministries, the approval of new recruits and their

58 This was confirmed to the assessment team by the Ministry of Education, Science & Technology and Dodoma Municipality, in addition to PO-PSM itself.

entry onto the payroll can usually be processed within one month, so long as there is a budget provision and a vacancy within the establishment list. All changes to the payroll are processed through the HCMIS (Lawson) system and thus generate an audit trail, including all relevant approvals.

353. Retroactive changes to the payroll are occasionally necessary either because HROs submit changes later than the 9th of the month or in the case of new employees where confirmation of employment takes longer than one month. PO-PSM were able to provide a print-out from the HCMIS system, demonstrating that the retroactive payments processed from July 2016 to February 2017 related to 19, 219 employees out of the 540,000 incorporated in the payroll/ HCMIS system, of whom 11,209 were in the education sector, employed at LGA level.

354. In summary, we conclude that a) changes to the personnel and payroll system are updated monthly through the HCMIS system which leaves an audit trail and b) the number of retroactive adjustments made over a 7-month period in 2016/17 concerned only 3.6% of the 540,000 Central and Local Government employees on the payroll, over half of which were teachers employed by Local Government[59]**. This dimension is therefore rated "A".**

(iii) Internal control of payroll

355. The authority to change records and payroll is restricted and results in an audit trail. However, the CAG annual reports on 2014/15 and 2015/16 pointed to some problems with ineligible payment of salaries, specifically in the continuation of salary payments to staff in retirement, deceased or suspended – commonly known as "ghost workers". The 2016/17 Budget Speech of the Ministry of Finance & Planning also highlighted this as a continuing challenge.

356. The assessment team's interviews with PO-PSM, with MDAs and LGAs confirm that the source of the problem lies in the fact that the responsibility for notifying the HCMIS system (and thus PO-PSM) of any departures from public service (for whatever reason) lies with the HROs within individual MDAs or LGAs, who in recent years have not fulfilled this responsibility in a timely manner. The HCMIS clearly identifies the HROs who are responsible but the assessment team's interviews indicate that the understanding of the control responsibility at the MDA level differs, given that the HRO would typically report to a section head and then in turn to the overall Accounting Officer of the MDA.

357. PO-PSM have taken steps to improve control over "ghosts" both by increasing the number of their own audits and taking steps to remind Accounting Officers and HROs of the regulations of the Public Service Act, which place final responsibility on Accounting Officers. PO-PSM advised that they had received strong support from the Fifth Phase Government of President Magufuli and reported that during 2016/17, 9,000 deletions had been made from the payroll (corresponding to "ghosts"). In

59 With 11,209 of the 19,219 being education sector employees primarily employed at LGA level, the number of CG employees for whom retroactive salary adjustments were made was clearly less than 3%.

Dodoma Municipality, the assessment team were also advised of specific steps to improve control over the payroll, following directives received.[60]

358. Authority to change personnel and payroll records is restricted and results in an audit trail but it has not yet been possible to ensure full integrity of data which would be required for an "A" score. However, evidence suggests that data integrity is high, particularly in the light of the improvements introduced during 2016/17, with direct Presidential support. **A "B" score is therefore accorded to this dimension.**

(iv) Payroll audit

359. Three entities conduct payroll audit - CAG, Internal audit and PO-PSM. For PO-PSM, the majority of these audits are restricted to (desk-based) system checks, although some physical audits on-site are also undertaken. For IAG and CAG, all payroll audits undertaken have included both system checks and physical checks/ site visits. In addition to verifying that payees exist and are receiving the correct pay, these audits have also examined the correctness of documentation of payees and, in particular, the correctness of their qualification certificates.

360. The assessment team have not been able to access data on the precise institutional coverage over the last three fiscal years of the payroll audits undertaken by PO-PSM, Internal Audit and CAG. However, it has been able to examine some examples of payroll audits undertaken by specific Internal Audit Units, and to review the annual reports of IAG, which provide a partial but substantial sample of IA work undertaken each year. In addition, the team has studied the reports on payroll included in the CAG's annual reports for the last three completed fiscal years. Based on this documentation and interviews with these three parties and with MDAs, we conclude that payroll audits covering all Central Government entities would have been conducted at least once in the last three completed fiscal years. **On this basis, dimension (iv) is rated a "B".**

Progress since last assessment and key reforms under implementation or planned

361. **Following the 2016 PEFA framework the overall indicator score is now a "B+".** The corresponding indicator in the 2011 framework (PI-18, *Effectiveness of payroll controls*) was rated a "B" in 2013, but is now rated a "B+", reflecting the steady improvements made in payroll control:

- For Dimension (i) related to integration of personnel and payroll data, the rating was "B" in 2013 and is now an "A".

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60 In Dodoma Municipality, the District Executive Director had introduced a system requiring all section heads to sign off on the payroll each month and confirm its correctness against attendance records.

- For management of payroll changes – previously phrased as the timeliness of such changes [Dimension (ii)], the rating was a "B" and would remain the same, even if payroll updates are more timely, given that retroactive changes are occasionally made.
- Dimension (iii) covering internal controls of the payroll was rated "B" in 2013 and would be an "A" using the 2011 framework.
- The extent of payroll audit [Dimension (iv)] was rated "B" in 2013. The rating is still a "B" by use of both frameworks.

362. **The functioning of the payroll and personnel system has improved considerably over the years.** The move to decentralize authorization and significant controls to the MDA level is a sound basis for accountability. Some issues remain with regard to ineligible salary payments ("ghosts"), although progress has been made in addressing this issue during 2015/16 and, more especially, in 2016/17. The existing system enables accountability for the payroll but, for this to take full effect, efforts need to continue to take to task HR Officers and Accounting Officers that do not exercise their control, something that has been happening in 2016/17, with direct Presidential support.

363. Steps to further integrate the Payroll and IFMIS systems are planned. Such integration can improve control, accounting and reporting quality. However, this type of integration is technically complicated and the selection of systems and the degree of integration needs to be reviewed carefully. There are various examples internationally of failure and of unexpected problems: hence, experiences from other countries should be studied before proceeding with potentially expensive investments in further system integration.

PI-24 Procurement

364. This indicator examines key aspects of procurement management. It focuses on transparency of arrangements, the degree of emphasis on open and competitive procedures, the monitoring of procurement results, and the extent of access to appeal and redress arrangements.

Indicator and dimensions	Score 2017	Explanation
PI-24 Procurement	**C**	**Scoring Method M2 (AV)**
(i) Procurement monitoring	D	PMIS data compiled by PPRA from source information provided by procuring entities is complete for a majority but not most central Government procurements. It includes information on what has been procured, value of procurement and who has been awarded contract but data on procurement methods utilised is not systematically available.
(ii) Procurement methods	D	There is no formal report from PPRA on numbers of procurements by type and value for 2015/16, and therefore it has not been possible to estimate accurately the percentage of the value of contracts awarded by competitive methods.
(iii) Public access to procurement information	C	Four of the six key procurement information elements are complete and reliable for Government units representing most procurement operations and are made available to the public. However, only two of these are made available in a timely manner.
(iv) Procurement complaints management	A	The procurement complaints system meets all six PEFA criteria for the effectiveness of an independent administrative complaint resolution mechanism.

365. Public procurement is governed by the Public Procurement Act (PPA, No. 7 of 2011) as amended in July 2016. New public procurement regulations were published through Government Notice 333 and have been in use from 30th, December 2016.

366. The Public Procurement Regulatory Authority (PPRA) is charged with regulatory functions and vested with oversight powers and responsibilities on all public procurement activities carried out by all public bodies in Mainland Tanzania. The objectives of PPRA are to:

a. Ensure the application of fair, competitive, transparent, non-discriminatory and value for money procurement standards and practices;
b. Set standards for the public procurement system;
c. Monitor compliance of procuring entities; and
d. Build procurement capacity, in collaboration with the Public Procurement Policy Division in MoFP and other relevant professional bodies.

367. PPRA produces an annual performance evaluation report (APER), the production of which started in 2005. The latest report covers the financial year 2015/16 and was produced in September 2016. These reports cover performance reviews and statistics for both the PPRA and the procuring entities of Government, including MDAs, Local Government Authorities, parastatal organisations, autonomous Government agencies, and water authorities, as well as Regional Secretariats (In total 493 organisations for 2015/16). In accordance with the 2015/16 report a total of 322 procuring entities reported 109,575 awarded contracts to a total value of Tsh. 3,001 billion. The major share of this total relate to contracts

awarded by parastatals (43,5 %) and autonomous Government agencies and water authorities (28 %). The share of Ministries was 12,8 % and LGAs 10,7 %.

368. PPRA operates a Procurement Management Information System (PMIS), accessible on-line and on internet. The system had 375 authorized and registered users in 2015/16. A tender portal is used to publish data from the system, as well as legislation, guidelines, forms, contact data, etc. (www.ppra.go.tz, and http://tender.ppra.go.tz). Tender notices and awards are published on the websites for the procuring entities (PEs). For 2015/16, 30% of the PEs submitted their annual procurement plans by use of the PMIS whereas 69.6 % submitted manually. General procurement notices were received from 50 % of the PEs in addition to 1, 280 specific tender notices. PPRA published all of these in the PMIS.

(i) Procurement monitoring

369. Data records are maintained by many MDAs, with some of the corresponding plans and information presented in PMIS and on the PPRA website. For example, 18 out of the 21 ministries in existence in 2015/16 submitted information on contract awards to a value of Tsh.383 billion. Among the information submitted to PPRA is included information on the procurement methods used as well as the value of procurement and details of contract awards. However, the details are not complete. Although 99% of procuring entities (PEs) submit their annual procurement plans for publication, only around 50% of the PEs submitted their general procurement notes and contract award information. In the APER performance assessment, MDAs received a low percentage ranking on the use of systems developed by PPRA – only 52 %. PPRA is dependent on cooperation from MDAs to produce PMIS data and has not been able to ensure there is complete data available centrally for all procurement methods.

370. The Internal Auditor General, in the annual internal audit report for 2015/16 for MDAs notes that the Ministry of Health and Social Welfare had procured goods, services and consultancy worth Tsh. 294.8 million that were not included in their annual procurement plan.

371. Thus, PMIS data compiled by PPRA from source information provided by procuring entities is complete for a majority but not most central Government procurements. Moreover, data on procurement methods utilised is not systematically available. **Dimension (i) is therefore rated a "D".**

(ii) Procurement methods

372. In accordance with section 64 of the PPA (2011), a procuring entity engaging in the procurement of goods, works, services, non-consultancy services or disposal by tender shall apply competitive tendering. There are, however, provisions for urgent procurement. Specific rules also apply for procurement under Public-Private-Partnerships.

373. As was reported in the 2013 PEFA report, no consolidated data is provided related to the use of non-competitive procurement methods and/or direct purchase for urgent procurements. The PPRA performance report for 2015/16 contains an assessment of compliance level under tender processing with an overall compliance level of 78 %, and a sub-indicator for "the use of appropriate methods of

procurement" which scored a compliance of 87 %. However, precise data on what proportion of procurements were subject to competitive tender is not presented in the PPRA performance report.

374. In oral exchanges with the assessment team, PPRA estimated based on the tenders they had recorded that slightly more than 80 % of their value are subject to national or international competitive bidding, but given the known gaps in the PMIS data, such an estimate is difficult to interpret. PPRA also advised that the results of their procurement audits for 2015/16 showed that 55% of the value of audited procurements was procured through international competitive bidding (ICB) and a further 30% through national competitive bidding. Again, it is difficult to interpret these statistics without information on a) what proportion of procurement is subject to PPRA procurement audits and b) how cases are selected for procurement audits.

375. There is no formal report from PPRA on numbers of procurements by type and value for 2015/16, and therefore it has not been possible to estimate accurately the percentage of the value of contracts awarded by competitive methods. The gaps in the PMIS system do not allow such a report to be developed based on comprehensive data, although by use of a large and representative sample, it may be possible to generate a reliable estimate in future. **Based on currently available information, dimension (ii) must however be rated a "D".**

(iii) Public access to procurement information

376. Regulations are presented and available on PPRAs website, Government procurement plans are largely presented as well as bidding opportunities. Contract awards are presented, but to a lesser extent. Annual procurement statistics are presented in the annual performance report, which is available both in print and on the website. The individual cases as well as complaints mechanisms are presented on PPAA website: www.ppaa.go.tz. Information on resolution of complaints are presented for each case on the PPAA website, but not for the first level of complaints to the procuring entity. Performance is summarized in Table 3-16 below.

Table 3–16: PI-24 Public Access to Procurement information

Information element required	Information availability	Completeness and timeliness
Legal and regulatory requirement for procurement	Yes on websites and in brochures	Deemed complete and timely
Governmnet procurement plans	More than 90 % published on website	90 %, with some delay
Bidding opportunities	Published for around 50 % of MDAs by PPRA	50 %, with some delay
Contract awards	Published for around 50 % of MDAs by PPRA	50 %, with some delay
Date on resolution of complaints	Not published by first level complaints by PPRA or MDAs, but by PPAA for cases reaching them.	Complete for PPAA, with some delay
Annual procurement statistics	Published by PPRA on website and paper	Complete, without delay

377. Four of the six key procurement information elements are complete and reliable for Government units representing most procurement operations and are made available to the public. However, only two of these are made available in a timely manner. **Dimension (iii) therefore scores a "C".**

(iv) Procurement complaints management

378. Sections 96 and 97 of the Public Procurement Act (PPA) describe the mechanisms for complaints and appeals over procurement decisions. Any complaints or disputes are in the first instance to be reviewed and decided by the accounting officer in the procuring entity. A tenderer who is aggrieved by the decision of the accounting officer may refer the matter to the Public Procurement Appeals Authority (PPAA) for review and administrative decision. The fee charged for an appeal by the PPAA is Tsh. 200, 000 TZS or around US $ 92. The resolution and complaints process is clearly described in the website of PPAA.

Table 3–17: PI-24 Assessment of Procurement complaints mechanism

Complaints are reviewed by a body which:	Criterion fulfilled? (yes/no) and Justification
(1) is not involved in any capacity in procurement transactions or in the process leading to contract ward decisions.	**Yes:** *although the Accounting Officer of the procuring entity is the first authority for review of a complaint, the matter can then be referred to the PPAA which is independent of the procurement transaction and process.*
(2) Does not charge fees that prohibit access by concerned parties.	**Yes:** *The PPAA charges a fee of 200,000 TZS (approx. US$ 92), which is not prohibitively high.*
(3) follows processes for submission and resolution of complaints that are clearly defined and publicly available	**Yes**: *the PPAA is clear on the processes for resolution and complaints and the rules and procedures are described on the PPAA and PPRA websites and in brochures available to the public.*
(4) exercises the authority to suspend the procurement process;	**Yes**: *both the Accounting Officer and the PPAA can suspend the procurement process (art 100 in Public Procurement Act).*
(5) issues decisions within the timeframe specified in the rules/regulations;	**Yes:** *all cases are presented on PPAA's website, and the sample of cases analysed were all resolved within the timeframe.*
(6) issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority).	**Yes:** *in accordance with section 97 of Public Procurement Act.*
Number of criteria met:	**6 out of 6**

379. Table 3-17 summarises the different rating criteria for this dimension, and to which extent they are met. Six out of six criteria for the quality of the mechanism for review of procurement complaints are fulfilled. **The rating of this dimension is therefore an "A".**

Progress since last assessment and key reforms under implementation or planned

380. **There has been progress since 2013 both in the regulatory framework for procurement and in actual practice.** The procurement law of 2011 has been enacted and new regulations introduced. Annual procurement plans are now submitted by nearly all entities and checked by PPRA. The PMIS use and publication of procurement information is improving as noted in the PPRA's Annual Performance Evaluation Reports (APERs). On the whole, the performance assessment presented in the APER also reveals considerable progress in many indicators.

381. **However, there are important challenges to be met in order for Tanzania's decentralised model of procurement to reach standards consistent with good practise.** Challenges noted by PPRA include: better use of framework contracts to bring down prices, weak contract management by procuring entities (PEs), inadequate (procurement) staffing in PEs and inadequate capacity to apply the new procurement legislation. In addition, the overall monitoring of the procurement system by PPRA is significantly hampered by the continuing gaps in the PMIS system: efforts are needed to ensure that all procuring entities publish their procurement data on time in the PMIS and on the PPRA website.

382. **Comparing the assessment with that of 2013, the assessment is more favourable in this year's PEFA assessment.** The 2013 PEFA report left two dimensions [19 (ii) and (iii)] not rated, hence the indicator as a whole was not rated. Following the 2011 PEFA framework, the overall assessment of the indicator in 2017 is a "B". Details are as follows:

- PI-19, Dimension (i) relating to Transparency, Comprehensiveness and Competition in the legal and regulatory framework improves from a "B" to an "A", reflecting the full application of the Public Procurement Act (PPA) of 2011, through the issue of new regulations.
- PI-19, Dimension (ii) on the use of competitive procurement methods was not rated in 2013 but in 2017 is rated "D", given that precise statistics on the use of competitive methods and the adequacy of the justification for non-use were not available from PPRA.
- PI-19, Dimension (iii) concerning access to procurement information was also left unrated in 2013. In 2017, it scores a "C" as 2 out of the 4 elements the required by the 2011 PEFA framework - procurement plans, and data on resolution of complaints - are made available to the public in a complete and timely manner.
- PI-19, Dimension (iv), the assessment of an independent complaints mechanism received a "D" in 2013 due to the involvement of the procuring entity's accounting officer. The legislation is however clear that regardless of the accounting officer's verdict the complaint can be raised to the Public Procurement Appeals Authority (PPAA). The rating is therefore an "A", and it seems that it was probably wrongly rated - too low - in 2013.

PI-25 Internal controls on non-salary expenditure

383. This indicator measures the effectiveness of general internal controls for non-salary expenditures. Internal controls provide assurance that transactions are performed as intended and resources are used only where appropriate authority has been verified. This process ensures that fiscal discipline is maintained at the micro- as well as the macro- level. It also ensures that resources are allocated as intended and properly authorized and that service delivery agencies receive and use the resources provided under legal and regulatory authority and use them only for those purposes.

Indicator and dimensions	Score 2017	Explanation
PI-25 Internal controls on non-salary expenditure	**D+**	**M2 Scoring Method (Av)**
(i) Segregation of duties	C	Segregation of duties for the main incompatible responsibilities are established in laws, regulations and procedures. However, more precise definition of important responsibilities (e.g. schedules of specimen signatures) is needed, as well as further details on the operationalisation of the segregation of duties.
(ii) Effectiveness of expenditure commitment controls	C	Commitment control procedures do exist, which provide partial coverage and are partially effective. However, the existence of extensive expenditure arrears (reference to PI-22) demonstrates that the system of commitment control cannot be considered to be comprehensive, nor to effectively limit commitments to projected cash availability and approved budget allocations for non-salary items.
(iii) Compliance with payment rules and procedures	D	The majority of payments is probably done according to the established procedures for payment, but the majority of the exceptions to compliance cannot be considered to be properly authorized and justified.

384. This indicator has been assessed based on the Accounting Manual[61], a review of the IFMIS system, the CAG's annual report of the financial statements for the financial year 2014/15 and the IAGD's annual QA reports for the financial year 2014/15 and 2015/16. Reference is also made to evaluation of PI-6 and PI-22, and the evidence on which these scorings are based.

(i) Segregation of duties

385. The first dimension assesses the existence of the segregation of duties, which is a fundamental element of internal control to prevent an employee or group of employees from being in a position both to perpetrate and to conceal errors or fraud in the normal course of their duties.

[61] Government of Tanzania – Accountant Manual

386. The Accounting Manual defines clear segregation of duties between the persons responsible for 1) granting application access to users of the IFMIS; 2) technical management of IFMIS; 3) authorization of expenditure (e.g. payment vouchers), which happens outside of IFMIS; 4) insertion of transactions into IFMIS (by accounts staff); and 5) approval or disapproval of all transactions in IFMIS, ensuring compliance with financial regulations (Chief Accountants).

387. The Central Payments Office (CPO) in MoFP has the responsibility of processing payment for all MDAs on a daily basis. For Regional Administrative Secretariats and MDAs outside of Dar es Salaam region, Sub Treasury offices under the ACGEN facilitate payments. Sub Treasury offices also assist in processing payments in the IFMIS for departments in regions which are under central MDAs, after payments have been approved by the respective heads of department. The Chief Accountants, Regional Accountants and other heads of Accounts divisions are responsible for ensuring that reconciliation is done to ascertain the correctness and integrity of transactions carried out during the year.

388. The Accounting Manual states that following the approval of budgets, specimen signatures of officials who are permitted to authorize expenditure is sent to the Accounting Unit by each Warrant Holder. The schedule of specimen signatures clearly states the types of transactions that the person may authorize, the limits and the range of chart of account codes.

389. The audit of the financial statements and compliance with rules and regulations of entities in the Central Government is the responsibility of the CAG, as set down in the Constitution[62] and the Public Audit Act (2008).

390. As described above, segregation of duties for the main incompatible responsibilities are established in laws, regulations and procedures. The PEFA team was shown the IFMIS system and the processing in practice of some transactions for MDAs in central Government. The review indicated that the prescribed system for segregation of duties was followed in practice. However, the PEFA assessment team has not seen any examples of schedules of specimen signatures being developed and distributed and, in general, has received relatively limited documentation to illustrate how the segregation of duties is operationalised. We therefore judge that more precise definition of important responsibilities may be needed and that some gaps are likely to exist in the degree of detail with which the segregation of duties is specified. **The scoring for this dimension is thus rated as a "C."**

(ii) Effectiveness of expenditure commitment controls

391. The second dimension assesses the effectiveness of expenditure commitment controls. This process is singled out as a separate dimension of this indicator due the importance of such controls for ensuring that the Government's payment obligations remain within the limits of annual budget allocations and within projected cash availability, thereby avoiding the creation of expenditure arrears (See PI-22).

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62 Constitution of the United Republic of Tanzania

392. The Accounting Manual establishes the procedures for commitment control of expenditure, and features are established in the IFMIS to ensure that these are followed: the system requires a commitment control to check funds committed to the relevant line item in Accounts Payable, General Ledger and Cash Management when a payment voucher, journal voucher or manual transaction is recorded in IFMIS. If the requested funds are not available, the expenditure will not go through. When an expenditure is approved in the commitment control, an expenditure control account is debited in the Accounts Payable, General Ledger and Cash Management; which decreases funds available to the relevant line item in this account. The PEFA team tested the features of commitment control in IFMIS in practice, and noted that these are all functional.

393. However, there are two factors that impede effective commitment control: a) the monthly cash rationing system that brings significant cash constraints to the MDAs, as it tends not to be consistent with monthly needs in terms of implementing approved action plans, including procurement plans; b) Limitations with IFMIS, as it is not yet configured to accept project-related or other commitments with a horizon of longer than one month. As a consequence of these two factors, MDAs routinely make commitments outside the control of IFMIS (through the issue of "Calls of Order" or other such documentation), thus weakening the control environment and giving rise to the development of arrears. Payment arrears arise when interim payment certificates are presented for payment during the year and cash constraints prevent these from being paid straightaway. The situation is exacerbated if projects are implemented faster than planned, resulting in budgets being exceeded. In practice, what is entered into IFMIS under the monthly cash limit system is a small portion of commitments (particularly for project contracts).

394. The existence of extensive expenditure arrears in several types of expenditure (PI-22) demonstrates that the system of commitment control cannot be considered comprehensive, nor to effectively limit commitments to projected cash availability and approved budget allocations for most types of expenditure. However, commitment control procedures do exist, which provide partial coverage and are partially effective. **The dimension is therefore scored as a "C".**

(iii) Compliance with payment rules and procedures

395. The Public Finance Act (2001) and the related financial regulations specify the established rules and procedures for payment control. The PEFA team has not been able to analyse a sample of payments in the time available and has thus relied on the reports of the CAG and IAG for the assessment of this dimension. In addition, we have drawn on information gathered in relation to PI-6, regarding Central Government operations outside financial reports.

396. The CAG report for the financial year 2015/16 notes payment anomalies of the total sum of Tsh. 136.6 billion in its audit of expenditure of Ministries, Independent Departments, Embassies and Regional Administrative Secretariats (RASs). The largest findings in the CAG report are in relation to

unpresented payment vouchers (Tsh.91.3 billion, identified in 6 entities) and inadequately supported payments (Tsh.12.5 billion, identified in 29 votes).

397. The IAGD notes in their annual QA report for financial year 2014/15 that payments in 31 MDAs and RASs amounting to Tsh. 22.5 billion were either incomplete or improperly vouched (31/170=18% of entities). The calculated amount is based on audit findings in the quarterly internal audit reports received that year - 38% of planned audit reports for the year.

398. Many of the entities, where payment anomalies were identified by CAG and IAG, undertook such payments from commercial bank accounts which they managed directly either for retained fees and non-tax revenues or for external funding for development projects. As we have noted with regard to indicator PI-6, the amounts held in such accounts are estimated to be substantial and both interviews and CAG and IAG reports suggest that lack of compliance with payment procedures is commonplace for such accounts.

399. It may be that a majority of non-salary expenditures are compliant with regular payment procedures. However, given the known weaknesses in compliance to Government procedures regarding payments financed by retained non-tax revenues or external project financing, it seems unlikely that a majority of the exceptions to compliance with Government payment procedures can be considered to be properly authorized. The CAG and IAG reports support this judgement. **The score for this dimension is therefore a "D".**

Progress since last assessment and key reforms under implementation or planned

400. Using the 2011 methodology evaluating performance in 2017, the internal control on non-salary expenditure is rated a "D+". Thus, the rating is unchanged from the "D+" recorded in the 2013 PEFA assessment.

401. **Insufficient commitment control has been an issue in Tanzania for a long time, resulting in payment arrears.** The breaches of expenditure regulations reported by CAG and IAG remain at a significant level and widespread throughout GoT. Commitments are routinely made outside of IFMIS, with transactions made outside of the established internal control system.

PI-26 Internal audit effectiveness

402. This indicator assesses the standards and procedures applied in internal audit. The internal audit function should use a systematic, disciplined approach to evaluate and improve the effectiveness of Government processes, risk management and control. In the public sector, the function is primarily focused on assuring the adequacy and effectiveness of internal controls, the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations and programmes, the safeguarding of assets, and compliance with laws, regulations and contracts. Typical features of an operational internal audit function are the existence of laws, regulations and/or procedures and the

existence of audit work programmes, audit documentation, reporting, and follow-up activities consistent with international standards.

Indicator and dimensions	Score 2017	Explanation
PI-26 Internal Audit	**C+**	**M1 Scoring Method (WL)**
(i) Coverage of internal audit	B	Internal audit is operational for CG entities representing most total budgeted expenditures and entities collecting virtually all budgeted revenues.
(ii) Nature of audits and standards applied	C	Internal audit activities have a primary focus on financial compliance; moreover, weaknesses remain in the recently established QA process of the IAGD – both in its coverage and its ability to ensure a broader examination of the effectiveness of internal control.
(iii) Implementation of internal audits and reporting	C	Annual audit programs are developed by all IAUs and a majority of audit programmes are completed, as evidenced by the distribution of their reports to their Accounting Officers and to CAG.
(iv) Response to internal audits	C	Evidence from the 4 IAUs whose work was examined indicates that the practice of preparing management responses to IA recommendations is well established. This finding is supported by the Quarterly Audit reports received by IAGD, which show evidence of management responses in the majority of cases, even though only 50% of IAUs submit these reports. It is therefore judged that a management response is provided in the majority of entities audited.

403. The indicator has been assessed based upon: Internal Auditor General's (IAG's) annual reports for the financial years 2012/2013, 2014/15 and 2015/16; Internal Audit Manuals, handbooks and guides; IAG's QA handbook; annual audit programmes and quarterly audit reports from some MDAs; and IAG's strategic and operational plan for 2012/13-2017/18. The team also interviewed internal auditors in Dodoma Region and in the Ministry of Education (MESTVT), and had three detailed discussions with The Internal Auditor General's Department (IAGD).

(i) Coverage of internal audit

404. The Internal Audit service in the GoT was established in 1961 by the Exchequer and Audit Ordinance of 1961 and Financial Order Part II. Each Ministry, Region and Department was required to establish an internal audit unit, the head of each Internal Audit unit was to report to the entity's Accounting Officer. The Public Finance Act of 2001 strengthened the internal audit function by broadening the mandate and prescribing the establishment of Audit Committees in each MDA and RAS to oversee the internal audit units. A Systems and Internal Audit Section was established under the Accountant General's Division with the aim of strengthening, supervising and building the capacity of internal audit units in MDAs and RASs. In 2010 the Public Finance Act was amended to establish the Internal Auditor

General's Department headed by the Internal Auditor General (IAG), reporting to the Paymaster General.

405. The IAG has the overall responsibility for the internal audit function in MDAs, RASs, LGAs, Government Institutions and donor funded projects, and has the responsibility to:

a) Develop internal audit policies, standards, manuals and guidelines;
b) Develop and supervise implementation of the internal audit strategy and annual audit programme;
c) Manage and control the quality of operations of the audit units and audit committees;
d) Facilitate development of the audit cadre;
e) Liaise with the CAG, Accountant General and Accounting Officers; and
f) Make follow up of agreed audit recommendations.

406. The IAGD was able to provide the assessment team with a listing of the Internal Auditors, currently in post and of the institutions in which they work. For Central Government, this comprised 379 auditors, staffing Internal Audit Units in 20 (out of 25) Regional Secretariats and 60 MDS, including all ministries and most of the larger autonomous Government agencies[63]. The set of institutions with IAUs thus comprises approximately 85% of total CG expenditure[64] and close to 100% of revenue collection.

407. In terms of the quality of audit work undertaken, the CAG annual audit report for 2015/16 notes that from their sampled entities, various deficiencies regarding internal audit functions were identified, including non-establishment of internal audit units, and insufficient resources. In addition, unapproved audit plans were identified in 34 entities – including 14 MDAs, 17 RASs and 3 other institutions. The CAG assessment of Audit Committees' functions for the sampled entities noted that 31 entities including 14 MDAs, 12 Regional Secretariats and 5 Institutions were found with deficiencies including non-establishment of Audit Committee, non-review and approval of internal audit strategic plans. However, the majority of these deficiencies relate to small or newly established institutions - with the exception of the regional secretariats that feature rather strongly and regularly.

408. Based on the list of current staffing of Internal Audit Units, as well as the results from the CAG assessment and interviews with IAGD, we would judge that internal audit is operational for CG entities representing <u>most</u> – but not all - total budgeted expenditures and entities collecting all budgeted revenues. **The dimension is therefore rated a "B".**

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63 It is also notable that all Local Government Authorities, except those most recently established, have Internal Audit Units, although this is not relevant for the scoring of this dimension, which relates to Central Government.

64 The proportion of total Government expenditure covered by IAUs is difficult to calculate precisely because many agencies receive most or all of their budgets by transfer from their parent ministries, hence there is the risk of double-counting. In addition, the IA procedures in relation to agencies also differ by agency and sector, with some having their own IAUs and others falling under the coverage of the IAU of the parent ministry.

(ii) Nature of audits and standards applied

409. The second dimension measures the nature of audits performed and the extent of adherence to professional standards. The IAG has developed internal audit manuals and guidance material that reflect the important elements of the IPPF (International Professional Practices Framework) of the Institute of Internal Auditors (IIA). The internal audit manual includes requirements and guidance on evaluation of adequacy and effectiveness of internal control as part of an audit.

410. The IAG's annual QA report for 2014/15 identifies that only 47 percent of their sampled IA units (25 of a total sample of 53 internal audit units) conducted audits in compliance with the internal audit manual. The QA report did not specifically look at whether the audits included an evaluation of adequacy and effectiveness of internal control. The PEFA team reviewed one example of an audit file, that included what was defined as a standard evaluation of an entity's internal control system. The file showed evidence of a check on whether the required process for control of expenditure had been followed, but no evidence of a complete evaluation of adequacy and effectiveness of the internal control, as described in the internal audit manual. Findings and recommendations in the reviewed quarterly internal audit reports from internal audit units and annual reports from the IAGD also show a primary focus on compliance with financial rules and regulations.

411. A quality assurance (QA) function has recently been established in the IAGD, with the responsibility of assessing whether the work of internal audit units and audit committees are being conducted according to the guidelines and manuals issued by the IAG. The QA unit submitted its first report in January 2016, covering the financial year 2014/15. Review of the annual QA report 2014/15, the survey it was based on and information provided through interviews indicate that the QA function has made a good start, but that there are some improvements to be made before the QA function totally fulfils its role – in particular, the review of the internal audit reports could be more comprehensive in assessing actual audit practice.

412. Internal audit activities have a primary focus on financial compliance; moreover, weaknesses remain in the recently established QA process of the IAGD – both in its coverage and its ability to ensure a broader examination of the effectiveness of internal control. **The score for dimension (ii) is therefore rated a "C".**

(iii) Implementation of internal audits and reporting

413. The third dimension assesses specific evidence of an effective internal audit function as shown by preparation of annual audit programmes and their actual implementation, and availability of internal audit reports.

414. The IAG's QA report for 2014/15 reports that 94 percent of their assessed internal audit units (50 of the total sample of 53 internal audit units) have developed annual internal audit plans. Each entity is individually responsible for developing an internal annual audit plan, and also for monitoring its actual implementation.

415. Each audit unit in the MDAs and RASs is required to report on findings from their audits to the Accounting Officer in their entity, and to submit a copy of quarterly internal audit reports to the Paymaster General (where it can be reviewed by IAG)[65] , and to the CAG[66]. The IAG is required to scrutinize audit reports from audit units, and prepare a summary of major audit observations and recommendations and submit this to the Paymaster General for further action. The last years' annual reports from the IAG show that the IAGD receives a portion of the requested quarterly reports – 32 % in the financial year 2013/14, 38% in 2014/15 and around 50 % 2015/16, showing that the frequency is picking up.

416. **The CAG confirmed in interview that it receives quarterly IA reports from all units,** most often when commencing its own audit.

417. The distribution of Internal Audit reports to the appropriate parties is a key piece of evidence to demonstrate that programmed audits are completed as planned. Ideally, these would all be received by IAGD and slowly it seems that MDAs are becoming aware of this requirement and increasingly respecting it. Within the 3 sector ministries visited (MWTC, MESTVT and PO-RALG) as well as in Dodoma Regional Secretariat, the Internal Audit Units shared their quarterly reports and were able to demonstrate regular reporting to their Accounting Officers and Audit Committees[67]. CAG also confirmed regular receipt of IA reports. On this basis, we judge that annual audit programs are developed by all IAUs and that a majority of audit programmes are completed, as evidenced by the distribution of their reports to their Accounting Officers and to CAG. **Accordingly, this dimension is scored a "C".**

(iv) Response to internal audits

418. The Public Financial Regulations (2001) require the internal audit units in MDAs and RASs to review and report on the adequacy of actions taken by the management in implementing recommendations made by internal auditors. The IAG's QA report for 2014/15 noted that only 20 entities (12 percent) of those internal audit units that submitted reports included the status of implementation of recommendations made on previous internal (and external) audit reports.

419. At present, it is the responsibility of the individual internal audit units to keep record of their recommendations and management's follow up. In the five IA units where interviews were held – 3 ministries, 1 RAS and 1 LGA, there was evidence both of management response and of a structured monitoring of the response.

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65 The IAGD Operational Plan 2012/13-2016/17, referring to Public Finance Act revised in 2010.

66 Public Audit Act, Section 15.

67 Dodoma Municipality were also able to demonstrate this, although it is not relevant for this indicator which focuses on Central Government.

420. The IAGD, through the quarterly reports on audit activities which it receives, keeps a record over recommendations made in internal audit reports and follow up on these by management, and on this basis were able to confirm that a majority of those reporting do receive management responses to their recommendations. At present, the limited number of audit reports received by the IAG limits the comprehensiveness of its record but coverage is expanding and a data-base is currently being developed, which would keep a systematic record of all IA and CAG recommendations, as well as the management responses received.

421. The evidence received on management responses to internal audit recommendations is limited but nevertheless indicates that the practice of preparing management responses to IA recommendations is well established. This finding is also supported by the Quarterly Audit reports received by IAGD, which show evidence of management responses in the majority of cases, even though only 50% of IAUs submit these reports. Given these facts, we judge that a management response is provided in the majority of entities audited. **The score for this dimension is therefore considered to be a "C"**.

Progress since last assessment and key reforms under implementation or planned

422. **Our overall judgement is that there has been progress in the internal audit function since 2013.** Strengthening the internal audit function has been part of the key results areas in the current PFM reform strategy[68] (KRA4: Budget Control and oversight). The progress report for 2014/15[69] notes good progress with 88% of milestone achieved or on track. In particular, there has been good progress both in strengthening the coverage of Internal Audit and in raising professional standards.

423. **Applying the 2011 PEFA framework, the performance in 2017 is rated as a C+, which is – formally speaking - a decrease from a B in the 2013 PEFA assessment[70]**. This is mainly due to the lack of evidence of systematic management responses to audit recommendations[71]. However, it seems very likely that the assessment made in 2013 was overly positive in this aspect, and that the indicator as a whole should also have been rated a "C+".

424. **Nevertheless, it is clear that weaknesses remain in terms of the reporting by IA units to the IAGD.** The limited sharing of internal audit reports with the IAG hampers the execution of his responsibility to scrutinize audit reports from all audit units and prepare a summary of major audit observations and recommendations to be submitted to the Paymaster General for further action. This

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68 Public Financial Management Reform Programme Strategy Phase IV 2012/13 - 2016/17.

69 Public Financial Management Reform Programme (PFMRP PHASE IV), Annual Progress Report for FY 2015/16.

70 In 2017, the assessment against the 2011 indicators has been "B" for PI-21 (i) Coverage and quality of IA, "B" for PI-21 (ii) Frequency and distribution of reports; and "C" for PI-21 (iii) Extent of management response to IA findings. In the 2013 PEFA assessment, it was rated "B" for all three dimensions.

71 Under the 2011 framework, a "B" score for extent of management response to IA findings would require evidence that 'prompt and comprehensive action is taken by many (but not all) managers'. Our judgement is that the evidence is not sufficient to demonstrate this.

suggests a need for the regulatory and monitoring function of the IAG to be strengthened, ideally with the capability to sanction Accounting Officers who do not submit IA reports to IAGD on a timely basis. A stronger monitoring capability by IAGD at the central level is also likely to strengthen the timeliness and effectiveness of management responses to audit recommendations.

3.7 Pillar VI – Accounting and Reporting

425. The indicators covered under Pillar VI assess the quality of accounting and reporting systems. Specifically, they consider the extent to which accurate and reliable records of all transactions are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management and reporting needs.

PI-27 Financial data integrity

426. This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. It should be read in conjunction with PI-21 and PI-22 on *Predictability of in-year resource allocation* and *Expenditure Arrears*, respectively.

Indicator and dimensions	Score 2017	Explanation
PI-27 Financial data integrity	**C**	**Scoring Method M2 (AV)**
(i) Bank account reconciliation	B	Bank reconciliation of all Government accounts take place monthly, usually before four weeks from the end of each month.
(ii) Suspense accounts	D	Suspense accounts are not in use, and there is no alternative organised procedure to keep track of pending postings (receipts or expenditure) Transactions pending which lack information and in need of investigation are therefore not posted in EPICOR. This is rated as a deviation from best practice, as it means potential deposits/ liabilities may remain unidentified for long periods.
(iii) Advance accounts	D	Complete reconciliation of travel advances and imprest accounts takes place annually within three months of the end of the financial year. More frequent reconciliations at MDA level are reported but there is no certainty that these are complete or systematic.
(iv) Financial data integrity processes	B	Access and changes to records is restricted and results in an audit trail. There is an operational body in charge of data integrity, but evidence that financial data integrity is being regularly verified is lacking.

(i) Bank account reconciliation

427. The Central Government bank accounts under control of the BoT are reconciled on a daily basis. This takes place through a process where the daily list of transactions in the BoT accounts are provided in a soft copy format to the Accountant General's division and its reconciliation unit; the Bank reconciliation unit at ACGEN reconcile these records with EPICOR by use of a specific module that

matches the two records. Differences are detected on screen and investigated, often involving direct investigation of supporting documents and through contacts with the MDAs. Reconciliation is carried out on a daily basis, although investigation can be time-consuming.

428. A large number of commercial bank accounts – for externally financed projects and for the management of retained non-tax revenues– are kept at MDA levels. Reconciliation of these accounts is done by MDAs, and balances reported on a monthly basis to BoT[72].

429. Bank reconciliation of all active central Government accounts takes place monthly, usually before 4 weeks from the end of each month. **Dimension (i) is therefore rated a "B".**

(ii) Suspense accounts

430. A suspense account is an account in the books of an organization in which items are entered temporarily before allocation to the correct or final account. GoT does not operate suspense accounts. Any transaction pending due to lack of information and in need of investigation is therefore not posted in EPICOR, but rather kept aside awaiting investigation. This is not considered good practice: on the one hand, it means that any potential deposits will not be quickly credited to the Exchequer accounts, which delays their use for treasury purposes and opens up the possibility of misuse, pending their registration in the accounts system; on the other hand, it means that liabilities may go unidentified and due provision for those liabilities may not be made.

431. The absence of a suspense account facility or of any alternative organised procedure to keep track of pending postings (receipts or expenditure) is a deviation from best practice**. "We are aware that a "Not applicable" rating has been suggested, but still remain of the opinion that dimension (ii) should be rated "D".**

(iii) Advance accounts

432. Standing imprest accounts and travel imprests can be paid in accordance with the public finance regulations of 2001, no 56-103. Travel imprest accounts must be retired within 14 days of return. No further imprest may be advanced if the officer has an unretired imprest. Failure to retire any imprest within 30 days of the end of the financial year may lead to recovery from the salary or other amounts due. However, according to interviews, clearing of travel advances and imprest is made with considerable delays in many cases.

72 In principle, non-tax revenues collected by MDAs in commercial bank accounts should be transferred into the Exchequer Account at BoT on a daily basis and then credited back to the relevant MDA expenditure accounts at BoT through exchequer issues. However, the assessment team's interviews suggest that in practice this rarely happens both because MDAs do not have confidence in the system and because they prefer the flexibility of managing spending directly from their own accounts. See PI–6, PI-20 and PI-21.

433. Accounting for imprest and advances has improved with the upgrade of EPICOR 2011 and the application of accrual accounting principles. The CAG report does not bring up unretired imprest accounts as a problem for MDAs in his 2014/15 report.

434. The consolidated accounts for 2013/14, in the report on the financial position, contain a disclosure of current assets, under receivables and prepayments, with a narrative line in the explanatory note for "advances to staff and imprest" of Tsh. 47.3 bn as at 30 June 2014. The figure stood at Tsh. 43,1 bn as at 30 June 2013. However, this figure covers more than central budget Government. For MDAs the narrative is not revealed, but the total for receivables and prepayments for MDAs is disclosed with a figure for 2014/15 of Tsh. 30 bn.

435. The assessment team's interviews suggest that reporting and reconciliation takes place monthly in connection with monthly reporting in EPICOR and that clearing of advances and imprest accounts has ceased to be a major issue. However, as no monthly or quarterly reports have been presented for 2015/16, and the semi-annual budget execution report from December 2016 does not present the financial position, there is no documentary evidence of monthly or quarterly reconciliations. We therefore draw the conclusion that a complete reconciliation of advances and imprest accounts only takes place annually within the deadline for submission of the annual financial statements from MDAs, namely three months after year's end**. The rating for this dimension is hence a "D".**

(iv) Financial data integrity processes

436. The System Development Unit (SDU) in the Financial Management Systems Development Directorate in MoF has the responsibility for authorizations of access to Governments central FMS systems, including EPICOR and Lawson. A single sign-on (SSO) application facilitates the administration of user access and authorization for the different levels of authority in the systems. The 2015 Accounting Manual contains a description of roles of key actors and operational controls in IFMIS/ EPICOR.

437. ACGEN receives forms for requests of user registration. The requests specify the level of access requested and tasks of the user. EPICOR and Lawson both provide log reports through which it can be traced who the officers were that carried out the registration and authorisation of the individual transactions.

438. The CAG report for 2014/15 does not contain any observations related to the control efficiency of EPICOR or Lawson, but some observations related to the general ICT environment, such as for back-up and access reliability.

439. Access to records is restricted and all changes recorded, resulting in an audit trail. Moreover, there is an operational body in charge of data integrity. However, there is no clear evidence – such as regular operational reports - that financial data integrity is being systematically verified. **The rating of dimension (iv) is therefore a "B"**.

Progress since last assessment and key reforms under implementation or planned

440. **There has been some improvement in data integrity both in terms of more frequent bank reconciliation at MDA level, and greater clarity and control of access to records.** Various interviewees also confirmed that clearance of imprest accounts has improved, as no imprest is now issued before an old imprest has been cleared. However, there is room for improved frequency in the clearance of advance and imprest accounts. Moreover, there is as yet no in-year consolidation or reconciliation of imprest accounts at the central level. The non-use of suspense accounts (or of relevant alternatives to suspense accounts) is not in line with best practise: the use and prudent clearance of such accounts is essential, as a way of identifying liabilities at an early stage and making due provision for them.

441. **With respect to the 2011 Framework, the score for the corresponding indicator was "D+" in 2013 and remains a "D+" in 2017.** In the 2011 Framework, Indicator PI-22, "Timeliness and regularity of accounts reconciliation," is limited to two dimensions:

- Dimension (i) "regularity of bank reconciliation" was given a "C" in 2013 as commercial bank accounts held at MDAs were only reconciled quarterly. Current reporting suggests monthly reconciliation but no consolidated data to demonstrate this have been presented, hence the rating following the 2011 framework remains a "C".
- The rating of suspense and advance accounts was combined in the 2011 framework and received a "D" in 2013. As suspense accounts are not used, the rating is a "D" also in 2017, and as advance accounts are reconciled annually but only after three months, the rating is also a "D". The combined rate for both types of accounts following the 2011 framework therefore remains a "D" for 2017.

442. **The overall impression is that despite improvements since 2013, relatively simple, low cost changes could still make a large positive difference.** For example, improved monitoring and/or consolidation of bank reconciliation processes, the introduction of a facility for suspense accounts and a documented process of verification of financial data integrity would significantly improve performance in this area. Such measures do not, however, seem to form part of the PFM reform agenda. On the other hand, the continued use of the EPICOR and Lawson systems, and possible integration, is likely to further improve data integrity. The access and use of these systems for audit purposes, both for internal and external audit, is also an area that can be developed further.

PI-28 In-year budget reports

443. This indicator assesses the comprehensiveness, timeliness and accuracy of in-year budget execution reports. Regular in-year reporting is essential for budget monitoring and for 'early warning' of significant deviations, whether due to under-collection of revenues, over-spending against budget or under-spending (for example on development projects), and thus for timely implementation of corrective

measures. The publication of these reports ensures that budget monitoring takes place within a wider framework of public accountability and that any corrective measures are taken in a transparent manner.

Indicator and dimensions	Score 2017	Explanation
PI-28 In-year budget reports	**D**	**Scoring Method M1 (WL)**
(i) Coverage and comparability of reports	D	No in-year budget execution reports were published during 2015/16 – the most recently completed fiscal year. The coverage and classification of data in the mid-year report for 2016/17 allow direct comparison to the original budget for the main administrative headings but not for expenditure by economic classification. Details of expenditures made by deconcentrated units from CG transfers are not captured.
(ii) Timing of in-year budget reports	D	No in-year budget execution reports were published in 2015/16. The 2016/17 mid-year report was released within 12 weeks of the end of Q2.
(iii) Accuracy of in-year budget reports	D	No in-year budget execution reports were published in 2015/16. However, the format of the 2016/17 mid-year report is useful for the analysis of budget execution. It captures information on treasury releases, i.e. payment authorisation. It does not capture information on commitments nor on accounts payable. There is some analysis of budget execution but only limited examination of the causes or consequences of deviations from budget.

444. The Accountant General, in collaboration with the Government Budget Division (BMD) of MoFP produces monthly 'flash reports' of expenditure, while the Policy Analysis Department (PAD) produces an equivalent monthly report on revenue. Both are used for internal reporting purposes, notably for reporting to the Resource & Expenditure Ceiling committee that monitors the cash-flow position and sets the monthly expenditure ceilings for the MDAs. However, the focus of this indicator is on publicly available in-year monitoring reports, not on internal reports.

445. The Quarterly Budget Execution Report has traditionally been the main publicly available in-year report. Up to and including 2013/14, it was regularly produced by the PAD, normally within 3 months of the end of the quarter – as was reported in the 2013 PEFA assessment. However, no such reports were produced during 2015/16, and as such all the dimensions of this indicator score "D".

446. However, a mid-year report for the 1st & 2nd quarters of 2016/17 was made available at the end of March 2017. This was produced by the BMD, who under the requirements of the Budget Act (2015) now holds responsibility for quarterly reporting, although its production requires significant contributions from ACGEN, PAD and TRA. Below, we provide commentary on the quality and coverage of this report in relation to each dimension of the indicator.

(i) Coverage and comparability of reports

447. The mid-year execution report for 2016-17 allows for direct comparison to the original budget (approved estimates) and also to the projections (estimates) for the specific budget execution period in question (July-December, 2016 in this case). It does not include information on revised estimates (taking account of budget reallocations and virements), nor of revised projections for the forthcoming months of the budget year (January – June, 2017).

448. Actual performance for domestic revenue collections is presented to a relatively high level of detail, showing the main sub-heads of revenue (tax types, etc.). Funds received from other sources – grants, concessional loans, domestic borrowing and external non-concessional borrowing – are presented comprehensively but in less detail.

449. Expenditure data is presented at the Vote level, divided between recurrent and development – foreign and domestic. A summary of expenditure separated between debt servicing, development, and recurrent Personnel Emoluments (PE), and recurrent Other Charges (OC) is also presented, but no further details on the economic classification. The report does not include information on the actual expenditures executed by deconcentrated units and LGAs from the transfers made by Central Government[73].

450. No in-year budget execution reports were published during 2015/16 – the most recently completed fiscal year. **This dimension therefore scores a "D".** If reports had been produced in a similar format to the mid-year report for 2016/17, the dimension would have scored a "C" as the coverage and classification of data allow direct comparison to the original budget for the main administrative headings but not for expenditure by economic classification. Moreover, details of expenditures made by deconcentrated units from CG transfers are not captured.

(ii) Timing of in-year budget reports

451. No in-year budget execution reports were published in 2015/16; **this dimension therefore scores a "D"**. The 2016/17 mid-year report was released within 12 weeks of the end of Q2 and would thus have scored a "D" for timeliness. A "C" would have required release within 8 weeks, and a "B" release within 4 weeks. An "A" would require the issue of a monthly execution report within 2 weeks of the end of the quarter.

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73 Because the releases to LGAs are made in the form of conditional grants, these are broken down by PE/OC and Development, as well as by sector. (See PI-7.) However, actual LGA expenditure from CG transfers may differ significantly from releases on a quarter by quarter basis because expenditures may be made from pre-existing bank balances and new transfers may initially sit as bank balances until the expenditure implementation process advances to payment stage. There are also expenditures from own revenues, which comprise between 10 and 50% of LGA expenditures, depending on the revenue potential and capabilities of individual authorities.

(iii) Accuracy of in-year budget reports

452. No in-year budget execution reports were published in 2015/16; **this dimension therefore scores a "D".** However, the format of the 2016/17 mid-year report is useful for the analysis of budget execution. It captures information on expenditure at the point of treasury releases (the issue of authority to incur expenditure), which is effectively the stage of payment authorisation. It does not capture information on commitments nor on accounts payable, which would be of greater use in anticipating the pattern of expenditure for the remainder of the fiscal year. The half-year report does provide some analysis of budget execution but it is largely descriptive, with only limited examination of the causes or consequences of deviations from budget. If such a report had been issued during 2015/16, it would have been rated a "C" against this dimension.

Progress since last assessment and key reforms under implementation or planned

453. **This indicator scores poorly as a result of the failure to publish the in-year Quarterly Budget Execution Reports during 2015/16,** causing the score against the 2011 PEFA framework to fall from "C+" in 2013 to "D" in 2017. The assessment team were advised that this was a consequence of the confusion over the change in responsibilities for production of In-year reports, following the approval of the Budget Act of 2015. This formally transferred responsibility for their production from the Policy Analysis Division to the Government Budget Division. With the production of the mid-year report for 2016/17, it appears that the procedures for production of quarterly reports have been re-established and that their regular publication can now be expected.

454. **The PFMRP process should place higher priority on the improvement of in-year budget execution reports**, **which play a crucial role as an "early warning mechanism"** to prevent sharp deviations from planned budgetary outcomes. They should ideally serve to facilitate early adjustments in planned spending, revenue and borrowing measures so as to avoid major deviations from targets and so as to safeguard the high priority areas of expenditure. The effectiveness of in-year reports would be improved significantly by the inclusion of data on commitments and accounts payable, as well as more extensive analysis of budget execution, in particular analysis of the causes and consequences of deviations from budget. Technical assistance to upgrade the existing formats, processes and procedures for in-year reporting is strongly recommended.

PI-29 Annual financial reports

455. This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system.

Indicator and dimensions	Score 2017	Explanation
PI-29: Annual financial reports	**C+**	**M1 Scoring Method (WL)**
(i) Completeness of annual financial reports	C	The annual financial reports include much of the information required, but the migration towards accrual accounting means that some data currently is incomplete. The existence of extensive expenditure arrears entails that data on financial liabilities is also incomplete.
(ii) Submission of reports for external audit	B	In the last three financial years, the financial statements for budgetary central Government have been received by the CAG within 6 months of the end of the fiscal year.
(iii) Accounting standards	C	Accounting standards are disclosed and are consistent with the country's legal framework. It is not possible to determine the extent to which IPSAS standards are followed during the migration period to IPSAS accruals because the variations between the national standards currently being applied and the international standards are not explicitly disclosed and the gaps are not explained.

456. The indicator has been assessed based on the consolidated financial statements 2013/14 and 2014/15, because the consolidated financial statements for 2015/16, prepared by the Accountant General's Department, were not yet publicly available at the time of the assessment. The indicator has also considered the budget for the GoT for the financial year 2015/16, the CAG's audit report for the financial year 2015/16, as well as strategy and progress reports for the PFM Reform Programme and the Public Finance Act (2001, amended in 2004).

(i) Completeness of annual financial reports

457. The first dimension assesses the completeness of financial reports. Annual financial reports should include an analysis providing for a comparison of the outturn with the initial Government budget, and include information on revenue, expenditure, assets, liabilities, guarantees, and long-term obligations.

458. The Public Finance Act provides details of information to be included in annual financial reports prepared by the Accountant General. According to the Act, the financial statements should include revenues, expenditure, assets and liabilities including financing, loans and guarantees, public debt, and contingent liabilities. They should also include revenue and expenditure arrears and outstanding commitments.

459. The consolidated financial statements for the GoT are prepared annually, and include individual statements for the financial position of budgetary central Government (MDAs and RAS), LGAs, extra budgetary units, Social Security Funds and Public Corporations.

460. The statements are comparable with the approved budget, although the financial statements are shown on an entity/institutional basis while the budget is on a vote and sub-vote basis. These two presentations

are not always directly comparable, particularly in the case of autonomous institutions (such as Muhimbili hospital), funded by own revenues and by subventions incorporated within the Vote of the sector ministry.

461. The annual financial report prepared and presented by the Accountant General includes much of the information required by the Public Finance Act. It also includes an analysis comparing the outturn with the overall and initial Government budget and a reconciled cash flow statement, though not a comparative table on vote or institution/entity level. However, the migration towards accrual accounting means that some data currently is incomplete, such as the real value of assets and long-term obligations. The existence of extensive and not comprehensively recorded expenditure arrears (ref. to PI 22 and 25) entails that data on financial liabilities is also incomplete. **The dimension is thus rated a "C".**

Table 3–18: PI-29 Assessment of Consolidated Financial Statement 2014/15

Financial report	Date annual report submitted for external audit	Content of annual financial report			Reconciled cash-flow statement
		Expenditures and revenues by economic classification	Financial and non-financial assets and liabilities	Guarantees and long term obligations	
Consolidated Financial statements 2014/15	30th, Nov. 2015	Yes	Information on assets & liabilities incomplete, due to migration towards accrual accounting; and existence of incompletely recorded arrears (ref. to PI 22.)	Information incomplete, due to migration towards accrual accounting.	Yes

(ii) Submission of reports for external audit

462. The second dimension assesses the timeliness of submission of reconciled year-end financial reports for external audit. This is a key indicator of the effectiveness of the accounting and financial reporting system.

463. The Public Finance Act 2001(revised 2004) requires Accounting Officers to prepare and submit to the CAG financial statements in respect of the votes, revenues and moneys for which they are responsible within three months of the end of the FY. The Accountant General, under article 25(1) of the Act, is required within six months of the end of the FY to prepare and submit financial statements of the Consolidated Fund to the CAG for external audit.

464. The CAG, the Accountant General and the Parliamentary Public Accounts Committee members all confirmed that the 6-monthly deadline specified in the Act was systematically respected. The PEFA

team have received from the CAG the audit calendars for the audit of the consolidated financial statements for 2013/14, 2014/15 and 2015/16 for budgetary central Government. These audit calendars confirm that the 1st level review of financial statements by the Chief External Auditor in the last three financial years has taken place between 17th and 31st, December, meaning that financial statements would have been received in advance of the 17th, December. Therefore, in the last three financial years, the financial statements for budgetary central Government have been received within 6 months of the end of the fiscal year. **A "B" score is therefore accorded to this indicator.**

(iii) Accounting standards

465. The third dimension assesses the extent to which annual financial reports are understandable to the intended users and contribute to accountability and transparency. This requires that the basis of recording the Government's operations and the accounting principles and national standards used should be transparent.

466. The Public Finance Act states that all accounts submitted to the CAG are to be prepared in accordance with instructions issued by the Accountant General, regarding the basis of accounting to be adopted and classification system to be used when preparing the financial statement. and generally accepted accounting practice. The Government adopted International Public Sector Accounting Standards (IPSAS) accrual basis for the preparation of its financial statements from 1st July 2012 and produced its first IPSAS cash financial statements for the financial year 2012/2013. In the transition period for migration from IPSAS cash basis to IPSAS accrual, various transitional provisions have been adopted e.g. section 65 of IPSAS 6, section 95 of IPSAS 17 and section 116 of IPSAS 23). The GoT is scheduled to ensure full compliance by the year 2017/ 2018.

467. The CAG notes in its annual audit report for the financial year 2015/16 that it remains a challenge for the Government to develop accounting policies consistent with requirements of the IPSAS accrual basis of accounting, and that consideration of its various laws and regulations may appear in conflict with the requirements of the IPSAS accrual. The consolidated financial statements do not provide information and explanation of this discrepancy.

468. Currently, the accounting standards applied to the financial reports are consistent with the country's legal framework. The standards used in preparing annual financial reports are disclosed. However, it is not possible to determine the extent to which international IPSAS standards are being followed during the migration period – for example, at present assets are being re-valuated and are only partially reported, and accounting for arrears on accounts payable is not consistent with IPSAS. These variations between the national standards currently being applied and the international standards are not explicitly disclosed and the gaps are not explained. **Thus, this dimension is rated a "C".**

Progress since last assessment and key reforms under implementation or planned

469. **The GoT has made strong progress in migrating from IPSAS cash basis to IPSAS accrual, but, as it is still in the transition phase, some data in the financial reports remains incomplete**. As a result, there have been limited changes recorded since 2013 against the 2011 PEFA framework for indicator PI-25, *Quality & timeliness of annual financial statements*. Indeed, due to an anomaly in the scoring by the assessors in 2013, there is an apparent drop in the score from "B+" to "C+". Details are as follows:

- Regarding completeness of annual financial reports [PI-25 (i)], the existence of incompletely recorded expenditure arrears seems to have been undervalued in the 2013 PEFA report, which scores a "B" for this dimension, as opposed to a "C" in 2017. However, we would judge that it should also have been scored a "C" in 2013.
- The timeliness of submission of financial statements [PI-25 (ii)] has not changed, scoring an "A" both in 2013 and 2017.
- Based on the 2011 PEFA framework, regarding accounting standards [PI-25 (iii)] the scoring remains unchanged at "B".

470. **The assessment suggests that Government's reporting on the real value of assets and long-term obligations and, in particular, expenditure arrears needs to be strengthened**. This must be given priority if confidence in consolidated financial reports is to be sustained. To achieve full compliance with IPSAS accrual, a consideration of the various national laws and regulations that may appear in conflict with the requirements of the IPSAS accrual is also required.

3.8 Pillar VII – External Scrutiny and Audit

471. Pillar VII assesses the quality of the external audit of public finances and its external scrutiny by the Legislature. In particular, it focuses on the extent to which public finances are independently reviewed and there is external follow-up on the implementation by the Executive of recommendations for improvements.

PI-30 External audit

472. This indicator examines the characteristics of external audit. Reliable and comprehensive external audit is an essential requirement for ensuring accountability and creating transparency in the use of public funds, as it provides assurance that information in financial reports is accurate and contains no material errors that would affect the reports' interpretation. The first three dimensions of this indicator focus on the quality, timeliness and effectiveness of the audit of the Government's annual financial reports, and the fourth on the question of the degree of independence of the external audit function. The inclusion of aspects of performance audit would also be expected in a modern Supreme Audit Institution but this question is covered under dimension (iv) of PI-8, which examines the evaluation of service delivery performance within the PFM system.

Indicator and dimensions	Score 2017	Explanation
PI-30: External Audit	**C+**	**M1 Scoring Method (WL)**
(i) Audit coverage and standards	B	CAG's annual audit reports include results from audit of CG entities representing most expenditures and revenues; these have followed national audit standards which are largely compliant with the ISSAIs, and audits have highlighted relevant material issues and systemic and control risks.
(ii) Submission of audit reports to the legislature	B	For the last three completed fiscal years, audit reports on Central Government were submitted within six months of the receipt of financial reports by the CAG.
(iii) External audit follow-up	B	A formal, comprehensive and timely response to CAG audits has been made by the Executive in the last three fiscal years. However, reports from the IAG and the CAG to the Legislature show that some PAC directives and a substantial percentage of CAG audit recommendations from previous years have not been implemented. This indicates that the follow-up to audit recommendations by the Executive is not fully effective.
(iv) Supreme Audit Institution Independence	C	The CAG operates independently from the Executive, having a 5-year renewable period of tenure and enjoying significant constitutional protection from removal from office. The CAG has unrestricted and timely access to requested records. He also enjoys operational control in the execution of his budget but the budget approval process leaves a major role for the Executive and the Legislature, and has resulted in a budget not deemed by the CAG to be adequate to fulfil his mandate.

473. The indicator has been assessed based on the Constitution of the United Republic of Tanzania (1977), the Public Finance Act 2001(revised 2004), the Public Audit Act 2008, the CAG's audit reports for the financial years 2013/14- 2015/16, and documentation for the financial years 2012/13-2015/16 containing management responses and action plans to implement recommendations in the CAG's audit reports and directives from the PAC. The report from an independent quality assurance review of the CAG conducted in 2014 by AFROSAI-E[74] has also been considered. Although the CAG has responsibility for auditing public enterprises and Local Government Authorities, the scope of this indicator is limited to Central Government.

(i) Audit coverage and standards

474. Based on a review of the CAG's CG annual audit reports for 2013/14, 2014/15 and 2015/16, it is clear that audit coverage includes extra-budgetary funds and autonomous agencies as well as the ministries and departments of Central Government, highlighting relevant and material issues, as well as systemic

74 AFROSAI-E, September, 2014, *Quality Assurance Review – National Audit Office of Tanzania*.

and control risks. The audit report includes results from audit of CG entities representing most expenditures and revenues. On the other hand, as noted under PI-29, the information on assets and liabilities provided in the consolidated financial statements for the CG is incomplete, such as the real value of assets and long-term obligations, which has the consequence that the audit work conducted by CAG does not cover the totality of assets and liabilities.

475. In planning and executing audits, the CAG has a focus on significant and systemic PFM issues. The CAG conduct regularity audits, which are a combination of financial audit and compliance audit, and these audits encompass important compliance issues such as regulations on internal control and procurement. The CAG informed the PEFA team in interview that an internal Quality Assurance function had been established, with a responsibility to monitor that the policies and procedures relating to the system of quality control are relevant and adequate and operating effectively.

476. The CAG has adopted the International Standards of Supreme Audit Institutions (ISSAIs). However, as noted in the independent Quality Assurance review (AFROSAI-E, 2014), there are still improvements to be made before the SAI is fully compliant with the ISSAIs.

477. We conclude that CAG's annual audit reports include results from audit of CG entities representing most expenditures and revenues; these have followed national audit standards which are largely compliant with the ISSAIs, and audits have highlighted relevant material issues and systemic and control risks. **Dimension (i) is therefore rated a "B".**

(ii) Submission of audit reports to the legislature

478. The Public Finance Act requires accounting officers to prepare and submit to the CAG financial statements in respect of the votes, revenues and moneys for which they are responsible within three months of the end of the FY[75]. The Accountant General is required within six months of the end of the financial year to prepare and submit financial statements of the Consolidated Fund to the CAG for external audit.

479. Pursuant to Public Audit Act, the CAG shall submit to the Legislature audited reports of public entities and the consolidated fund within six months after receipt of the respective financial statements or nine months following the expiration of the financial year. This section of the public Audit Act is only applicable when the President fails to submit, within seven days after the first sitting of the National Assembly, audited reports submitted to him or her by CAG.

480. The assessment team has not received information on the precise dates when financial reports for the financial years 2012/13-2015/16 for budgetary central Government were submitted for external audit.

75 Our interviews with the CAG, the Accountant General and a small selection of MDAs suggest that a high proportion of MDAs do indeed submit their financial statements to CAG within the 3-month limit, with a copy also submitted to the Accountant General. However, the assessment team has not been able to access a comprehensive listing of the MDA reports received by CAG each year with respective dates for each.

However, the CAG's audit calendar for these years confirms that the audit of the consolidated financial statement began on 17th, December, meaning that the consolidated financial statement would have been received in early December or late November. With regard to the submission to the Legislature of the corresponding CAG reports on CG accounts for these three fiscal years, the respective dates were 17th, April 2015, 8th, April 2016 and 27th, March 2017[76]. Thus, for the last three completed fiscal years, audit reports on Central Government were submitted within six months of the receipt of financial reports by the CAG. **The dimension is therefore scored as a "B"**.

(iii) External audit follow-up

481. The Public Audit Act (PAA) provides clear regulation on how the Executive shall follow up on CAG's audit recommendations. It states that the Accounting Officer shall respond to the CAG's annual audit report by preparing an action plan of the intended remedial actions for submission to the Paymaster General (PG). The PG is required to lay the responses and action plans before the National Assembly in the next session, submitting a copy to the CAG. In preparing the action plan both the Accounting Officers and the PG shall take into account the observations of the PAC.

482. Further to the requirements of the PAA, the Internal Auditor General, working in support of the Paymaster General has taken on responsible for keeping a consolidated overview of the individual entities' responses and action plans, and has in the last three fiscal years submitted annual reports to Parliament that provide a clear and easily understandable overview of responses and scheduled actions. In the last three fiscal years, the CAG has included, as required by the PAA, an implementation status of the action plan in their annual audit report.

483. There is evidence that a formal, comprehensive and timely response to CAG audits has been made by the Executive in the last three fiscal years. However, reports from the IAG and the CAG to the Legislature show that some PAC directives and a substantial percentage of CAG audit recommendations from previous years have not been implemented. This indicates that the follow-up to audit recommendations by the Executive is not fully effective. **The scoring is thus rated as a "B".**

(iv) Supreme Audit Institution Independence

484. The fourth dimension assesses the independence of the SAI from the Executive. Independence is essential for an effective and credible system of financial accountability, and should be laid down in the

[76] Within the Tanzanian system, the CAG's report is first submitted to the President and then subsequently to the Legislature. If these two processes could be undertaken simultaneously, submission to the Legislature could in most years be made within 3 months of receipt of consolidated financial statements.

constitution or comparable legal framework. The Lima and Mexico Declarations[77] are the main sources of best practice for independence of an SAI, and identify financial independence, operational autonomy and an independent Head of SAI as a minimum to obtain this level of independence.

485. The 2016 PEFA framework focuses on five criteria for independence of the CAG, which are derived from the Lima and Mexico Declarations. Performance against each of these is as follows:

- *Independence of the CAG, including procedures for appointment and termination:* ***Yes*** – The constitution guarantees the independence of CAG in its articles 142-144. The CAG is appointed for a fixed 5-year tenure renewable once, is independent from the Executive, and is immune to any prosecution for any act, past or present that may result from the normal discharge of his duties. The regulations governing the appointment of the CAG are detailed in the Public Audit Act (PAA): 'the CAG shall be appointed by the President from among the citizens of Tanzania by birth, in doing so the President shall consider relevant professional qualifications, experience and leadership skills suitable for appointment to the post'. The fact that the CAG is elected by the President, without any involvement by the Legislature might be said to limit the independence of the CAG. However, the regulations regarding the removal and term of the CAG are set down in the Constitution, and give the CAG the same privileges as an Appeals Court Judge. The CAG can only be removed from office because of inability to perform the functions of his office, for misbehaviour or violating the provisions in the Constitution, or because of reaching the age of 60. If the President should wish to investigate the potential removal from office of the CAG, a special Tribunal must be appointed consisting of members where at least half in addition to the chairman have been Judges of the high court or court of appeal in any country within the Commonwealth.
- *Access to Public Records:* ***Yes*** - The mandate of the CAG is established in the Constitution and further elaborated in the Public Audit Act. The CAG has a mandate to yearly audit the consolidated financial statements and all accounts of the GoT (Central and Local Government, as well Public Corporations and Social Security Funds) and donor funded projects. The CAG has the mandate to perform regularity audit and performance audit. The CAG has the right to access all needed documentation concerning any type of audit[78]**.**
- *Operational Independence, in preparation of annual audit plan:* ***Yes*** – In accordance with Article 143 (6) of the Constitution, the CAG is not influenced by Government or any other institution

[77] Lima Declaration of Guidelines on Auditing Precepts, adopted by the 9th Congress of INTOSAI, Lima, 17-26 October 1977; Mexico Declaration on Supreme Audit Institutions' Independence, adopted by the 19th Congress of INTOSAI, Mexico City, 5-10 November 2007.

[78] The representatives from the CAG confirmed in interview that there have been no attempts in the last three years to remove the CAG, or any other incidents or attempts to hinder the functions of the CAG. The CAG has had no major difficulties in attaining access to information needed in audits.

in the preparation of the annual audit plan. The CAG has the prerogative to decide on which special audits to conduct.

- *Financial independence with regard to approval of budget and its adequacy****: Partial independence*** - The budget process for the CAG is decided in the Public Audit Act, which provides the CAG with partial financial independence. The CAG prepare a draft budget that is discussed with the MoFP and PAC at a consultative meeting, followed by the Minister of Finance submitting the proposed budget to Parliament for approval. The CAG representatives confirmed in interview that the budget approved by Parliament is much lower than CAG's original budget proposal. While this reflects the general financial situation of the Government, the key point is there is no specific element of Constitutional protection for the budget of the CAG/ NAOT, beyond the right to discuss the budget with the Executive and the Legislature.
- *Financial independence in execution of the budget* – ***Yes, subject to the requirements of the Public Finance Act.*** Once its budget is approved, the CAG/ NAOT receives monthly transfers from the consolidated fund. These funds are transferred into a segregated account that is managed by the Chief Accountant at NAOT. The Chief Accountant reports to the Accounting Officer who is appointed by the CAG[79]. The NAOT receives monthly on-time distributions from the consolidated fund that reflect the approved budget amount and are not subject to the discretionary cash ceilings applied to the majority of the Central Government.

486. The legal framework for the CAG establishes on several matters the broad mandate and needed independence to ensure an effective and credible system of external audit. In particular, the CAG operates independently from the Executive by having a 5-year renewable period of tenure and enjoying significant constitutional protection from removal from office. Moreover, the CAG has unrestricted and timely access to requested records. He also enjoys operational control in the execution of his budget. However, the approval of the budget leaves a major role for the Executive and the Legislature and has generally resulted in a budget which is not deemed by the CAG to be adequate to fulfil his mandate. **The score for this dimension is therefore a "C".**

Progress since last assessment and key reforms under implementation or planned

487. **The CAG continues to be an important and trusted part of the accountability chain of the public sector in Tanzania.** Steady improvements have continued to be made in the coverage, quality and timeliness of external audit.

488. **As a result, scores against the 2011 PEFA framework have improved from a "C+" in 2013 to a "B+" in 2017.** This has been due to improved scores in two dimensions. The score for the timeliness of the external audit report on CG financial statements (PI-26 (ii) in the 2011 framework)

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[79] As is the case with all Accounting Officers, the CAG's Accounting Officer is approved by the Paymaster General, takes direction on accounting policies from the Paymaster General and may be relieved of duties by the Paymaster General.

has improved from a "B" to an "A" score, as submission in the last three fiscal years has been consistently within 4 months of the receipt of annual consolidated financial statements. The score for the quality of follow up to audit recommendations [PI-26 (iii)] has also improved from a "C" to a "B", reflecting the improvements in the recording and reporting of the Executive's follow up actions by the IAG and the CAG.

489. **The need for improved follow-up by the Executive of external audit recommendations remains an issue.** While there is now an established system for keeping a record and overview of recommendations and responses to these, a strong framework for promoting implementation of action plans and directives is lacking. As a result, a significant proportion of the recommendations made by the CAG or by the PAC are not actioned, or only actioned with a significant delay, which clearly undermines the effectiveness of external audit.

490. **Moreover, there are still issues to be addressed before the CAG is fully compliant with ISSAIs in conducting audits.** The CAG plans to address these issues by participating in the 3i Program of the INTOSAI Development Initiative, a capacity building programme supporting SAIs in developing countries to implement the ISSAIs.

491. Strengthening the external audit function has been an important part of the PFM reform strategy (KRA4: Budget Control and oversight). The current reform programme focuses on capacity building initiatives, aimed at strengthening the technical knowledge of auditors in conducting audits. However, included within the programme is also a review of the legal framework for the CAG. It will be important that this review should identify institutional measures to address the weaknesses identified in the 2017 PEFA, notably in the framework of follow up to CAG and PAC recommendations (where, for example, consideration might be given to a more effective system of sanctions for lack of implementation).

PI-31 Legislative scrutiny of audit reports

492. This indicator assesses the process of scrutiny by the Legislature of the audited financial reports of Central Government and the annual audit report of the Supreme Audit Institution (SAI).

Indicator and dimensions	Score 2017	Explanation
PI-31 Legislative scrutiny of audit reports	**B**	**Scoring Method M2 (AV)**
(i) Timing of audit report scrutiny	C	In each year, the PAC's report on the CAG audit report has been presented by 31st March, in the year following tabling of the CAG report, in March or April of the preceding year. Thus, the process of scrutiny has been completed within 12 months of the receipt of the audit report.
(ii) Hearings on audit findings	A	Over the last three completed fiscal years, in depth hearings on the key findings in the CAG's reports have been undertaken with <u>all</u> entities receiving adverse or qualified opinions.
(iii) Recommendations on audit by the legislature	B	The Legislature – through the PAC – issues directives on actions to be implemented by the Executive and follows up on the implementation of these directives. However, implementation performance by the Executive is poor, suggesting that further strengthening of the follow up process is needed to make it more systematic.
(iv)Transparency of legislative scrutiny of audit reports	C	PAC reports are provided to the full chamber of Parliament and made available to the public on the official Parliament website. PAC hearings are not conducted in public, even though members of the press are invited.

493. In line with the requirements of the Public Audit Act (2008), the CAG is required to present before the Legislature and the Public Accounts Committee (PAC) the audited financial statements of the Central Government and of the Public Authorities & Other Bodies (PA&OBs), as well as its audit report on these accounts[80]. The PAC holds hearings on the audited accounts and the CAG's audit reports and issues directives to the Executive, which are also tabled before the Legislature.

494. The assessment of this indicator has been based on an analysis of the relevant legislation, of the CAG's reports for 2013/14, 2014/15 and 2015/16, and the PAC's reports on 2013/14 and 2014/15, as well as a detailed interview with the Chair of the PAC and several key members of her committee.

(i) Timing of Legislative scrutiny of the Audit report

495. The first dimension assesses the timeliness of the scrutiny of the Audit report, and corresponding accounts, by the PAC. As may be seen from Table 3-19, for the three most recently completed fiscal years, audited financial statements and audit reports have been systematically tabled before the Legislature by 30th, April each year – within 10 months of the close of the Fiscal Year. Because this period coincides with the time of the consideration by the Legislature of the Executive's Budget Proposal for the subsequent FY, the PAC's hearings on the audit reports cannot be held immediately

80 The audited financial statements of the LGAs and the corresponding report of the CAG are considered by the Local Authorities Audit Committee (LAAC) of Parliament.

and, therefore, are normally held in September-October of each year. In 2015, Parliament had been dissolved at this time pending the national elections; PAC hearings were accordingly postponed to February 2016.

Table 3–19: PI-31 Timing of Audit report scrutiny by the PAC

Financial Year	Date of receipt of CAG's Audit report	Dates of PAC Hearings	Date of tabling of PAC Report
2013/14	17th, April. 2015	February 2016	March 2016
2014/15	8th, April. 2016	Sept-Oct. 2016	January 2017
2016/17	27th, March. 2017	Scheduled Sept-Oct, 2017	Pending

496. As confirmed by the Chair and the Members of the PAC, in the last three fiscal years, the PAC's report on the audit report has been presented by March: in other words the process of scrutiny has been completed within 12 months of the receipt of the audit report. **This dimension therefore scores a "C".**

(ii) Hearings on audit findings

497. The PAC holds detailed hearings each year on the CAG report and the audited financial statements over a period of 4 weeks, normally in September – October. These hearings would be primarily with the Accounting Officer and other staff of the audited entity but would often include testimony from the CAG and the Accountant General. In some cases, specialist resource persons (from the universities or the private sector, for example) may also be called in. The selection of entities to be called for hearings is based on five criteria, as follows (in descending order of importance):

(i) Entities receiving adverse or qualified opinions, or audit disclaimers;
(ii) Entities, which have received repeated qualified opinions in the recent past;
(iii) Entities considered high risk areas;
(iv) Entities considered of strategic importance to the FYDP II;
(v) Entities with high expenditure share in the budget.

498. Over the last three completed fiscal years, in depth hearings on the key findings in the CAG's reports have been undertaken with all entities receiving adverse or qualified opinions[81]. **Dimension (ii) therefore scores an "A".**

81 In the CAG reports on Central Government for the last three completed fiscal years, the number of entities with adverse/ qualified opinions or disclaimers has been 10 (5.7%), 18 (9%) and 32 (14%) in 2013/14. 2014/15 and 2015/16 respectively. [CAG, (March 2017), *Report on the CG Financial Statements for 2015/16*.] PAC hearings for the identified 2015/16 auditees will take place in September-October, 2017.

(iii) Recommendations on audit by the Legislature

499. The third dimension assesses the quality of follow-up to the directives issued by PAC. The PAC issues directives each year for actions to be implemented by the Executive and has a structured process of follow up, through three mechanisms:

- through a review of implementation progress during the subsequent year's PAC hearings
- through site visits by PAC members, organised to take place during the periods of Parliamentary recess;
- through a follow up on implementation of PAC directives by the CAG in the CAG's annual report on Central Government of the subsequent year.

500. There is therefore a structured process of follow-up to the PAC Directives. Despite this, the implementation record of the Executive in relation to PAC directives is poor[82]. There are two types of directives issued each year: a) PAC Directives on the CAG's annual general reports (which are generally cross-cutting directives, for follow-up by MoFP or the Office of the President); and b) PAC Directives on individual audit reports (for direct follow-up by the audited entity.) Within the former category, of the PAC directives issued on the accounts of the 4 years 2011/12 – 2014/15, by the time of the 2015/16 CAG Annual Report, only 7% had been implemented with 67% still under implementation and 26% either not implemented or overtaken by events. In relation to the PAC Directives on individual audit reports for 2014/15 (issued in March 2016), implementation performance was better with 35% implemented, 30% under implementation but 35% either not implemented or overtaken by events.

501. We conclude from these data that there remain some deficiencies in the process of follow up. Indeed, when interviewed, PAC members highlighted weak follow-up as a significant problem. In response to this, the PAC have discussed a proposal for the Legislature to create a separate committee, charged exclusively with the follow up of PAC directives through the medium of quarterly progress meetings with the Executive, backed up by site visits.

502. Thus, the Legislature – through the PAC – issues directives on actions to be implemented by the Executive and follows up on the implementation of these directives. However, implementation performance by the Executive is poor, suggesting that further strengthening of the follow up process is needed to make it more systematic. **Dimension (iii) therefore scores a "B".**

(iv) Transparency of Legislative scrutiny of Audit reports

503. The fourth dimension considers the transparency of the PAC's scrutiny process, in terms of the degree of public access. In this respect, the reports of the PAC are published on the official website of the

82 As reported in CAG, (March 2017), *Report on the CG Financial Statements for 2015/16.*

Tanzanian Parliament, www.parliament.go.tz, after their presentation to Parliament. In addition, the hearings of the PAC are open to the press – indeed, members of the press are systematically invited. However, there is no mechanism in place by which other members of the public may be able to attend PAC hearings, and furthermore the rooms utilised for PAC hearings are not readily adapted to include observers from the general public. Proposals have been discussed within the Legislature to introduce facilities to broadcast on radio or television the PAC and other committee hearings, as well as plenary debates. However, such facilities are not in place as yet.

504. Thus, the reports of the PAC are provided to the full chamber of Parliament and made available to the public on the official website of the Parliament. However, PAC hearings are not conducted in public, even though members of the press are invited. **This dimension therefore scores a "C".**

Progress since last assessment and key reforms under implementation or planned

505. **The quality of Legislative scrutiny of external audit reports has improved since the 2013 assessment.** Against the 2011 PEFA framework, the scoring for this indicator has improved from a "D+" in 2013 to a "C+" in 2017. This has been due to improvements in three areas:

- In the timing of the tabling of the PAC reports (now submitted to Parliament within 12 months of the receipt of the corresponding CAG audit reports);
- In the scope of the PAC hearings, which now cover <u>all</u> entities receiving adverse or qualified audit opinions or audit disclaimers; and
- In the quality of follow-up to the PAC directives issued for implementation by the Executive.

506. These improvements essentially reflect the diligence and hard work of the PAC committee members. In addition, there has been effective support provided under the PFMRP, in terms of capacity building, support to the PAC secretariat, and funding of site visits by PAC members as part of the follow up process. The two key areas for future support relate to (i) improving the quality of follow up to PAC directives and (ii) improving the degree of public access to PAC hearings.

4. Conclusions of the analysis of PFM systems

507. This chapter presents a summary of the conclusions emerging from the detailed analysis of the 31 indicators of the 2016 PEFA framework, as presented in chapter 3. It comprises four sections:

- We first present an integrated assessment of the results, reviewing PFM performance against the seven pillars of the PEFA framework;
- We examine the implications of the assessment for the achievement of the three core objectives of the PFM system (Maintenance of aggregate fiscal discipline, Strategic allocation of resources; and Efficient service delivery);
- We then review the key changes since the 2013 PEFA assessment, in order to get a sense of the 'direction of travel': which are the areas of most and least progress?
- Finally, we examine what the assessment reveals about the effectiveness of the Internal Control framework.

4.1 Integrated assessment of PFM performance

508. A one-page tabular summary of the results of the 2017 PEFA assessment, applying the 2016 framework, is presented in Table 0-1 in the Executive Summary. Annex I presents the same information, with summary explanations of the scores accorded to each dimension, while Annex II shows the changes in performance from 2013 to 2017, against the 28 PFM-related indicators of the 2011 PEFA framework.

Table 4–1: 2017 PEFA Assessment of Tanzania Mainland - Summary of PEFA scores by Pillar (2016 Framework)

Pillar	A, B+, B	C+, C	D+, D	Total
I. Budget Reliability & Credibility		1	2	3
II. Transparency of Public Finances	1	3	2	6
III. Management of Assets & Liabilities	3		1	4
IV. Policy-based fiscal strategy & Budgeting	2	1	2	5
V. Predictability & Control in Budget Execution	2	3	3	8
VI. Accounting & Reporting		2	1	3
VII. External scrutiny & Audit	1	1		2
TOTAL (31 Indicators)	9	11	11	31

509. Table 4-1 presents a summary of the results by pillar. "A" and "B" scores can generally be interpreted as consistent with international good practice, while "C+" and "C" scores reflect a basic level of functionality, and "D+" and "D" scores generally reflect sub-standard performance. This table, along with Tables 4-2 and 4-3, looking specifically at high and low scores, helps to provide a snapshot of the current situation. However, the relative importance of the indicators does differ and to a degree is

country-specific[83], The discussion below considers the relative importance of the scores for Tanzania, reviewing performance within each pillar.

Table 4–2: 2017 PEFA Assessment: Where is Tanzania achieving good practice?

Pillar	Indicators scoring "A"s or "B"s	A, B+, B
I.	**No "A"s & "B"s**	0
II.	**PI-6: CG operations outside financial reports**	1
III.	**PI-10: Fiscal risk reporting;** **PI-12: Public Asset Management;** **PI-13: Debt Management**	3
IV.	**PI-17: Budget preparation process;** **PI-18: Legislative Scrutiny of Budgets**	2
V.	**PI-20: Accounting for Revenue;** **PI-23: Payroll Controls;**	2
VI.	**No "A"s & "B"s**	0
VII.	**PI-31: Legislative Scrutiny of Audit reports**	1
	Total:	9

Table 4–3: 2017 PEFA Assessment: Where do Tanzania's systems need improvement?

Pillar	Indicators scoring "D+" or "D"	D+, D
I.	**PI 2 & 3: Budget Credibility indicators**	2
II.	**PI-5: Budget Documentation;** **PI-9: Public Access to Fiscal Information**	2
III.	**PI-11: Public Investment Management**	1
IV.	**PI-15: Fiscal Strategy;** **PI-16: Medium-term perspective in expenditure budget**	2
V.	**PI-21: Predictability of In-Year Resource Allocation;** **PI-22: Expenditure Arrears;** **PI-25: Internal controls on Non-salary spending**	3
VI.	**PI-28: In-Year Budget Reports**	1
VII.	**No "D"s**	0
	Total:	11

Pillar I: Budget reliability (PI. 1 –3)

510. **Budget reliability is a significant area of weakness in Tanzania**, scoring "C" for the aggregate expenditure out-turn (PI-1), "D+" for Expenditure composition out-turn (PI-2) and "D+" for revenue out-turn (PI-3). The capability to define a realistic budget and to collect revenues and execute

83 Not all indicators are equally important – some cover aspects which are essential to a functional PFM system, whereas others cover aspects which are highly desirable but not essential for basic functionality. Secondly, their importance is to a significant extent country-specific: for example, transfers to subnational Governments are less important in countries where the functions of SN Governments are very limited.

expenditures in line with the budget is fundamental if the State is to use its public budget as a tool of development policy, to attain strategic objectives and promote growth and social welfare. At present, Tanzania is falling short of this goal.

511. **Receipts of Government revenue in the period under review have been consistently below the targets forecast in the approved annual budget** (see Table 3-9). In the last three fiscal years, collections averaged 88,1% of the total revenue budgeted. As a result, borrowing has been higher than planned, payment arrears have accumulated and substantial budget reallocations have had to be made to keep aggregate expenditure broadly consistent with resource limits.

512. A considerable part of the difference between budget and execution can be explained by the variance in the grants items, where actual receipts have always been less than 70% of budget and in 2015/16 were less than 35% of budget, due to the suspension of all programme grants (Budget Support).

513. Over the three-year period, performance has also been poor with regard to the consistency of domestic revenue collections with respect to budget forecasts but there was a clear improvement in performance in 2015/16, with collections of domestic revenue exceeding budget forecasts, and rising by 28.5% with respect to 2014/15. Most tax revenue items hit the forecast target and the overall variance was positive (101.5%), with only VAT performing below target.

514. The improved performance in 2015/16 of domestic revenue collections with respect to forecasts was achieved through deliberate efforts to control tax exemptions and to improve revenue administration. Improvements in budget reliability in future will rely on maintaining this trend, while also developing more realistic budget forecasts for external grants, and ensuring that expenditures are accurately budgeted. The difficulty is that after several years of unrealistic budgets, the good habits of rigorous, accurate budgeting are easily lost: **achieving lasting change is therefore likely to require prioritisation *at the political level* of budget reliability,** backed up by a rigorous process of in-year budget monitoring and review.

Pillar II: Transparency of public finances (PI. 4–9)

515. **Within the transparency pillar, significant improvements have been made in the quality of reporting on Central Government extra-budgetary operations** (PI-6). All extra budgetary units of Central Government now submit annual financial reports to the ACGEN and the CAG. In addition, although there is evidence of continued under-reporting of collections (and corresponding spending) of internally generated funds (non-tax revenues) and under-reporting of project spending financed by external grants, both of these areas have seen improvements.

516. **Against the new indicator of performance information for service delivery, the Tanzania PFM system is rated a "C".** This is one of the more challenging indicators in the 2016 PEFA framework, addressing a set of issues not normally addressed in traditional PFM systems. However, good progress has been made through the work that has been undertaken to develop the MTEF, as

well as through the growing body of performance evaluation being undertaken by the NAOT in its performance audits and, to a lesser extent, through PER studies.

517. Nevertheless, significant work is needed to refine and develop the definition of objectives, targets and activities within the MTEF, so as to focus at a higher, more strategic level (less micro) and to move towards a more precise definition of outcomes. Once the definition of outcomes is clarified and they come into regular use by MDAs, then it will become easier to define indicators by which to measure and monitor progress towards the outcome targets of the MDAs. At present, the information in the MTEF is too detailed to be easily utilised in decision-making: once there has been a shift towards a more strategic approach based upon outcomes and key outputs, then this information will become more useful for decision-making[84]. We understand that the action plan being developed for this Strategic Objective under PFMRP V anticipates work in this area.

518. **There has been a decline in performance in two key aspects of transparency: in the comprehensiveness and quality of the budget documentation submitted to the Legislature (PI-5) and in public access to fiscal and budgetary information** (PI-9). In both these areas, it is notable that the data necessary to improve the comprehensiveness of the information presented in the Budget documentation and made available to the general public are readily available. Thus, there is the scope for making "quick wins" in transparency by addressing the relatively simple requirements for meeting good practise standards in these two areas.

Pillar III: Management of Assets and Liabilities (PI.10-13)

519. Within this pillar, three indicators indicate systems and procedures broadly consistent with international good practice – debt management, fiscal risk reporting and public asset management - and one – public investment management – reveals a system which currently falls short of an adequate level of functionality.

520. **Debt management has been a traditional area of strength in Tanzania and the Government is in a good position to manage the evolution of its debt portfolio efficiently and effectively**, with the development of the 5-year Medium Term Debt Strategy (MTDS) and the completion of a Debt Sustainability Analysis in November 2016, This will be important as Tanzania graduates to middle income status and thus loses access to a significant part of the concessional loan finance on which it previously relied. The new debt strategy is focused on the one hand on maximising access to semi-concessional commercial borrowing (from the AfDB and from ECA lending), while also deepening the domestic debt market and lengthening the average maturities on treasury bills.

521. **There have been significant improvements in the monitoring of fiscal risks and contingent liabilities since the 2013 PEFA assessment**, which reported this as a significant area of weakness.

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84 See also the comments below on Pillar IV, "Policy based Fiscal strategy and budgeting".

This has been driven in particular by improvements in the accounting and financial reporting of the LGAs and by improvements in the monitoring and reporting of contingent liabilities, notably of the pension funds through SSRA. However, financial reporting by Public Authorities & Other Bodies remains weak, which significantly hampers the work of the Office of the Treasury Registrar (OTR).

522. Through the PFMRP, there have been efforts made to strengthen the OTR both through capacity building and training, and through support to the computerisation of their information system. These efforts have had a noticeable impact, although there are still deficiencies in the institutional/ legal framework of OTR and in its operational capacity. There are still conflicting provisions in the legislative frameworks for the public and statutory corporations which remain to be ironed out through a comprehensive legislative review. Secondly, on the capacity side there is a simple imbalance between the responsibilities of OTR and its supervisory and operational capacity. One potential way forward may be to reduce responsibilities in relation to statutory institutions/ agencies so as to focus OTR work more closely on public corporations and on Government holdings in private sector commercial enterprises, leaving statutory institutions and agencies – most of which are small and do not pose a significant fiscal risk – to be supervised exclusively by their parent ministries.

523. Government asset management is a new indicator within the 2016 PEFA framework; there is thus no clear benchmark against which to measure progress. Nevertheless, based on the reports of the PFMRP, it is clear that significant efforts have been made to strengthen the functions of GAMD and OTR. As a result, the systems for the management of financial and non-financial assets score relatively well in relation to international best practice. Further improvements in the quality of reporting would help to consolidate the gains made to date – notably by producing a consolidated annual report on the portfolio of financial assets and by publishing the register of non-financial assets.

524. **There remain significant weaknesses in the process of public investment management but there are important reforms being put in place through the introduction of the PIM-OM (Public Investment Management – Operational Manual) and the related structures and procedures.** Moreover, there are already processes of project screening and monitoring in place, on which the PIM-OM initiative can build. While existing systems may be weak, there is no doubt that the focus of reforms is right and that implementation is proceeding steadily. Given the importance given to capital investment by the Government of President Magufuli, it will be important to implement these reforms promptly and efficiently.

Pillar IV: Policy-based fiscal strategy and budgeting (PI.14-18)

525. **A fiscal strategy enables Government to articulate its fiscal policy objectives to the institutions of central Government, to the Legislature and to the public.** It provides the benchmarks against which the fiscal impact of revenue and expenditure proposals can be assessed during the budget preparation process. In this way, it is the fiscal strategy and the related targets that

drive the budget, rather than the fiscal position ending up as the unfortunate residual of poorly coordinated budgetary decisions.

526. **The apparently low score – "D+", in relation to the fiscal strategy indicator is partly due to the rigour with which the indicator requirements are specified**. It hides the fact that many of the underlying processes are well established in Tanzania. In particular, the definition of a fiscal strategy has for many years been the starting point in the budget formulation process. Similarly, the practice of reporting on performance against the fiscal targets of the previous year is a well-established aspect of the Minister of Finance's annual Budget Speech. In addition, Tanzania has a functional system of macroeconomic and fiscal forecasting – scoring a "C+" against the corresponding indicator (PI-14.)

527. **Building on existing practices and procedures, good progress could be made simply by <u>formalising</u> the processes of fiscal strategy formulation and reporting.** More attention to the formats used for presentation of information in the PBG and the Budget Speech could help both to make the presentation of fiscal strategy targets more explicit and to systematise the process of reporting against targets in the subsequent year. The analytical capacities and tools necessary to do this are in place because the corresponding internal reports and procedures exist: the priority must be to make available the information, produced for internal purposes, in an explicit and systematic manner within the Budget Speech and the PBG.

528. **Despite the fact that the MTEF has been formally in existence since the late 1990s, the current system still remains a long way from serving the objectives for which it was designed** – namely to improve the programming of spending over the medium term, to focus spending more closely on results and to generate predictable resource flows for MDAs. On the other hand, development of a robust medium term expenditure framework is a challenging undertaking for any country and it is not surprising that limited progress has been made in recent years. A precondition for any MTEF to work well is that there should be a reasonable degree of consistency and predictability in the annual budget. This has not been the case in Tanzania, as may be seen from the poor scores on Pillar I. If MDAs are conscious that even annual budgets are rarely implemented as planned, then they will naturally be sceptical of the usefulness of making detailed medium term projections and are very unlikely to undertake the task with any degree of rigour.

529. **An additional problem has arisen from the peculiarly detailed format that has been chosen for the formulation of medium term projections on the basis of detailed activity-based costing.** Apart from the heavy burden of work that the preparation of such formats must represent, their length and complexity make them very difficult to adapt and change in the light of the budget scrutiny process. A review of the approach to the MTEF would appear to be overdue, with the basic objective of developing a framework for medium term budgeting that is simple and fit for purpose. This should start from a careful reassessment of what are the objectives of such a system *in Tanzania*: does it aim to strengthen medium term planning and budgeting in all ministries or rather to prioritise the big spending and more strategic ministries? Does the current MTEF system adequately reflect the

Government's concern to raise the scope and efficiency of domestic investment? By carefully addressing these and other similar questions, it may prove possible to design a simpler system which addresses a narrower set of objectives and does so more effectively.

Pillar V: Predictability & control in Budget execution (PI.19-26)

530. **The area of budget execution is without doubt the area of most weakness, as evidenced by the poor scores relating to cash management (PI-21), control of payment arrears (PI-22) and commitment controls (PI-25).** At the same time, there have been important improvements in accounting for revenue (PI-20), payroll controls (PI-23) and, to a lesser extent, in procurement management (PI-24) and in Internal Audit (PI-26). The gains in these areas are effectively the 'pay off' from long years of investment and capacity building in these systems.

531. **However, the continuing weaknesses in core aspects of PFM – budget credibility, cash management, commitment control – threaten to undermine the value of these improvements.** High levels of expenditure arrears and weaknesses in the monitoring of arrears have been persistent problems in Tanzania, reported in both the 2010 and 2013 PEFA assessments. However, the 2017 assessment points to a further deterioration since 2013, with the stock of arrears now hovering at around 10% of total expenditure.

532. **The primary obstacle to prudent monitoring of arrears and accounts payable is the cash rationing system and the way EPICOR is set up to restrict payments**, as the system rejects any expenditure entries – including entries for commitments - that go above the monthly payment ceilings, or beyond the current month. As a result, the commitment function in EPICOR is rendered effectively useless because it is only possible to make commitments for payments which will be paid in the same month and which fall within the available payment ceiling.

533. The cash rationing system has a long history in Tanzania's Government, and has for many years created a situation where the budget is not credible, where arrears build up, and service delivery suffers. With an improved financial situation, coupled to a functioning financial management system, the time is ripe for substantial improvements. A potential way forward might focus upon the following principles[85]:

- Improvements must start from the principle that it is the budget – rather than cash ceilings – that should set the framework of control. This in turn requires more careful attention to the realism of revenue projections and to the completeness and accuracy of expenditure estimates, (as noted in the discussion on Pillar I).

85 In response to a direct request by the PFMRP Secretariat, the assessment team has produced some more detailed proposals on how the current system of cash management might be restructured. These proposals have been tabled separately.

- Where cash ceilings are applied, these must have at least a quarterly, if not a six-monthly horizon, with special arrangements incorporated to honour the longer term expenditure commitments required for projects.
- The whole process of preparation, monitoring and updating of cash forecasts must be structured so as to predict cash-flow constraints in advance and introduce corrective measures (revised borrowing plans, new revenue measures or budget revisions) which avoid the need for last minute adjustments.
- The Resource and Expenditure Ceiling Committee should therefore change its focus from the present to the future, looking not at the current or the forthcoming month - where corrective measures are inevitably disruptive – but at the forthcoming quarters where effective corrective measures may be introduced in a predictable and less costly manner.

Pillar VI: Accounting and reporting (PI.27-29)

534. Within the area of accounting and reporting, the focus of reform has been the transition towards IPSAS accrual accounting. There has been good progress in this direction, with significant improvements in the consistency and comprehensiveness of the consolidated financial statements. At the same time, so long as the accounting system is in the transition phase to full IPSAS accounting, gaps will remain and the real benefit of these reforms will not be seen, until they are largely complete, although the signs are that good progress is being made.

535. **The more significant shortcoming identified within this pillar concerns the failure to publish regular quarterly budget execution reports during 2015/16**, generating a "D" score for indicator PI-28. With the production of the mid-year report for 2016/17, it appears that the procedures for production of quarterly reports have been re-established and that their regular publication can now be expected.

536. **Nevertheless, the PFMRP process should place higher priority on the improvement of in-year budget execution reports**, **which play a crucial role as an "early warning mechanism"** to prevent sharp deviations from planned budgetary outcomes. They should ideally serve to facilitate early adjustments in planned spending, revenue and borrowing measures so as to avoid major deviations from targets and safeguard the high priority areas of expenditure. The effectiveness of in-year reports would be improved significantly by the inclusion of data on commitments and accounts payable, as well as more extensive analysis of budget execution, in particular analysis of the causes and consequences of deviations from budget. Technical assistance to upgrade the existing formats, processes and procedures for in-year reporting is strongly recommended.

Pillar VII: External scrutiny and audit (PI.30-31)

537. **The CAG continues to be an important and trusted part of the accountability chain of the public sector in Tanzania.** Steady improvements have continued to be made in the coverage, quality

and timeliness of external audit. As a result, scores against the 2011 PEFA framework have improved from a "C+" in 2013 to a "B+" in 2017.

538. **The need for improved follow-up by the Executive of external audit recommendations remains an issue.** While there is now an established system for keeping a record and overview of recommendations and responses to these, a strong framework for promoting implementation of action plans and directives is lacking. As a result, a significant proportion of the recommendations made by the CAG or by the Parliamentary Public Accounts Committee (PAC) are not actioned, or only actioned with a significant delay, which clearly undermines the effectiveness of external audit. There is a similar problem in relation to the follow up of recommendations from Internal Audit (PI-21).

4.2 Key strengths and weaknesses of the Tanzania PFM system

539. This sub-section analyses the extent to which the Tanzanian PFM system – as assessed against the 2016 PEFA Framework – supports the achievement of the three main objectives of the PFM system, namely:

- The maintenance of aggregate fiscal discipline;
- The allocation of resources in line with strategic priorities; and
- The efficient use of resources for service delivery.

Maintenance of Aggregate Fiscal Discipline

540. **The PFM system in Tanzania has demonstrated its ability to control aggregate expenditure and to maintain sustainable levels of fiscal deficits and of borrowing.** As was noted in Chapter 2 and highlighted in Table 2-1, Tanzania's stock of public debt stands at 37 % of GDP at end 2015/16, substantially less than many countries in the region and comfortably sustainable with current trend levels of revenue mobilisation, public expenditure and GDP growth.

541. **The Tanzania system has shown important improvements over 2013 – 2017 in the systems for monitoring and controlling potential future risks to the fiscal position**. In particular, there have been improvements in the coverage of financial reporting on the extra-budgetary operations of Central Government (PI-6), in reporting on fiscal risks from the wider public sector (PI-10) and in the quality of debt management (PI-13), with each of these indicators scoring "B" in the 2017 assessment.

542. **However, the processes used for the control of current expenditure are blunt and impact negatively on the ability of the system to achieve its other objectives.** The aggregate expenditure out-turn has been 95 % and 87% of the approved budget in the last two completed fiscal years – not a good performance by any means[86] but sufficient to remain within the Government's

[86] This was sufficient to obtain a "C" score against indicator PI-1, although it represented a decline in performance against this indicator, which applying the 2011 Framework scored a "B" in 2013 and a "C" in 2017.

sustainable debt targets. However, this has been achieved at the expense of the strategic allocation of resources and the efficient delivery of services. Specifically, it has been achieved through a system of cash rationing which has undermined the credibility of the budget (PI-2), generated a build-up of expenditure arrears (PI-22), and undermined the predictability of in-year resource allocation for MDAs (PI-21)[87], with significant negative effects for service delivery.

The allocation of resources in line with strategic priorities

543. Perhaps the most effective measure of the ability of the PFM system to allocate resources in line with strategic priorities is the degree of consistency between the composition of the expenditure out-turn and the composition of the approved budget. This is precisely what is measured by indicator PI-2, which measures the consistency in the outturn of expenditure by institution and also by economic classification. This was rated a "D+" in 2017, meaning that the adjustments made to the aggregate budget, due to short-falls in revenue and financing, did not respect the composition of the budget as originally proposed by the Executive and approved by the Legislature. Rather it would seem to be the case that cuts in spending have simply followed the line of least resistance, with the largest cuts being applied to development spending and to recurrent Other Charges, with little or no change to Personal Emoluments. This was quite contrary to the strategic directions established in the second five-year development plan (FYDP II), which placed a strong emphasis on investment.

544. As we have noted, **the application of short-term cash rationing processes is a significant part of the reason why strategic allocation of resources is being undermined but it is also the result of weaknesses in budgeting**. Although the budget preparation process is orderly and well managed (PI-17) with a clear role for the Legislature (PI-18), it is weak in its incorporation of medium term forecasts and plans (PI-16) and also weak in the processes of identifying, formulating and implementing investment projects (PI-11).

Efficient use of resources for service delivery

545. One of the key requirements for efficient service delivery is that service managers (hospital directors, head-teachers, supervising engineers, etc.) should be able to receive resources on a predictable basis, so as to organise their work programmes in advance and take the necessary steps – in terms of staff recruitment, procurement, etc. – to ensure work programmes can be implemented as planned. However, Tanzania scores poorly on predictability of in-year resource allocation (PI-21) and, as a result many service managers find themselves having to commit expenditures outside of the IFMIS system, leading to the build-up of expenditure arrears. (PI-22)

87 Each of these three indicators – PI-2, "Expenditure composition out-turn", PI-21, "Predictability of In-year resource allocation" and PI-22, "Expenditure Arrears" – scored "D" or "D+" in the 2017 assessment.

546. A number of the functions which support good service delivery have improved since 2013. Notably, payroll control is stronger (PI-23) and, to a lesser extent, procurement management (PI-24) and Internal Audit (PI-26) have also improved. However, these can only have a modest influence in a context where the core processes of budgeting, cash management and commitment control are weak. Without any doubt, these must be the priority areas for attention for the PFMRP programme in the short to medium term. Success in addressing these weaknesses should have a direct positive impact on the efficiency and quality of service delivery.

4.3 Performance changes since last PEFA assessment

547. In the presentation of the integrated assessment of performance (Section 4.1), we have already considered in some detail, not only the current status of the PFM system but also the key areas, where performance changes have been identified since 2013. In this section, we attempt to do this in a more formal manner by comparing the scores of the 2013 and 2017 PEFA assessments following the same methodology - the 2011 PEFA Framework.

548. The table in Annex II shows in detail the scores of the 2013 and 2017 PEFA assessments following the 2011 PEFA methodology. **Of the 28 PFM related indicators, it shows an improvement in 9 indicators, deterioration in 10 indicators and 9 with no changes.** Table 4-4 presents a summary.

Table 4–4 Summary of Changes recorded between 2013 and 2017 PEFA assessments

Summary of Changes recorded between 2013 and 2017 Assessments (Based on 2011 PEFA Framework)				
Decline by more than 1 score	*Decline by 1 score or less*	*No Change*	*Improvement by 1 score or less*	*Improvement by more than 1 score*
1	**9**	**9**	**7**	**2**

NB. 1) "One score" represents a difference of only one letter, e.g. C ➔B, whereas C ➔C+ would be a difference of half a score, and C➔B+ would be a difference of one score and a half.

549. In reading Table 4-4 and in interpreting these overall results, it is important to remember that the 2016 PEFA framework is significantly more rigorous than the 2011 framework – in particular with regard to the scope and nature of evidence, which is necessary to justify the scoring of the different indicators. In applying the 2011 Framework in 2017, the assessment team benefited from the evidence which was required to be collected to apply the 2016 Framework. By contrast, the assessment team of 2013 did not have this advantage and were hence compelled to reach their conclusions against a more limited base of evidence. For the most part, this has not had a major impact. However, at least two of the indicators are considered by the 2017 assessment team to have been scored too high in 2013, namely

PI-21 Internal Audit, and PI-25 Annual Financial Statements[88]. The assessment team judge that at worst there has been no change in these indicators, but it is more probable that there has been an improvement.

550. There is no procedure to make a formal correction of past PEFA reports. However, if one were to take into account the two very clear cases of "over-scoring" in the 2013 assessment, the aggregate comparison between the two periods would read: improvement in 9 indicators, deterioration in 8 indicators and no change in 11 indicators. **Overall then, the comparison points to a modest aggregate improvement in PEFA scores over the period.**

551. Moreover, it should be emphasised that in undertaking the 2017 assessment, evidence has been found of positive changes in a number of areas, which have yet to begin impacting on PEFA scores. In many cases, the quality of legislation and regulations has improved but the effects of the application of an improved regulatory framework have yet to be fully apparent. Modernisation and greater integration of IT systems has moved forward virtually across the board but only in a small number of areas – such as payroll control – have there been tangible benefits noticeable within the 2013 – 2017 period. To a large extent, this simply reflects the fact that systemic improvements in PFM take a long time to implement - particularly in a large country like Tanzania with a substantial public sector.

Table 4–5: Areas of recorded Improvement and Deterioration in PFM Performance 2013 - 2017 (according to 2011 PEFA Framework)

Areas of Improvement 2013 - 2017	Areas of Deterioration 2013 -2017**
PI-4 (Monitoring of) Expenditure Arrears	PI-1 Aggregate Expenditure Out-turn
PI-7 CG Operations outside financial reports	PI-3 Revenue Out-turn
PI-8 Transfers to SN Governments	PI-5 Budget Classification
PI-9 Oversight of aggregate Fiscal Risk of Public Sector	PI-6 Budget Documentation
PI-11 Orderliness & Participation in Budget process	PI-13 Transparency of Taxpayer Obligations
PI-18 Payroll Controls	PI-16 Predictability in the availability of funds for commitment of expenditures
PI-19 Competition, value for money & controls in Procurement	PI-23 Availability of information on resources received by Service Delivery units
PI-26 External Audit	PI-24 In-year Budget Report
PI-28 Legislative scrutiny of External Audit reports	

** PI-21 Internal Audit and PI-25 Annual Financial Reports are not included in this list due to concerns that they were 'over-scored' in the 2013 PEFA assessment.

88 There are three other indicators, which also seem to have been "over-scored" in 2013 but the evidence is less clear-cut. These are PI-5 "Budget classification", PI-6 "Budget Documentation" and PI-13 "Transparency of Taxpayer Obligations and Liabilities". For the first two indicators, removing the "over-scoring" would mean no change from 2013 to 2017, but for PI-13 a deterioration in the score would still be recorded.

552. Notwithstanding, our overall judgement that PFM performance is improving, it is instructive to examine more carefully the areas where deterioration is identified. As may be seen from Table 4-5, these correspond directly to the areas of concern identified in the integrated assessment of performance (Section 4.1). These are clear problem areas, several of which represent a significant threat to PFM performance in Tanzania. Most of them are being addressed by the PFMRP but whether the scope and direction of reforms is sufficient to correct the weaknesses identified is an issue which must be examined carefully.

4.4 Effectiveness of the Internal Control Framework

The control environment

553. Overall many elements of the control environment for central Government are coming into place. Important building blocks include a clearer and comprehensive framework for all the steps and processes in PFM as demonstrated by legislation, and the accounting regulations and manual. These are supported by the integrated ICT systems for payroll and financial management.

554. The accounting manual in its chapter 2 has a section for internal control and risk management that includes many of the internal control elements, such as authorization and organizational structures, segregation of duties, ICT related controls, etc. The manual still needs to be fully implemented. In terms or risk management guidelines it is less prescriptive and more elaborated methods are to be found elsewhere, directly related to taxation, audit etc.

555. The element of accountability is gradually being deepened, not least for the payroll responsibility and control where the accounting officer and HR manager have key roles to sign off on the monthly payroll.

556. Controls need to be orderly, guided by a strategic vision where risks are determined, leading to prioritised plans for scrutiny and audit. Amongst the positive developments noted are:

- Rules, regulations and manuals being established and improved
- The internal audit coming into place, albeit with vacancies
- A strong role and presence of the external audit and their annual reports
- The emerging capability for performance audit
- The procurement function being supported and overseen through PPRA and PPAA
- TRA's efforts for tax compliance and risk based approach in tax administration and audit
- Efforts to streamline public investment management
- PAC's scrutiny of audit reports and the Executive's follow-up
- SSRA's oversight of pension schemes

557. There are however still a number of weaknesses in the control environment, some of which are highlighted in the annual CAG reports. In the report for the year ended 30 June 2016 the CAG raises the following issues related to internal control:

- A number of Government units (14 MDAs and 17 regional secretariats) had deficiencies in their internal audit functions, including non-establishment of IA units, insufficient resources for IA, or unapproved audit plans.
- 21 entities had various risk management deficiencies, including not having risk management policy, non-updating of the risk register and absence of a disaster recovery plan.
- There were also specific risks related to ICT for 19 entities; lack of disaster recovery plan and tests, lack of ICT steering committee.
- In relation to Human Resource Management many irregularities persist, such as payments made to employees who are not in service, although this is coming under control.
- In procurement, weaknesses are noted for use of non-competitive methods, decisions made without the approval of a tender board, payments made without binding contracts or to un-approved suppliers, or goods never supplied.
- There were also findings related to expenditure management, e.g. nugatory expenditure, transfer of funds lacking accountability, overpayments and payments missing payment vouchers or otherwise inadequately supported or lacking receipts.
- Related to the consolidated financial statement, the CAG noted inconsistencies in reporting of value of assets, including biological assets, pension liabilities and that consolidation between central Government, LGAs and missions abroad had met difficulties.
- For tax administration, the CAG raises concerns that tax audits were not effectively conducted, and enforcement has not been given the attention it deserves. It noted inadequate monitoring mechanism over non-completion of tax returns including VAT, insufficient checks over importation of goods, and a build-up of cases in the tax appeals machinery.
- In addition to the CAG findings there are issues we have come across related to the timeliness and availability of flash and quarterly budget execution reports, lack of reporting according to the functional classification, etc. which also hampers control and scrutiny of operations.

558. Thus deficiencies clearly remain, and some of them have even worsened, but a positive development is that they are very largely detected and subject to a clear set of rules, and audit is playing its role in addressing these deficiencies. There is of course a need to continue to monitor the extent and trend of the deficiencies, and to monitor and ensure that appropriate corrective action is taken.

Risk assessment

559. There is clear evidence of risk based assessment and planning being applied for taxation and tax audit, procurement audit, and by both internal and external audit entities. There is also evidence of monitoring of the risk based planning's execution.

560. It is more uncertain whether MDAs in general undertake risk assessment and control, and in relation to e.g. the IT systems and ICT environment.

Control activities

561. The control activities related to PFM are based on separate control steps: automatic controls built into the EPICOR and Lawson systems, clear separation of duties and possibilities for control by an audit trail, proof of signature, etc. Systems, forms and documents are designed to secure that the intended parties are involved in verification, authorization and execution of payment. As demonstrated by the CAG reports not all controls are carried out as intended, but the ex post review by auditors is intended to detect systemic problems and deviations.

562. Other control activities include specific studies related to accumulation of arrears, pension schemes, ineligible payment of salaries, tax mobilization etc. In addition, specific performance and special audits have been conducted.

563. Some aspects of the control system appear weaker, such as the follow up by the Legislature of audit recommendations, which needs to become more timely; or the tax appeals entities that are accumulating cases or the control of stores and stock at MDA level.

564. It is likely that regular production, distribution, scrutiny and use of financial reports, involving management could be strengthened.

Information and communication

565. The degree and quality of information varies between PFM entities and fields:

- The CAG reports are becoming clearer with more comparisons between years. However, there is a lack of consolidated reporting of IA reports.
- The PPRA produces comprehensive procurement performance reports that are well structured, although still not comprehensive in their coverage.
- TRA's annual report is informative, but published late.
- The budget documents and annual budget speeches could be much more informative and should include more summary information. The addition of the citizen's budget document is a step in this direction.
- The consolidated annual financial report is comprehensive but leaves a lot to desire in clarity and structure to give a clearer picture of tiers of Government and summaries for these.

- Quarterly and monthly financial reports are largely lacking for the public domain at least.
- EPICOR and Lawson are designed to allow for immediate reporting to MDAs, who have access points and authority to draw reports. The systems also have query functions which would be useful also for audit purposes, but it is not clear whether they are utilized. The non-use of e.g. commitment control and other functions, as well as restrictions in classification and codes limits the usefulness that the systems potentially have.
- The quality of the MoFP website is rather poor, reports are not easy to find and there is a somewhat problematic design or architecture, whereas other websites like PPRA, BoT and TRA have better structure and quality.

Monitoring

566. Some aspects of the quality of financial reporting make monitoring by accounting officers cumbersome. The systems have the potential to provide timely data, although budget monitoring will require access to arrears data that may be manual or kept in a side record. Reporting and queries to the systems require both access, which appears to be there, and competence to formulate queries and draw reports. If not, entities will rely on readily published reports, that need to be published timely to be useful. There are question-marks both related to competency to draw queries and the distribution and timeliness of readily available reports.

567. Monitoring is also only useful if information is both provided and in demand. The monthly cash rationing system in addition to the arrears problem makes budget reports less useful.

568. In terms of risk monitoring and assessment, structured checklists to determine risks appear to be in place for taxes and procurement. Custom-related risks could be an area for improvement as well as continued monitoring of exemptions which remain rather generous. As mentioned, risks and monitoring related to MDA's ICT systems and environment is another area for concern.

569. As mentioned in the PEFA framework guide: "*An effective internal control system plays a vital role across every pillar in addressing risks and providing reasonable assurance that operations meet the four control objectives: (i) operations are executed in an orderly, ethical, economical, efficient, and effective manner; (ii) accountability obligations are fulfilled; (iii) applicable laws and regulations are complied with; and (iv) resources are safeguarded against loss, misuse and damage.*"

570. The conclusions we can draw from our analysis are that the control system is being established and contributing towards the mentioned targets. The system in itself will however not deliver and be credible unless some of the fundamental deficiencies in the PFM system are addressed which relate to budget credibility, prudent reporting and follow-up of audit findings and proceedings in the respective appeal institutions. It is also a matter of reinforcing accountability by means of incentives and sanctions, and to institute a culture of service delivery and ethical values. Tanzania still has a distance to follow in these respects, but is well underway.

Table 4–6 Summary of implications of the 2017 PEFA assessment for the Internal Control Framework

PI No	Internal control aspect	Rating 2017	1. Control environment	2. Risk assessment	3. Control activities	4. Information and communication	5. Monitoring
PI-2	Expenditure composition outturn	D+					
	(i) Expenditure composition outturn by function	D					
	(iii) Expenditure from contingency reserves.	A					
PI-4	Budget Classification	C					
PI-5	Budget Documentation	D+					
	(i) System for allocating transfers	D					
	(ii) Timeliness of information on transfers	A					
PI-8	Performance information for service delivery	C					
	(i) Performance plans for service delivery	B					
	(ii) Performance achieved for service delivery	C					
	(iii) Resources received by service delivery units	D					
	(iv) Performance evaluation for service delivery	C					
PI-10	Fiscal risk reporting	B					
	(i) Monitoring of public corporations	D					
	(ii) Monitoring of sub-national government (SNG)	A					
	(iii) Contingent liabilities and other fiscal risks	B					
PI-11	Public investment management	D+					
	(i) Economic analysis of investment proposals	C					
	(ii) Investment project selection	C					
	(iii) Investment project costing	D					
	(iv) Investment project monitoring	D					
PI-12	Public asset management	B					
	(i) Financial asset monitoring	B					
	(ii) Nonfinancial asset monitoring	C					
	(iii) Transparency of asset disposal	B					
PI-13	Debt management	B					
	(i) Recording and reporting of debt and guarantees	B					
	(ii) Approval of debt and guarantees	B					
	(iii) Debt management strategy	C					
PI-14	Macroeconomic and fiscal forecasting	C					
	(i) Macroeconomic forecasts	B					
	(ii) Fiscal forecasts	C					
	(iii) Macro-fiscal sensitivity analysis	D					
PI-15	Fiscal strategy	D+					
	(i) Fiscal impact of policy proposals	D					
	(ii) Fiscal strategy adoption	C					
	(iii) Reporting on fiscal outcomes	C					
PI-16	Medium term perspective in expenditure budgeting	D					
	(i) Medium-term expenditure estimates	D					
	(ii) Medium-term expenditure ceilings	D					
	(iii) Alignment of strategic plans and medium-term budge	C					
	(iv) Consistency of budgets with previous year estimates	D					
PI-17	Budget preparation process	A					
	(i) Budget calendar	A					
	(ii) Guidance on budget preparation	A					
	(iii) Budget submission to the legislature	B					
PI-18	Legislative scrutiny of budgets	B+					
	(i) Scope of budget scrutiny	B					
	(ii) Legislative procedures for budget scrutiny	A					
	(iii) Timing of budget approval	B					
	(iv) Rules for budget adjustments by the executive	A					
PI-19	Revenue administration	B+					
	(i) Rights and obligations for revenue measures	C					
	(ii) Revenue risk management	C					
	(iii) Revenue audit and investigation	C					
	(iv) Revenue arrears monitoring	B					
PI-20	Accounting for revenues	B+					
	(i) Information on revenue collections	A					
	(ii) Transfer of revenue collections	B					
	(iii) Revenue accounts reconciliation	A					
PI-21	Predictability of in-year resource allocation	D+					
	(i) Consolidation of cash balances	D					
	(ii) Cash forecasting and monitoring	C					
	(iii) Information on commitment ceilings	D					
	(iv) Significance of in-year budget adjustments	C					
PI-22	Expenditure arrears	D					
	(i) Stock of expenditure arrears	D					
	(ii) Expenditure arrears monitoring	D					

PI No	Internal control aspect	Rating 2017	1. Control environment	2. Risk assessment	3. Control activities	4. Information and communication	5. Monitoring
PI-23	Payroll controls	B+					
	(i) Integration of payroll and personnel records	A					
	(ii) Management of payroll changes	A					
	(iii) Internal control of payroll	B					
	(iv) Payroll audit	B					
PI-24	Procurement	B					
	(i) Procurement monitoring	C					
	(ii) Procurement methods	B					
	(iii) Public access to procurement information	C					
	(iv) Procurement complaints management	A					
PI-25	Internal controls on nonsalary expenditure	C					
	(i) Segregation of duties	C					
	(ii) Effectiveness of expenditure commitment controls	C					
	(iii) Compliance with payment controls	D					
PI-26	Internal audit effectiveness	D+					
	(i) Coverage of internal audit	B					
	(ii) Nature of audits and standards applied	C					
	(iii) Internal audit activity and reporting	C					
	(iv) Response to internal audits	C					
PI-27	Financial data integrity	C					
	(i) Bank account reconciliation	B					
	(ii) Suspense accounts	D					
	(iii) Advance accounts	D					
	(iv) Financial data integrity processes	B					
PI-28	In-year budget reports	D					
	(i) Coverage and comparability of reports	D					
	(ii) Timing of in-year budget reports	D					
	(iii) Accuracy of in-year budget reports	D					
PI-29	Annual financial reports	C+					
	(i) Completeness of annual financial reports	C					
	(ii) Submission of reports for external audit	B					
	(iii) Accounting standards	C					
PI-30	External audit	C+					
	(i) Audit coverage and standards	B					
	(ii) Submission of audit reports to the legislature	A					
	(iii) External audit follow-up	B					
	(iv) Supreme Audit Institution (SAI) independence	C					
PI-31	Legislative scrutiny of audit reports	B					
	(i) Timing of audit report scrutiny	C					
	(ii) Hearings on audit findings	A					
	(iii) Recommendations on audit by the legislature	B					
	(iv)Transparency of legislative scrutiny of audit reports	C					

5. The PFM Reform Process

5.1 Approach to PFM reforms

571. PFM reforms have been on-going since the 90's, when efforts were made to improve the budget process and structure, and to introduce IT systems for accounting and budget monitoring. The fourth phase of the PFM reform programme, which started 1 July 2012, is coming to an end in June 2017. Preparations are being made for PFMRP V 2017 - 2021. Box 5-1 shows the objectives of the previous programmes.

Box 5–1 Key objectives of the different phases of the Tanzania PFMRP

Evolution of Tanzania PFMRP:

PFMRP I: 1998 - 2004 This Phase implemented from 1998-2004 had an objective of controlling expenditure, introducing aggregate fiscal discipline and contributing to stable macro-economic growth. PFMRP I focused on minimizing resource leakage, strengthening financial control and enhancing accountability by reforming budget process and introducing an Integrated Financial Management System (IFMS).

PFMRP II: 2004- 2008 The objective of Phase II was to progressively modernize the processes, procedures and systems involved in PFM through the implementation and use of 'best practice' tools, techniques and methodologies to improve revenue forecasting and resource allocation for strategic priorities.

PFMRP III: 2008- 2011 The objective of Phase III was to ensure greater predictability and availability of medium term resources to executing agencies. The thrust was about getting the tools, techniques, methodologies and systems that were introduced in the previous phase to work efficiently and effectively in an integrated manner.

PFMRP IV: 2012 -2017 The PFMRP IV aims at strengthening and improving public financial management systems in a more coordinated manner in order to meet the current fiscal policy challenges. Phase IV was intended to enable reforms in the areas of revenue management, planning and budget management, budget execution transparency and accountability, budget control and oversight and program management, monitoring and communication including change management.

572. For overall co-ordination of the central and key reforms in GoT the Government has put in place structured arrangements. These involve (1) the Committee of the IMTC on cross-cutting reforms (2) The Technical Committee to Reform Programme Coordinators (3) Public Expenditure Review (4) and the Cluster Working Groups.

573. The institutional arrangement of PFMRP IV comprises three levels namely: Joint Steering Committee (JSC); Programme Management Committee (PMC), and Technical Working Groups (TWGs).

5.2 Recent and ongoing Reform Actions

574. The current reform phase was planned for the period 2012/13 to 2016/17. The programme has been structured around the following key result areas (KRAs), covering the main components of PFM:

- **KRA 1: Revenue Management** – (Forecasting, administration, legislation, LGA support for own revenue mobilization)
- **KRA 2: Planning and Budgeting** (Introduction of program budgeting, improved budget tools, inclusion of external funding, LGA strengthening, improved budget documents and access for public)
- **KRA 3: Budget Execution, Transparency and Accountability** (Improved procurement, debt and cash management, migration to accrual basis and improved asset management)
- **KRA 4: Budget Control and Oversight** (Enhanced internal and external audit function, improved oversight and performance of parastatals, strengthened PAC, enhanced payroll system)
- **KRA 5: Change Management Programme Monitoring and Communication** (Integration of Government financial systems, More IFMIS system modules in use, training and communication with stakeholders., programme management improved, interGovernmental transfers streamlined and rationalized, improved LG execution and financial reporting, strengthened PFM reform in Zanzibar)
- **KRA 6: LGA PFM Reform Sub-Programme** (Improved LG resource allocation, planning and budget control, improved LG transfer system, strategic plans and budgets aligned, LG tax payer's database established and rolled out, improved reporting, oversight and accountability, local Government PEFA assessment.)

575. In the PFMRP annual progress report for 2015/16 the following assessment summarizes progress up to June 2016:

576. Good progress has been observed in strengthening PFM in Local Government. All New LGAs were connected with Epicor and more LGAs were connected to Local Government Revenue Collection Information system (LGRCIS), where significant revenue increase has been observed.

577. Following enactment of the New Budget Act and Amendments to the Procurement Act significant capacity building sessions for Government staff were done. Oversight of Public Authorities continues to be strengthened and consultants were engaged for developing the OTRs M&E mechanism for monitoring PISCs. Twelve more performance contracts were signed between OTR and Board of Directors to enhance performance of PISCs. The Government continued the process of Valuation of Assets in 10 MDAs through the Government Asset Management Division.

578. During the period, capacity building was conducted in various areas. IAGD staff were trained on the TEAMMATE software which will be used to track CAG outstanding recommendations. Additionally, the IAGD continued providing training to its staff and other stakeholders on internal audit issues. The Government Asset Management Division staff were trained on Public Private Partnership; 47 NAOT staff were trained on the system of tracking outstanding matters raised in CAG reports; 51 Government staff were trained on Strategic Planning and Change Management and 42 Public Procurement Policy Division staff from MDAs and LGAs were trained on Risk Mitigation.

579. A consultant to undertake the design of the e-procurement system was engaged and it is expected that the consultant will finish the assignment in FY 2016/17. In addition, the review of public procurement policy was undertaken and a report submitted.

580. Cumulatively, the overall program performance by 30 June 2016 shows that 44% of milestones have been achieved, 37% are on track, 17% delayed and 2% remain pending. Most of the pending milestones have been delayed because of slow legislation approval or procurement processes, and many are related to KRA 3 – Budget Execution, transparency and accountability.

5.3 Institutional considerations

581. The objective of this chapter is to give some reflections on the future arrangement for PFM reform. The PFM reforms have made significant but slow progress over the 30 years of existence. In the strategy for the 3rd reform programme much effort was made to sequence the interventions in the so-called platform approach, starting with basic accounting, revenue collection and introduction of IT-based systems. The aim was to then continue towards allocative and technical efficiency[89] – to be achieved through programme budgeting, accrual accounting, value for money concepts in procurement and auditing etc. The reform approach was broad, and at the time ten KRAs were included.

582. Progress was mixed, and attempts to fast track budget improvements were undermined by poor revenue collection and poor budget discipline, creating unsustainable debt levels and the necessity to use cash rationing systems that hampered allocative and operational efficiency and service delivery. At the same time, improvements have been made as technical systems have come into place, as demonstrated by an improved payroll system with clear accountability and substantial reduction in ineligible payments, legislation and cadres of procurement and internal audit officers, and the gradual introduction and use of the IFMIS system EPICOR.

583. As this PEFA assessment demonstrates substantial weaknesses remain in terms of budget control and revenue mobilization, and even in financial reporting and accounting. The migration to accrual accounting is also a case in point where too much seems to be attempted in one go, before the original cash based system had settled in EPICOR. Further integration of the EPICOR and Lawson systems is

89 Allocative efficiency refers to efficient distribution of resources *between* entities and needs. Technical or operational efficiency means the efficient *application and use* of resources obtained by an institution.

an up-coming attempt that, if hastily undertaken, can cause severe damage to the credibility of reporting and even payments. Thorough study, determination of targets and piloting of revised or new systems is highly recommended. There is also a need to look carefully into the issue of competency and sustainability in relation to system design and maintenance.

584. Other aspects that have emerged in this assessment and may lead to deeper consideration in the continued reform planning are:

- Transfers between Government entities constitute a substantial portion of the budget. It may be worthwhile to conduct a specific PER on these transfers, to investigate their exact direction and purpose, and whether these costs fill an important purpose or constitute inefficient spending.
- The future pension debt has been subject to a special study. As the work force and population is youthful the future pensions to Government employees, being a contingent liability, needs to be monitored closely to avoid risks for overspending, and may need to be further contained.
- The migration to accrual accounting is a sensitive step that potentially provides more useful information related to critical elements such as investments and assets as well as liabilities for arrears and payable invoices, pensions etc. However, there is also a risk that amounts presented for assets like tax arrears or public enterprises become inflated and give a distorted picture of the public economy. How standards are applied needs to be monitored closely. It has not been possible to determine the extent and quality of the application of IPSAS and GFS standards in this assessment as the accrual introduction is an on-going exercise. Therefore, a deeper analysis of this is warranted.
- Apart from revenue mobilization, efforts to contain expenditure are critical to balance the budget and make it credible. The introduction of hard sector or vote ceilings, the lifting of protection for certain cost types to enable savings e.g. on salaries, the prudent use and registration of accounts payable and arrears, the minimization of the budget for contingencies that has a tendency of rewarding overspending, are all steps that can facilitate expenditure control.
- Certain pockets of poor financial management and control should not go unaddressed. There are institutions that keep coming back in the CAG reports that should be subject to scrutiny and action. In principle delegation and accountability are critical elements of a functioning PFM systems, but delegation calls for a certain degree of monitoring and supervision, and delegated responsibilities can and should be withdrawn on a selective basis where needed. The response to audit reports of the Legislature and the Executive are critical in this respect.
- MoFP as the central co-ordinating agency for PFM has a critical role to play in monitoring and co-ordination of the whole system. This is a challenging task that necessitates a steady flow of reports and data, critical analysis and forecasting, as well as high level discussion and meetings. We are not in a position to determine how well this functions today in MoFP, but we can note some critical gaps in the reporting system, and there may be room for more dialogue and co-ordination between the key departments.

- The current phase's efforts for capacity building are commendable, but there could be room to also consider the institutional aspects of this, whether there is need to establish internal recurring in-service programmes, academic level PFM master or post graduate programmes, etc, to strengthen the professional development in PFM. Internationally, many tax authorities and customs have their own schools and institutions, budgeting and financial management is often included in more comprehensive academic PFM programmes, whereas procurement and audit may have separate academic or accreditation programmes. A PEFA exercise does not investigate the capacity building set-up, but in the wider reform planning, such analysis should have a place.

585. It needs to be emphasised that PFM is a key ingredient and precondition for efficient service delivery, efficient resource mobilization and use. Leakages, corruption, misuse and abuse of powers and resources can be reduced and detected with prudent PFM systems. There is however a need for consolidated efforts to this end, from the Political Leadership and from the Executive, Judiciary, and Legislative branches of Government.

Annex 1: Summary of 2017 Performance Assessment

Indicators and dimensions		Score 2017	Scoring Justification (2016 PEFA Framework)
PI-1	**Aggregate expenditure out-turn**	**C**	Aggregate expenditure outturn was between 85% and 115% of the approved budget in the last two fiscal years (FY14/15=95,2% and FY15/16=86,9%)
PI-2	**Expenditure composition outturn**	**D+**	
	(i) Expenditure composition outturn by function	D	Variance in expenditure composition by administrative classification was more than 15% in the last three years (19.2%, 31.5% and 24.2% in 13/14, 14/15 and 15/16, respectively)
	(ii) Expenditure composition outturn by economic type	C	Variance in expenditure composition by economic classification was less than 15% in FY13/14 (9,4%) and FY15/16 (14,8%)
	(iii) Expenditure from contingency reserves.	A	Actual expenditure charged to contingency non-emergency items represents less than 3% of the total approved budget. The average of the last three years is 0,5%.
PI-3	**Revenue outturn**	**D+**	
	(i) Aggregate revenue outturn	D	Actual revenue was not between 92% and 116% of budgeted revenue in two of the last three years (84,6%, 85,1% in FY13/14 and FY 14/!5, respectively)
	(ii) Revenue composition outturn	C	Variance in revenue composition was less than 15% in two of the last three years. (14,0%, 8,4% and 16,2% in FY13/14, FY14/15 and FY15/16, respectively)
PI-4	**Budget Classification**	**C**	An organizational/ administrative classification is comprehensively and consistently applied. An economic classification consistent with GFSM 2014 is applied to all revenues and recurrent expenditures but not to development projects, due to the difficulties of its application to externally funded projects. A framework for applying the COFOG functional codes and for applying programme codes is in place but it is not correctly applied as yet in either case.
PI-5	**Budget Documentation**	**D**	Budget documentation is presented in the Budget Speech, the four Volumes of the Budget and the Plan & Budget Guidelines submitted in advance of the Budget. Only 2 of the 4 basic elements of information are fulfilled, although 4 of the 8 additional elements are present.
PI-6	**Central Government operations outside financial reports**	**B**	
	(i) Expenditure outside financial reports	B	Under-reporting of expenditures from MDA non-tax revenues and of expenditures from Grant financed projects is acknowledged but there is no audit or other evidence of its approximate value. Taking high estimates of each of these potentially unreported expenditures, the total level of unreported expenditure is estimated to be some 4 % of total expenditure.
	(ii) Revenue outside financial reports	C	Most revenue collection functions are centralised within TRA (see PI-19) and there are no evident sources of unreported revenue apart from internally generated funds (non-tax revenues) of MDAs and development projects financed by external grants. The potential unreported revenues from these sources estimated under dimension (i) comprise 5.7% of total revenue for 2015/16.

	Indicators and dimensions	Score 2017	Scoring Justification (2016 PEFA Framework)
	(iii) Financial reports of extra-budgetary units	B	All extra budgetary units submit annual financial reports to Government; not all of these submit within three months of the end of the fiscal year but most of them do submit within 6 months.
PI-7	**Transfers to subnational Governments**	**C+**	
	(i) System for allocating transfers	D	Horizontal allocations have been transparent in the sense of being pre-announced and publicly discussed with the relevant stakeholders. However, they have been based not on formulae, which are legally or constitutionally defined, but on administratively determined norms, which since 2013/14 have been adopted in a relatively 'ad hoc' manner.
	(ii) Timeliness of information on transfers	A	The process by which LGAs receive information on their annual transfers is managed through the regular budget calendar, which is generally adhered to and provides sufficiently detailed information to allow at least 6 weeks for the budget formulation process at LGA level.
PI-8	**Performance information for service delivery**	**C**	
	(i) Performance plans for service delivery	B	Most ministries and agencies publish annually, within the MTEF, information on the activities to be performed through their programmes and projects, the anticipated outputs and the objectives. However, the MTEF does not, as yet, include a clear presentation of outcomes, nor is it disaggregated by budgetary programme or function.
	(ii) Performance achieved for service delivery	C	Information is published annually within the MTEF by most MDAs on the outputs produced through the Development budget but, for the Recurrent Budget, reporting is at the level of activities.
	(iii) Resources received by service delivery units	D	Information on resources received by front-line service delivery units is not systematically collected and reported on an annual basis by any sector ministry. Moreover, there has been no survey in the last three years estimating resources so received.
	(iv) Performance evaluation for service delivery	C	Through the 22 performance audits of NAOT and the 4 sectoral evaluations conducted through the PER process, evaluations of the efficiency or effectiveness of service delivery have been carried out at least once within the last three years in ministries comprising more than 25% of public spending.
PI-9	**Public access to information**	**D**	Only 3 of the 5 basic elements are made available to the public on a timely basis. The unaudited financial statements of the Central Government, in line with current regulations, are not made available to the general public and in 2015/16 Quarterly Budget Execution reports were not published and made available to the public within the year. However, all 4 of the 'additional elements' were made available.
PI-10	**Fiscal risk reporting**	**B**	
	(i) Monitoring of public corporations	D	At least 50% of the Public Corporations submit audited annual reports within 9 months of the close of the fiscal year but there is no evidence that as many as 75% report within this time period. The OTR produces consolidated annual statements on the public corporation sector, covering revenues, investments and performance of guaranteed loans but these have insufficient detail either to properly assess performance of the sector or to identify key fiscal risks.

Indicators and dimensions		Score 2017	Scoring Justification (2016 PEFA Framework)
	(ii) Monitoring of sub-national Government (SNG)	A	Audited financial statements are published for all LGAs within nine months of the end of the fiscal year. Moreover, consolidated reports on the net fiscal position of all LGAs are produced by PO-RALG on a quarterly basis.
	(iii) Contingent liabilities and other fiscal risks	B	Most significant contingent liabilities are quantified in the annual financial reports of the ACGEN, the OTR, the SSRA and the Debt Management Unit of the PAD, MOFP. They are explicitly consolidated in the Debt Sustainability Analysis conducted every two years. However, there is no single CG annual report that quantifies and consolidates information on all significant contingent liabilities and other fiscal risks.
PI-11	**Public investment management**	**D+**	
	(i) Economic analysis of investment proposals	C	At the time of assessment (FY 2015/16), economic analyses were being conducted for some major investment projects (more than 25% of the total number). These analyses were not, however, reviewed on a systematic basis by any central entity other than the sponsoring MDA.
	(ii) Investment project selection	C	Through the process of budget scrutiny, some – indeed a majority - of the major investment projects were prioritised by the Planning Commission and the Government Budget Division prior to their inclusion in the Budget. The criteria for this process were stated in the Plan and Budget Guidelines, which were publicly available.
	(iii) Investment project costing	D	The Budget documentation does not include a presentation of the total cost of major investment projects nor of their anticipated recurrent costs, in addition to the presentation of capital costs for the forthcoming budget year.
	(iv) Investment project monitoring	D	Major projects are monitored by the implementing MDA and some of this information is reported in the sector MTEF submissions. However cumulative information on total cost to date, on projected costs to completion and on total progress against completion targets is not publicly reported for major projects.
PI-12	**Public asset management**	**B**	
	(i) Financial asset monitoring	B	The Government maintains a record of its holdings in all categories of financial assets, recognised at fair or market value in line with international accounting standards. Information on the performance of the financial assets is included within the GoT consolidated financial statements but there is no consolidated report on the overall performance of the portfolio of financial assets.
	(ii) Nonfinancial asset monitoring	C	The Government maintains a register of its holdings of fixed assets, including information on their usage and age. However, the register itself is not published and it does not yet include a register of sub-soil assets.
	(iii) Transparency of asset disposal	B	Clear procedures and rules for the transfer or disposal of non-financial assets are established in legislation and regulations. Extensive information on transfers and disposals is presented in the GAMD annual report and summary information is presented in the consolidated financial statements.
PI-13	**Debt management**	**B**	
	(i) Recording and reporting of debt and guarantees	B	Records on domestic and foreign debt and guaranteed debt are complete, accurate and updated quarterly. Most information is reconciled quarterly. Comprehensive management and statistical reports are produced annually.

	Indicators and dimensions	Score 2017	Scoring Justification (2016 PEFA Framework)
	(ii) Approval of debt and guarantees	B	The GLGGA grants the Minister of Finance exclusive responsibility to borrow, issue new debt and issue loan guarantees on behalf of the CG. GLGGA regulations provide guidance for undertaking borrowing, issuance of loan guarantees and for other debt-related transactions by the three responsible departments of MoFP. All such transactions are reported by the public debt section of the ACGEN and monitored on a quarterly basis by the NDMC. The annual borrowing plan is approved by the Cabinet.
	(iii) Debt management strategy	C	The MTDS is publicly available and comprises a 5-year strategy for existing and projected Government debt. It indicates the preferred evolution of interest rate, refinancing and foreign currency risks but it does not explicitly lay down target ranges for these indicators. The annual borrowing plan is broadly consistent with the strategy but it is difficult to compare directly.
PI-14	**Macroeconomic and fiscal forecasting**	**C+**	
	(i) Macroeconomic forecasts	A	Macroeconomic forecasts are prepared for the budget year and the subsequent 4 years, based on the use of the MACMOD forecasting model. They are presented as part of the Plan & Budget Guidelines (PBG). Forecasts include estimates of GDP growth, inflation, interest rates and the exchange rate; a narrative explanation of the underlying assumptions is included in the PBG and also presented in summary form within the Budget Speech. Forecasts incorporated are reviewed and approved by a committee including BoT, TRA and NBS in addition to MoFP.
	(ii) Fiscal forecasts	C	The Government prepares forecasts of revenue, expenditure and the budget balance for the budget year and the two following fiscal years but these forecasts are not included in the presentation to the Legislature, which lacks a presentation of the budget balance for the 2 years consecutive to the budget year and lacks information on the revenue breakdown and on underlying assumptions.
	(iii) Macro-fiscal sensitivity analysis	D	The macro-fiscal forecasts prepared by the Government do not include a qualitative assessment of the impact of alternative macroeconomic assumptions. Budget documentation does not include any discussion of forecast sensitivities.
PI-15	**Fiscal strategy**	**D+**	
	(i) Fiscal impact of policy proposals	D	Government prepares estimates of the fiscal impact in the budget year of all proposed changes in revenue policies but not for the proposed changes in expenditure policy. There is no presentation of anticipated fiscal impact for the subsequent two fiscal years.
	(ii) Fiscal strategy adoption	C	The Government has prepared for its internal use (and for the PSI agreement with the IMF) a current fiscal strategy covering a 4-year period, including quantitative targets for fiscal policy. Very similar fiscal targets underpin the FYDP II and the 2016/17 budget. However, these two documents – which have been submitted to the Legislature – do not themselves include explicit targets for the fiscal deficit.
	(iii) Reporting on fiscal outcomes	C	The Government prepares an internal report on the progress made against its fiscal strategy. In addition, the Budget Speech and the PBG, both of which are submitted to the Legislature, include reviews of performance against the fiscal targets for the previous FY. However, the explanation of the reasons for the main deviations from the objectives and targets is not systematic nor comprehensive.

	Indicators and dimensions	Score 2017	Scoring Justification (2016 PEFA Framework)
PI-16	**Medium term perspective in expenditure budgeting**	**D**	
	(i) Medium-term expenditure estimates	D	Each MDA produces a detailed 5-year MTEF as part of the budget formulation process but the MTEF is not included in the annual budget documentation, which is limited to estimates of the budget year itself. This may be attributable to the activity-based costing approach used to develop the sector MTEFs, which results in voluminous documents and worksheets that are exceedingly difficult to adapt and refine in the time available.
	(ii) Medium-term expenditure ceilings	D	The aggregate "budget frame" included in the Plan & Budget Guidelines, includes indicative three-year targets for the overall fiscal strategy. However, the ceilings issued to MDAs are limited to the budget year only and do not include the subsequent two fiscal years.
	(iii) Alignment of strategic plans and medium-term budgets	C	Medium-term strategic plans are prepared for some ministries and some expenditure proposals in the annual budget estimates align with the strategic plans.
	(iv) Consistency of budgets with previous year estimates	D	Budget documents do not provide an explanation of the changes to aggregate expenditure estimates between the second year of the most recent MTEF and the first year of the current MTEF.
PI-17	**Budget preparation process**	**A**	
	(i) Budget calendar	A	A clear budget calendar exists, supported by the Budget Act (2015) and Regulations. It is adhered to and allows MDAs 6 weeks form receipt of the Budget Circular to complete their estimates.
	(ii) Guidance on budget preparation	A	Comprehensive budget circulars are issued, covering all budget expenditure (Devpt. & Recurrent) for the budget year. MDA Estimates reflect ceilings approved by Cabinet, prior to distribution of the circular.
	(iii) Budget submission to the legislature	B	The Executive Budget Proposal submitted was submitted to the Legislature more than 2 months before the start of the fiscal year in 2016 and 2017, but not in 2015.
PI-18	**Legislative scrutiny of budgets**	**B+**	
	(i) Scope of budget scrutiny	B	The Legislature's review of the proposed budget covers fiscal policies and aggregates for the medium term as well as details by MDA of revenue and expenditure for the coming year. Medium term projections for expenditure programmes and projects are not reviewed, however.
	(ii) Legislative procedures for budget scrutiny	A	The Legislature's procedures for scrutiny of budget proposals include specialised committees, public consultations and agreed negotiation processes. They are approved in advance and adhered to. The Parliamentary Budget Committee coordinates the process with technical support from the 15 staff of the Parliamentary Budget Office.
	(iii) Timing of budget approval	B	The Legislature approved the annual budget in advance of the fiscal year in 2015 and 2016. In 2014, there was a delay of less than 1 month.
	(iv) Rules for budget adjustments by the executive	A	Clear rules exist in the Budget Act (2015) and Regulations for in-year budget amendments by the Executive. These are always adhered to, as confirmed by the CAG's reports.
PI-19	**Revenue administration**	**C+**	

	Indicators and dimensions	Score 2017	Scoring Justification (2016 PEFA Framework)
	(i) Rights and obligations for revenue measures	C	TRA, which is responsible for most Government revenue collection (78%), uses multiple channels to provide tax-payers with easy access to comprehensive information on main revenue obligations and rights, including redress procedures. However, information is not always up-to-date, notably in cases where legal or administrative changes are introduced for which tax payers should be given advance notice, or at least prompt notice.
	(ii) Revenue risk management	C	TADAT 2016 assessment noted that not all the information at the TRA's disposal is used to build knowledge of taxpayer compliance levels and emerging risks, and that the risk assessment process does not inform the selection of cases for audit. Thus, TRA uses approaches that are partly structured and systematic for assessing and prioritising compliance risks for some revenue streams, given that there is also a concentration on large taxpayers.
	(iii) Revenue audit and investigation	C	TRA, which is responsible for collecting most revenues, undertakes audits and fraud investigations as part of a compliance improvement plan and completes a majority (but not all) of its planned audit and fraud investigations.
	(iv) Revenue arrears monitoring	B	Based on data received from TRA and supporting information from CAG, it is estimated that the stock of arrears at end 2015/16 would have been below 20% of the total revenue collections for the year, with the revenue arrears older than 12 months comprising less than 50% of total arrears.
PI-20	**Accounting for revenues**	**B+**	
	(i) Information on revenue collections	A	PAD obtains revenue data monthly from entities collecting all central Government revenue. The information is broken down by revenue type and consolidated into a monthly report.
	(ii) Transfer of revenue collections	B	Transfers to the BoT revenue account are made at least weekly for most Government revenue.
	(iii) Revenue accounts reconciliation	A	TRA, representing most central Government revenue, undertakes at least quarterly within four weeks of the end of quarter a complete reconciliation of its assessments, collections, arrears and transfers to BoT.
PI-21	**Predictability of in-year resource allocation**	**D+**	
	(i) Consolidation of cash balances	D	GoT does not operate a single treasury account. Cash balances are not consolidated for all the GoT accounts, held at the BoT and many accounts are held in commercial banks, whose cash balances cannot be consolidated on a monthly basis. Thus, although the accounts corresponding to the Consolidated Fund are consolidated daily, these are likely to constitute less than 75% of cash balances.
	(ii) Cash forecasting and monitoring	C	A cash flow forecast is prepared for the fiscal year. Monthly expenditure ceilings are determined by the Resource and Expenditure Ceiling Committee based on revenue availability, but not actual expenditure projections. The cash flow forecast is then adjusted monthly in the light of ceilings but without an update for the remaining months of the year.
	(iii) Information on commitment ceilings	D	Information on credible expenditure ceilings are provided monthly - but often during the month of execution and sometimes retrospectively.

Indicators and dimensions		Score 2017	Scoring Justification (2016 PEFA Framework)
	(iv) Significance of in-year budget adjustments	C	Significant budget adjustments are made on a monthly basis in response to the monthly expenditure ceilings. They follow procedures and are duly recorded in IFMIS but are only partially transparent because in the absence of regular Budget Execution Reports, information on adjustments may not become public until annual financial statements are released. Moreover, a detailed justification for the distribution of the monthly ceilings, which drive adjustments. is not issued.
PI-22	**Expenditure arrears**	**D**	
	(i) Stock of expenditure arrears	D	Reports generated for the article IV consultations reveal arrears above 10 % of CG total expenditure in more than two of the last three completed years.
	(ii) Expenditure arrears monitoring	D	Although ad hoc monitoring of arrears takes place, there is no systematic reporting of arrears within the financial reporting system of the Central Government. As a result, data on the stock, age profile and composition of arrears is not generated annually at the end of each fiscal year.
PI-23	**Payroll controls**	**B+**	
	(i) Integration of payroll and personnel records	A	Approved staff list, personnel database, and payroll are integrated in the HCMIS (Lawson) system to ensure budget control, data consistency and monthly monitoring.
	(ii) Management of payroll changes	A	Changes to the personnel and payroll system are updated monthly through the HCMIS system which leaves an audit trail. The number of retroactive adjustments made over a 7-month period in 2016/17 concerned only 19,219 (3.6%) of the 540,000 Central and Local Government employees on the payroll, over half of which were teachers employed by Local Government.
	(iii) Internal control of payroll	B	Authority to change personnel and payroll records is restricted and results in an audit trail. Although it has not yet been possible to ensure full integrity of data, evidence suggests that data integrity is high, particularly in the light of the improvements introduced during 2016/17, with direct Presidential support.
	(iv) Payroll audit	B	Frequent payroll audits are undertaken by Internal audit, CAG and PO-PSM. Between these 3 entities, payroll audits covering all Central Government entities would have been conducted at least once in the last three completed fiscal years.
PI-24	**Procurement**	**C**	
	(i) Procurement monitoring	D	PMIS data compiled by PPRA from source information provided by procuring entities is complete for a majority but not most central Government procurements. It includes information on what has been procured, value of procurement and who has been awarded contract but data on procurement methods utilised is not systematically available.
	(ii) Procurement methods	D	There is no formal report from PPRA on numbers of procurements by type and value for 2015/16, and therefore it has not been possible to estimate accurately the percentage of the value of contracts awarded by competitive methods.
	(iii) Public access to procurement information	C	Four of the six key procurement information elements are complete and reliable for Government units representing most procurement operations and are made available to the public. However, only two of these are made available in a timely manner.
	(iv) Procurement complaints management	A	The procurement complaints system meets all six PEFA criteria for the effectiveness of an independent administrative complaint resolution mechanism.

Indicators and dimensions		Score 2017	Scoring Justification (2016 PEFA Framework)
PI-25	**Internal controls on non-salary expenditure**	**D+**	
	(i) Segregation of duties	C	Segregation of duties for the main incompatible responsibilities are established in laws, regulations and procedures. However, more precise definition of important responsibilities (e.g. schedules of specimen signatures) is needed, as well as further details on the operationalisation of the segregation of duties.
	(ii) Effectiveness of expenditure commitment controls	C	Commitment control procedures do exist, which provide partial coverage and are partially effective. However, the existence of extensive expenditure arrears (reference to PI-22) demonstrates that the system of commitment control cannot be considered to be comprehensive, nor to effectively limit commitments to projected cash availability and approved budget allocations for non-salary items
	(iii) Compliance with payment controls	D	The majority of payments is probably done according to the established procedures for payment, but the majority of the exceptions to compliance cannot be considered to be properly authorized and justified.
PI-26	**Internal audit effectiveness**	**C+**	
	(i) Coverage of internal audit	B	Internal audit is operational for CG entities representing most total budgeted expenditures and entities collecting virtually all budgeted revenues.
	(ii) Nature of audits and standards applied	C	Internal audit activities have a primary focus on financial compliance; moreover, weaknesses remain in the recently established QA process of the IAGD – both in its coverage and its ability to ensure a broader examination of the effectiveness of internal control.
	(iii) Internal audit activity and reporting	C	Annual audit programs are developed by all IAUs and a majority of audit programmes are completed, as evidenced by the distribution of their reports to their Accounting Officers and to CAG.
	(iv) Response to internal audits	C	Evidence from the 4 IAUs whose work was examined indicates that the practice of preparing management responses to IA recommendations is well established. This finding is supported by the Quarterly Audit reports received by IAGD, which show evidence of management responses in the majority of cases, even though only 50% of IAUs submit these reports. It is therefore judged that a management response is provided in the majority of entities audited.
PI-27	**Financial data integrity**	**C**	
	(i) Bank account reconciliation	B	Bank reconciliation of all Government accounts take place monthly, usually before four weeks from the end of each month.
	(ii) Suspense accounts	D	Suspense accounts are not in use. Transactions pending which lack information and in need of investigation are therefore not posted in EPICOR. This is rated as a deviation from best practice, as it means potential deposits/ liabilities may remain unidentified for long periods.
	(iii) Advance accounts	D	Complete reconciliation of travel advances and imprest accounts takes place annually within three months of the end of the financial year. More frequent reconciliations at MDA level are reported but there is no certainty that these are complete or systematic.
	(iv) Financial data integrity processes	B	Access and changes to records is restricted and results in an audit trail. There is an operational body in charge of data integrity, but evidence that financial data integrity is being regularly verified is lacking.

Indicators and dimensions		Score 2017	Scoring Justification (2016 PEFA Framework)
PI-28	**In-year budget reports**	**D**	
	(i) Coverage and comparability of reports	D	No in-year budget execution reports were published during 2015/16 – the most recently completed fiscal year. The coverage and classification of data in the mid-year report for 2016/17 allow direct comparison to the original budget for the main administrative headings but not for expenditure by economic classification. Details of expenditures made by de-concentrated units from CG transfers are not captured.
	(ii) Timing of in-year budget reports	D	No in-year budget execution reports were published in 2015/16. The 2016/17 mid-year report was released within 12 weeks of the end of Q2.
	(iii) Accuracy of in-year budget reports	D	No in-year budget execution reports were published in 2015/16. However, the format of the 2016/17 mid-year report is useful for the analysis of budget execution. It captures information on treasury releases, i.e. payment authorisation. It does not capture information on commitments nor on accounts payable. There is some analysis of budget execution but only limited examination of the causes or consequences of deviations from budget.
PI-29	**Annual financial reports**	**C+**	
	(i) Completeness of annual financial reports	C	Annual financial statements include much of the information required, but the migration towards accrual accounting means that some data currently is incomplete. The existence of extensive expenditure arrears entails that data on financial liabilities is also incomplete.
	(ii) Submission of reports for external audit	B	In the last three financial years, the financial statements for budgetary central Government have been received by the CAG within 6 months of the end of the fiscal year.
	(iii) Accounting standards	C	Accounting standards are disclosed and are consistent with the country's legal framework. It is not possible to determine the extent to which IPSAS standards are followed during the migration period to IPSAS accruals because the variations between the national standards currently being applied and the international standards are not explicitly disclosed and the gaps are not explained.
PI-30	**External audit**	**C+**	
	(i) Audit coverage and standards	B	CAG's annual audit reports include results from audit of CG entities representing most expenditures and revenues; these have followed national audit standards which are largely compliant with the ISSAIs, and audits have highlighted relevant material issues and systemic and control risks.
	(ii) Submission of audit reports to the legislature	B	For the last three completed fiscal years, audit reports on Central Government were submitted within six months of the receipt of financial reports by the CAG.
	(iii) External audit follow-up	B	A formal, comprehensive and timely response to CAG audits has been made by the Executive in the last three fiscal years. However, reports from the IAG and the CAG to the Legislature show that some PAC directives and a substantial percentage of CAG audit recommendations from previous years have not been implemented. This indicates that the follow-up to audit recommendations by the Executive is not fully effective.

	Indicators and dimensions	Score 2017	Scoring Justification (2016 PEFA Framework)
	(iv) Supreme Audit Institution (SAI) independence	C	The CAG operates independently from the Executive by having a 5-year renewable fixed period of tenure and enjoying significant constitutional protection from removal from office. The CAG has unrestricted and timely access to requested records. He also enjoys operational control in the execution of his budget. However, the approval of the budget leaves a major role for the Executive and the Legislature, and has resulted in a budget which is not deemed by the CAG to be adequate to fulfil his mandate.
PI-31	**Legislative scrutiny of audit reports**	B	
	(i) Timing of audit report scrutiny	C	In each year, the PAC's report on the CAG audit report has been presented by 31st March, in the year following tabling of the CAG report, in March or April of the preceding year. Thus, the process of scrutiny has been completed within 12 months of the receipt of the audit report.
	(ii) Hearings on audit findings	A	Over the last three completed fiscal years, in depth hearings on the key findings in the CAG's reports have been undertaken with all entities receiving adverse or qualified opinions.
	(iii) Recommendations on audit by the legislature	B	The Legislature – through the PAC – issues directives on actions to be implemented by the Executive and follows up on the implementation of these directives. However, implementation performance by the Executive is poor, suggesting that further strengthening of the follow up process is needed to make it more systematic.
	(iv)Transparency of legislative scrutiny of audit reports	C	PAC reports are provided to the full chamber of Parliament and made available to the public on the official Parliament website. PAC hearings are not conducted in public, even though members of the press are invited.

Annex II: Performance changes 2013 – 2017 (applying 2011 PEFA Framework)

PFM Performance Indicator (from 2011 PEFA Framework)		2013 Dimension Ratings i.	ii.	iii.	iv.	Overall Rating 2013	2017 Dimension Ratings i.	ii.	iii.	iv.	Overall Rating 2017	Change
	A. PFM OUTTURNS: Credibility of the Budget											
PI-1	Aggregate expenditure outturn	B				**B**	C				**C**	↓
PI-2	Expenditure composition outturn	D	A			**D+**	D	A			**D+**	—
PI-3	Revenue outturn	C				**C**	D				**D**	↓
PI-4	Expenditure arrears	C	C			**C**	C	B			**C+**	↑
	B. KEY CROSS CUTTING ISSUES: Comprehensiveness and Transparency											
PI-5	Budget classification	B				**B**	C				**C**	↓
PI-6	Budget documentation	B				**B**	C				**C**	↓
PI-7	CG operations outside financial reports	D	B			**D+**	B	B			**B**	↑
PI-8	Transfers to subnational Governments	B	B	D		**C+**	C	A	A		**B+**	↑
PI-9	Oversight of aggregate fiscal risk from other public sector entities	C	C			**C**	C	A			**C+**	↑
PI-10	Public access to fiscal information	B				**B**	B				**B**	—
	C1. Policy Based Budgeting											
PI-11	Orderliness and participation in the annual budget process	A	A	C		**B+**	A	A	B		**A**	↑
PI-12	Medium-term Perspective in Expenditure Budget Public	C	B	C	C	**C+**	C	B	C	C	**C+**	—
	C2. Predictability and Control in Budget Execution											
PI-13	Transparency of Taxpayer Obligations and Liabilities	C	A	A		**B+**	C	C	C		**C**	↓
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	C	C	C		**C**	C	C	C		**C**	—
PI-15	Effectiveness in collection of tax payments	A	B	A		**B+**	A	B	A		**B+**	—
PI-16	Predictability in the availability of funds for commitment of expenditures	C	C	C		**C**	C	D	C		**D+**	↓
PI-17	Recording and management of cash balances, debt and guarantees	B	D	C		**C**	B	D	C		**C**	—

PFM Performance Indicator (from 2011 PEFA Framework)		2013					2017					Change
		Dimension Ratings				Overall Rating 2013	Dimension Ratings				Overall Rating 2017	
		i.	ii.	iii.	iv.		i.	ii.	iii.	iv.		
PI-18	Payroll controls	B	B	B	B	**B**	A	A	A	B	**B+**	↑
PI-19	Competition, value for money and controls in procurement	B	NR	NR	D	**NR**	A	D	C	A	**B**	↑
PI-20	Internal controls on non-salary expenditure	B	B	D		**D+**	C	B	D		**D+**	—
PI-21	Internal audit	B	B	B		**B**	B	B	C		**C+**	↓
	C3. Accounting, Recording, and Reporting											
PI-22	Timeliness and regularity of accounts reconciliation	C	D			**D+**	C	D			**D+**	—
PI-23	Availability of information on resources received by service delivery units	C				**C**	D				**D**	↓
PI-24	In-year budget reports	B	A	C		**C+**	D	D	D		**D**	↓
PI-25	Annual financial reports	B	A	B		**B+**	C	A	B		**C+**	↓
	C4. External Scrutiny and Audit											
PI-26	External audit	B	B	C		**C+**	B	A	B		**B+**	↑
PI-27	Legislative scrutiny of the annual budget law	B	B	A	B	**B+**	B	A	A	A	**B+**	—
PI-28	Legislative scrutiny of external audit reports	D	B	C		**D+**	C	A	B		**C+**	↑

Summary of Changes recorded between 2013 and 2017 Assessments (Based on 2011 PEFA Framework)				
Decline by more than 1 score	*Decline by 1 score or less*	*No Change*	*Improvement by 1 score or less*	*Improvement by more than 1 score*
1	**9**	**9**	**7**	**2**

NB. 1) "One score" represents a difference of only one letter, e.g. C==>B, whereas C==> C+ would be a difference of half a score.

2) At least two of the indicators are considered by the assessment team to have been scored too high in 2013 (PI-21 Internal Audit, and PI-25 Annual Financial Statements). The assessment team judge that at worst there has been no change in these indicators, but it is more probable that there has been an improvement. However, no adjustment has been made to the presentation of the scores here to take account of this.

Annex III: Observations on the Internal Control Framework

Internal control components and elements	Summary of observations
1. Control environment	
1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organisation	No information available from the PEFA assessment.
1.2 Commitment to competence	Training features as a strong ingredient in most PFM reform efforts including for LG tax administration, planning and budgeting for MDAs and LG staff and budget committees, procurement staff , cash management training, debt management training, internal audit training, fraud risk management training, risk based audit training, treasury registry staff training, capacity building for PAC members, IFMIS user training, ACGEN staff training, BM training, PFM training modules for LG developed and PFM champions trained.
1.3 The "tone at the top" (i.e. management's philosophy and operating style)	No information available from the PEFA assessment.
1.4 Organisational structure	Most elements established, such as for external and internal audit, procurement oversight and regulation, tax administration, accounting, budget, microanalysis, debt management etc. Vacancies noted for internal audit. ICT responsibilities related to IFMIS and EPICOR appear somewhat split.
1.5 Human resource policies and practices	No information available from the PEFA assessment.
2. Risk assessment	
2.1 Risk identification	Taking place for taxes, procurement audit, internal and external audit. Less emphasis in general MDA management where risk-based policies and plans are t times lacking.
2.2 Risk assessment (significance and likelihood)	Evidence noted for audit, procurement and tax audit and investigation.
2.3 Risk evaluation	Evidence noted for audit, procurement and tax audit and investigation.
2.4 Risk appetite assessment	No information available from the PEFA assessment.
2.5 Responses to risk (transfer, tolerance, treatment or termination)	Risk assessments guide audit planning and execution, procurement and tax audit.
3. Control activities	
3.1 Authorization and approval procedure	In place in procedures and accounting manual, which covers more that accounting.
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	Segregation of duties evidenced for procurement, procurement, payment and payroll.
3.3 Controls over access to resources and records	No information available from the PEFA assessment.
3.4 Verifications	Guided by accounting manual

3.5 Reconciliations	Regularly conducted in EPICOR
3.6 Reviews of operating performance	Performance audit is being introduced and special studies undertaken, still on a limited scale.
3.7 Reviews of operations, processes and activities	Tax administration has been revised and tax administration regulations revised for streamlining. Otherwise little evidence of process design efforts.
3.8 Supervision (assigning, reviewing and approving, guidance and training)	No information available from the PEFA assessment.
4. Information and communication	Efforts made through web-site publication, brochures, manuals, training, sessions for the public, help line for tax information, etc
5. Monitoring	
5.1 Ongoing monitoring	Oversight authorities in procurement, taxation, SSRA plus internal and external audit. Also through the IFMIS system internal controls.
5.2 Evaluations	PFMR contains several special studies. Performance audit and financial audit also conduct special audits of specific problems. PERs in specific subject areas are conducted, e.g. pension debt, arrears and taxation.
5.3 Management responses	Evidence of management responses exist for internal and external audit, but may not be comprehensive. Planning by oversight authorities and MDAs is informed by studies and information obtained.

Annex IV: Sources of Information

Annex 4 a) Surveys & Analytical Work

I. Predictability and control in budget execution	
PI-19 Revenue administration 19.1 Rights and obligations for revenue measures 19.2 Revenue risk management 19.3 Revenue audit and investigation 19.4 Revenue arrears monitoring	• TRA Fourth Corporate Plan 2013/142017/18 • www.tra.go.tz • Statistics for use of call center TRA • Consolidated financial statements for the year ended 30th June 2015, and previous years • Tax arrears status Report as at 30th June 2016 Large tax payers, TRA • Monitoring revenue arrears 2015/16, TRA – customs and excise • Annual performance review 2015/16 of taxes established form tax audit, TRA • Revenue risk based audit process description, TRA. • Revenue collection statistics by department, July to November 2016, TRA • TRA annual report 2014/15 • Tanzania Economic Update – Why should Tanzanians Pay Taxes, World Bank July 2015 • Exemptions and relief summary, regions and large tax payer department in mn TZS granted from October to December 2016 • IMF documents from 4th and 5th review under the policy support instrument, July 2016 and January 2017. • PFMRP IV annual progress report 2015/16, MoF • Mid Year budget execution report July to December 2016, MoF • PER – Government pension obligations and contingent liabilities • Social Security Regulatory Authority Annual Report 204/15

PI-20 Accounting for Revenues	See PI-19
20.1 Information on revenue collections	
20.2 Transfer of revenue collections	
20.3 Revenue accounts reconciliation.	
PI-21 Predictability of in-year resource allocation	Accounting manual of 2015 Consolidated annual accounts for 2014/15- PER Study on the prevention and management of payment arrears, IMF 2014
21.1 Consolidation of cash balances.	
21.2 Cash forecasting and monitoring.	
21.3 Information on commitment ceilings.	
21.4 Significance of in-year budget adjustments.	
PI-22 Expenditure arrears	• Study on the prevention and management of payment arrears, IMF 2014 • CAG report for 2014/15 and 2015/16 • Arrears reports MoE
22.1 Stock of expenditure arrears.	
22.2 Expenditure arrears monitoring	
PI-23 Payroll controls	• CAG reports for 2014/15 and 15/16 • IAG report for 2014/15
23.1 Integration of payroll and personnel records.	
23.2 Management of payroll changes.	
23.3 Internal control of payroll.	
23.4 Payroll audit.	
PI-24 Procurement	• PPRA performance reports 2014/15 and 2015/16A • www.ppra.go.tz • www.tender.ppra.go.tz • www.ppaa.go.tz • Tanzania Procurement Journal • Brochures from PPRA • Internal and external audit reports • Case descriptions and results on PPAA website. • Public Investment Management Operational Manual, President's Office 2015
24.1 Procurement monitoring.	
24.2 Procurement methods.	
24.3 Public access to procurement information.	
24.4 Procurement complaints management.	
PI-25 Internal controls on non-salary expenditure	• CAG and Internal audit interviews and reports
25.1 Segregation of duties.	• The accounting manual of 2015

25.2 Effectiveness of expenditure commitment controls.	• The IMF arrears study
25.3 Compliance with payment rules and procedures.	
PI-26 Internal audit	• IAG annual report 2014/15
26.1 Coverage of internal audit.	
26.2 Nature of audits and standards applied	
26.3 Implementation of internal audits and reporting.	
26.4 Response to internal audits.	
II. Accounting and reporting	
PI-27 Financial data integrity	• CAG and Internal audit reports • The accounting manual of 2015
27.1 Bank account reconciliation.	
27.2 Suspense accounts.	
27.3 Advance accounts.	
27.4 Financial data integrity processes	
PI-28 In-year budget reports	• Mid Year financial report 2014/15
28.1 Coverage and comparability of reports.	
28.2 Timing of in-year budget reports.	
28.3 Accuracy of in-year budget reports	
PI-29 Annual financial reports	• CAG reports • Consolidated financial reports for 2012/13-2014/15 • Accounting manual
29.1 Completeness of annual financial reports.	
29.2 Submission of the reports for external audit.	
29.3 Accounting standards.	
III. External scrutiny and audit	
PI-30 External audit	• External reports on SAI independence and financial governance, • AFROSAI-E Peer review report • Annual report of NAOT • Performance audit reports from NAOT, see www.nao.go.tz
30.1 Audit coverage and standards.	
30.2 Submission of audit reports to the legislature	
30.3 External audit follow up.	
30.4 Supreme Audit Institution independence.	
PI-31 Legislative scrutiny of audit reports	• NAOT annual reports

Annex 4 b) List of Persons Met during the PEFA assessment

PEFA TRAINING WORKSHOP KIBAHA 17/01/2017			
S/N	**NAME**	**DESGNATION**	**INSTITUTION**
1	EMMANUELI J. MATARU	MTB	TANESCO
2	WINFRIDA A. KESSY	ACC	MOEST
3	NEEMA L. MBISE	ECON	MNRT
4	NICOLAS J. BURRETA	COMMSS FOR EDUCATION	MOEST
5	YU	ACC	MOFP
6	JUNYA INO	PROGRAM ADVISOR	JICA
7	JAPHET JIRORI	FAM	FAM
8	ELISHA M. NKWIJA	AUDITOR GENERAL	NAOT
9	ALLEN KAKWEZI	F. ACCT	TPDC
10	CHRISTINE JOHN	PO-PFM	EMBSSY OF DNMRK
11	WILBERFORCE WILLIAM.	PST	MOWTC
12	ADDO A. MISSAMA	SCON	MOWTC
13	JOHN LIHAWA	APO	JICA
14	PAULINE MROSSO	B ADVISOR	BSIS-TZ
15	VIDAH MALLE	PROGRAM OFFICER	PSU
16	JULIUS MAUKI	ADMIN - ASS	BSIS-TZ
17	SIMON MOSHY	PFM DP CORDINATOR	UNDP
18	AKBAR MOHABAT	DEPUTY HEADY	FGP
19	FLORIDA HENJEWELE	PROGRAM OFFICER	USAID
20	EVANGELINE KIZWALO	P.ECON	MALF
21	FUNDI M. MAKAMA	PFMO	MOFP
22	SAMSON MAPUNDA	ECONOMIST	MOFP
23	BAI OMARK	ECONOMIST	MALF
24	ONESMO MBEKENGA	INTERNAL AUDITOR	MOFP
25	MUSA OTIENO	P/ECONOMIST	PO-RALG
26	MOHAMED NYASAMA	DIRECTOR FINANCE,	SSRA
27	EMIL MKAKI	FINANCE MANAGER	SSRA
28	PASCHAL B. KAJUNA	PRINCIPAL ACCOUNTANT	MEM
29	SAADA MOLI	SENIOR ACCOUNTANT	TRA
30	ANDREW LAWSON	LEADER PEFA TEAM	FZSCHS,UK
31	GODFREY KAIJAGE	FM SPECIALIST	AFDB
32	HANNAH C. MWAKALINGA	DCS	PPRA
33	SEBASTIAN NDANDALA	PC-PFMRP	MOFP
34	CHRISTINA NGONYANI	HOST	MOFP
35	BENAS MAYOGU	PROC - PFMRP	MOFP
36	DENIS MIHAYO	M&E-PFMRP	MOFP
37	ALEX LWEIKILA	COM - PFMRP	MOFP
38	LINUS KAKWESIGABO	FE-PFMRP	MOFP
39	LAITON ERNEST	FMO	MOFP
40	AMANI N. NGEDU	SECON	MOFP
41	ELISARAWEKI MACHA	FMO	MOFP
42	YOHANA MUHANDO	SECON	MOFP
43	MIRIAM M KABAKA	SENIOR FMO	MOFP

PEFA ASSESSMENT MEETING ACGEN 14/3/2017			
S/N	NAME	DESIGNATION	INSTITUTION
1	AZIZ H. KIFILE	ACGEN	MOFP
2	WILLIARD Y. KALULU	CA	MOFP
3	JOSEPHINE MWITA	CA PD	MOFP
4	PASCAL MELKIORY	Ag.AAG	MOFP
5	GILLIAN E.MAKULE	S.ACCT	MOFP
6	JAMES F. LUPEMBE	I/C - RECONC	MOFP
7	MARIANA LAMOSAI	I/C SDU	I/C SDU
8	FINN HEDVALL	FISCUS/SIPU	ADV
9	CECILIE THUE HANSEM	MANAGER	IDI PEFA
10	ANDREW LAWSON	PEFATM LEADER	FISCUS
11	LINUS KAKWESIGABO	FE-PFMRP	MOFP
12	PIUS M. MPONZI	BUDGET	MOFP
13	IGNAS CHUWA	BUDGET	MOFP
14	FUNDI MAKAMA	BUDGET	MOFP
PEFA ASSESSMENT MEETING TRA 14/3/2017			
S/N	NAME	DESIGNATION	INSTITUTION
1	ATHANAS GANGOLO	FINANCE HQ -CAU	TRA
2	ASELA MWESIUMO	FINANCE HQ -CAU	TRA
3	RAMADHAN IDD	RESEARCH POLICY PLANNING	TRA
4	TARIMO PHILIP F	LARGE TAX PAYERS	TRA
5	SEBASTIAN KIMARO	CUSTOM & EXCISE	TRA
6	ANNA MNDEME	FINANCE DEPARTMENT	TRA
7	CHARLES LUGEMALILA	FINANCE DEPARTMENT	TRA
8	BATHOROMEO NGESEYAN	FINANCE DEPARTMENT	TRA
9	THOMAS MARO	FINANCE HQ -CAU	TRA
10	STRATON KIMARIO	RESEARCH POLICY PLANNING	TRA
11	BEATRICE MKENGANYI	CUSTOM & EXCISE	TRA
12	EDWARD NDUPA	CUSTOM & EXCISE	TRA
13	RIANAND KAYOMBO	TAX PAYER SERVICE EDUCATION	TRA
14	JULIUS MJENGA	TAX PAYER SERVICE EDUCATION	TRA
15	SAADA MOLI	FINANCE DEPARTMENT	TRA
16	MARTIN CHAMBAI	TAX INVESTIGATION	TRA
17	BEATUS NCHOTA	DRD DOMESTIC REVENUE DPT	TRA
PEFA ASSESSMENT MEETING IAG 15/3/2017			
S/N	NAME	INSTITUTION	
1	MOHAMED MTONGA	MOFP	
2	AMIN MCHARO	MOFP	
3	MWANYIKA M.SOMROKI	MOFP	
4	CHOTTO L.SENDO	MOFP	
5	PAISON MWAMNYASI	MOFP	
6	ONESMO MBEKENGA	MOFP	
7	CECILIE THUE HANSEM	MOFP	
8	FINN HEDVALL	FISCUS SIPU	
9	ANDREW LAWSON	FISCUS	
10	IBRAHIMU B. MAHUMI	PO PSM	
11	LEOPOLD SHAYO	PO PSM	
12	LEONARD MCHAU	PO PSM	
13	ALPHA ZULLU	PO PSM	

PEFA ASSESSMENT MEETING GAMD 16/3/2017			
S/N	NAME	DESIGNATION	INSTITUTION
1	E.M.I.MSANYA	DGAM	MOFP
2	H. S. QAMDYE	ADGAM/AC	MOFP
3	H.E. CHAMURIHO	ADGAM/IC	MOFP
4	MELANIA M. KAHISHA	PSV I	MOFP
5	KAREREMA KWAREH	SV I	MOFP
6	MOHAMED MDOKA	SV II	MOFP
7	HAPPYGOD LONGINO	SV I	MOFP
8	MICHAELI LUZIGAH	SV I	MOFP
9	GEORGE KANYAMA	PSV I	MOFP
PEFA ASSESSMENT MEETING Treasury Registrar 16/3/2017			
S/N	NAME	DESIGNATION	INSTITUTION
1	ANDREW LAWSON	DIRECTOR, PEFA TEAM LEADER	FISCUS UK
2	ELIKANA A. MTUMWENI	Ag. ASSIST DIRECTOR C/S	OTR
3	JOSEPH MWAISEMBA	Ag.ASSIST DIRECTOR R/A	OTR
4	AIDAN P. MAKALLA	Ag. ASSIST DIRECTOR NCS	OTR
5	FINN HEDVALL	SIPU/FISCUS	
6	ALEXANDER LWEIKILA	PFMRP SECRETARIAT	MOFP
PEFA ASSESSMENT MEETING PPRA 16/3/2017			
S/N	NAME	DESIGNATION	INSTITUTION
1	DR LAURENT M. SHIRIMA	CEO	PPRA
2	MRS B.H. SOKA	DLPA	PPRA
3	W. SAMBA	Ag. DMC	PPRA
4	C.E MWAKIBINGA	CIA	PPRA
5	DEUSDELITY CASMIR	Ag. DCS	PPRA
6	KENNETH SIJAONA	Ag. DLS	PPRA
7	ENG. MARY M. SWAI	Ag. DCBAS	PPRA
8	ROBERT M. KITALALA	HPMU	PPRA
PEFA ASSESSMENT MEETING BOT 16/3/2017			
S/N	NAME	DESIGNATION	INSTITUTION
1	MANOTI KAHAMBA	MGR FRGN PYMNT & STLMNT	BOT
2	ABRAHAM MRINDOLO	SENIOR ECNMST DEBT MNGMNT	BOT
3	AGATHON KIPANDULA	MANAGER BANKING	BOT
4	JAREMIAH MUNUO	ECNMST FINANCIAL AFFAIRS	BOT

PEFA ASSESSMENT MEETING MINISTRY OF EDUCATION SCIENCE AND TECHINOLOGY 22/3/2017				
S/N	**NAME**	**DESIGNATION**	**INSTITUTION**	
1	STEVEN A.L.	ASS. DIRECTOR	EDUCATION	
2	MALALA PETRO	ASS. DIRECTOR	MOEST	
3	WINFIRIDA A. KESSY	P & B OFFICER	MOEST	
4	JOSEPH MBUYA	ACCTS	MOEST	
5	ELINURU O. MALEKO	HR		
6	CECILIE THUE-HANSEN	PEFA TEAM		
7	ROMA MTAWA	Ag. DPMU		
8	FINN HEDVALL	FISCUS SIPU		
9	ALEXANDER LWEKILA	CS - PFMRP	MOFP	
PEFA ASSESSMENT MEETING PAD 22/3/2017				
S/N	**NAME**	**DESIGNATION**	**INSTITUTION**	
1	NURU A. NDILE	ECONOMIST	MOFP	
2	MULESI MANYAMA	ECONOMIST	MOFP	
3	DIONISCA MJEMA	ECONOMIST	MOFP	
4	YOSEPH TAMAMU	ECONOMIST	MOFP	
PEFA ASSESSMENT MEETING PO-RALG AND WORKS /3/2017				
S/N	**NAME**	**DESIGNATION**	**INSTITUTION**	
7	CECILIE THUE HANSEM	PEFA TEAM/ IDI		
8	FINN HEDVALL	FISCUS SIPU		
9	ANDREW LAWSON	FISCUS		
4	LINUS KAKWESIGABO	FE PFMRP	MOFP	
5	AUGOSTINO MANDA	FMO	PO RALG	
6	DR LUCY SSENDI	Ag. DSC	PO RALG	
7	MIRIAM P. MMBAGA	Ag. DLG	PO RALG	
8	MUSA OTIENO	ECONOMIST	PO RALG	
9	ATHUMAN K. MAHYORO	Ag.CIA	PO RALG	
10	ISAKA JEREMIAH	Ag.DPP	PO RALG	
11	TRIPHONIA KISIGA	Ag. DLS	PO RALG	
12	MRISHO S. MRISHO	Ag.DAHRM	PO RALG	
13	LUCAS G. MREMA	ACCT	PO RALG	
14	HERRY MDENGALU	Ag. DPMU	PO RALG	
15	DR WILLIAM NSHAMA	Ag.PS	WORKS	
16	LIGHT K. CHOBTA	Ag. DR	WORKS	
17	ADDO A. MISSAMA	ECONOMIST	WORKS	

Annex 4 c) Sources of Information for each Performance Indicator

Indicator/dimension	Data Sources
IV. Budget reliability	
PI-1. Aggregate expenditure outturn 1.1 Aggregate expenditure outturn	• Annual budget law /documentation/estimates approved by the legislature; • Annual budget execution report or Comparative Statement of Budget and Actual Results.
PI-2. Expenditure composition outturn 2.1. Expenditure composition outturn by function 2.2. Expenditure composition outturn by economic type 2.3. Expenditure from contingency reserves	• Annual budget law/documentation/estimates approved by the legislature; • Annual budget execution report or annual financial statements (The above information should be available from the MoF.) • Annual budget law/documentation /estimates approved by the legislature
PI-3. Revenue outturn 3.1 Aggregate revenue outturn 3.2 Revenue composition outturn	• Annual budget law/documentation/estimates approved by the legislature • Annual budget execution report or audited annual financial statements • Information on revenue outturn for the most recent completed fiscal year may also be presented in the budget estimates document
V. Transparency of public finances	
PI-4. Budget classification 4.1 Budget classification	• Relevant legislation and regulations identifying the application of the classification • Annual budget document provided by the MoF for the last completed fiscal year • Copy of the chart of accounts used for the last completed fiscal year
PI-5. Budget documentation 5.1 Budget documentation	• Last annual budget proposal submitted to the legislature.

	• Supporting documentation for the budget • Additional documentation relating to the budget submitted to the legislature prior to the budget proposal
PI-6. Central Government operations outside financial reports 6.1 Expenditure outside financial reports 6.2 Revenue outside financial reports 6.3 Financial reports of extra-budgetary units	• Information from the MoF, central bank, SAI, and others about Government bank accounts that are not managed by the Treasury • Financial records of ministries and extrabudgetary units not reported in central Government financial reports (e.g., bookkeeping and/or petty cash records, invoices, bank statements, etc.) • Annual financial reports of extra-budgetary units • Correspondence with central agency regarding financial reports
PI-7. Transfers to subnational Governments 7.1 System for allocating transfers 7.2 Timeliness of information on transfers	• Legislation or rules governing transfers from CG to SNG. • Annual budget documents • MoF, and PO-RALG • Triangulation with representatives of Dodoma Municipal Council
PI-8. Performance information for service delivery 8.1 Performance plans for service delivery 8.2 Performance achieved for service delivery 8.3 Resources received by service delivery units 8.4 Performance evaluation for service delivery	• Annual budget document and/or supporting budget documentation. • Ministry budget statements and/or performance plans. • Other documents on ministry service delivery plans containing performance information; • Annual financial statements; • In-year budget execution reports • Budget management system or accounting system • Line ministries and departments • National Audit Office • Internal audit department • MoF
PI- 9 Public access to fiscal information	• Listed documents may be accessible from the MoF, CAG, and

9.1 Public access to fiscal information	procurement authority. • Access should be, corroborated through availability at Government bookshops, websites, public library, notice boards, and public interest groups as governance NGOs, chamber of commerce, development partner's country offices.
VI. Management of assets and liabilities	
PI- 10 Fiscal risk reporting	• A list of public corporations, and data on dates of submission, publication and audit should be compiled by the MoF or SAI • MoF • PO-RALG • Triangulation with information from selected subnational Governments • Annual financial statements • Financial or other reports of budgetary units
10.1 Monitoring of public corporations	
10.2 Monitoring of sub-national Government (SNG)	
10.3 Contingent liabilities and other fiscal risks	
PI- 11: Public investment management	• Ministry of finance/planning • Line ministries and agencies • Agency in charge of public investments, if any • National guidelines to conduct economic analysis • Economic analysis of investment projects • Legislation on public investment • Annual budget documentation • Medium-term expenditure framework, if available • Guidelines on monitoring public investments • Databases • Project monitoring reports
11.1 Economic analysis of investment proposals	
11.2 Investment project selection	
11.3 Investment project costing	
11.4 Investment project monitoring	
PI-12: Public asset management	• Consolidated financial statements, including notes relating to the holdings of financial assets. • Asset management agency, if any. • Budget and extra-budgetary units holding financial and non-financial assets • MoF, Treasury
12.1 Financial asset monitoring	
12.2 Nonfinancial asset monitoring	
12.3 Transparency of asset disposal.	

	• Internal audit units • SAI Financial reports from various possible sources including: • Asset management agency, if any • Budget and extrabudgeary units • MoF • Treasury • Internal audit units • SAI
PI-13: Debt management 13.1 Recording and reporting of debt and guarantees 13.2 Approval of debt and guarantees 13.3 Debt management strategy	• MoF • Treasury • Debt Management office • Debt Management entities • Central Bank
VII. Policy-based fiscal strategy and budgeting	
PI-14: Macroeconomic and fiscal forecasting 14.1 Macroeconomic forecasts 14.2 Fiscal forecasts 14.3 Macro-fiscal sensitivity analysis	• Annual budget documents • Annual budget circular • Policy and analytical advice to Government • MoF working papers • The reviewing entity • The unit preparing the initial forecasts • Records of legislative proceedings
PI-15 Fiscal strategy 15.1 Fiscal impact of policy proposals 15.2 Fiscal strategy adoption 15.3 Reporting on fiscal outcomes	• MoF • Office of the Prime Minister/President
PI-16 Medium-term perspective in expenditure budgeting 16.1 Medium-term expenditure estimates 16.2 Medium-term expenditure ceilings 16.3 Alignment of strategic plans and medium-term budgets 16.4 Consistency of budgets with previous year's estimates	• Annual budget estimates • Formal directions or instructions on ceilings to ministries • Budget circular • Ministry of Finance/ Planning (or equivalent entity) • Large sector ministries • MoF • Annual budget documents • Large sector ministries
PI-17: Budget preparation process 17.1 Budget calendar. 17.2 Guidance on budget preparation 17.3 Budget submission to the legislature	• MoF (budget department), corroborated by finance officers of large spending budgetary units; • MoF (budget department), corroborated by the legislature (budget/finance commission)

PI-18: Legislative scrutiny of budgets 18.1 Scope of budget scrutiny. 18.2 Legislative procedures for budget scrutiny. 18.3 Timing of budget approval. 18.4 Rules for budget adjustments by the executive.	• Budget director, secretary or chair of budget committee(s) of legislature, corroborated by advocacy, civil society, and interest groups • Legislature committees, corroborated by advocacy, civil society, and interest groups; • MoF (budget department), corroborated by the legislature (budget/finance commissions) • Internal and/or external audit reports
VIII. Predictability and control in budget execution	
PI-19 Revenue administration 19.1 Rights and obligations for revenue measures 19.2 Revenue risk management 19.3 Revenue audit and investigation 19.4 Revenue arrears monitoring	- Tax Administration Act of 2015, regulation 2016 - VAT Act 2014, Regulations 2015 - Income Tax Act 2006, revised 2008, regulation 2014 - Electronic Fiscal Device Regulation 2012 - Excise Management and Tax Act 2006, revised 2008, regulations 2013 - Motor Vehicles Tax Act, rev 2006 - Tanzania Revenue Authority Act, rev 2006 - Tax Revenue Appeals Act, rev 2006, and planned 2016 - Other acts and regulations for specific taxes. - TRA Fourth Corporate Plan 2013/14-2017/18 - www.tra.go.tz - TRA call centre, tel: 0800 750 075 - Consolidated financial statements for the year ended 30th June 2015, and previous years - Budget Volume I – financial statements and revenue estimates for 2016/17 - Tax arrears status Report as at 30th June 2016 - Large tax payers, TRA - Monitoring revenue arrears 2015/16, TRA – customs and excise - Planning sheet for revenue audit process, TRA

	- Revenue audit Business Plan 2015-16 with status, TRA - Annual performance review 2015/16 of taxes established form tax audit, TRA - Risk profiling sheet, TRA - Revenue risk based audit process description, TRA. - Revenue budgets and actuals 2015/16, TRA - Revenue collection statistics by department, July to November 2016, TRA - TRA annual report 2014/15 - Non tax revenue estimates 2016/17 plus actuals by Dec 2016 - Non tax revenue collection and budgets 2013/14, 2014/15, and 2015/16 - Example of Bill of lading - Customs invoice - TANCIS, leaflet, TANSAD form, TRA, Customs dept. - Tanzania Economic Update – Why should Tanzanians Pay Taxes, World Bank July 2015 - Exemptions and relief summary, regions and large tax payer department in mn TZS granted from October to December 2016 - IMF documents from 4th and 5th review under the policy support instrument, July 2016 and January 2017. - PFMRP IV annual progress report 2015/16, MoF - Mid Year budget execution report July to December 2016, MoF - Departmental actual revenue collections in quarterly for 2016/2017, TRA - PER – Government pension obligations and contingent liabilities - Social Security Regulatory Authority Annual Report 204/15

	- Interviews with Fiscal Unit, Policy Directorate MoF, TRA, SSRA, Chamber of Commerce, BoT
PI-20 Accounting for Revenues	See PI-19
20.1 Information on revenue collections	
20.2 Transfer of revenue collections	
20.3 Revenue accounts reconciliation.	
PI-21 Predictability of in-year resource allocation	Accounting manual of 2015 Interviews with ministries of Education, Works and Regional Secretariat, BoT, ACGEN, IFMIS, Government Budget Division Budget documents and outcomes. Consolidated annual accounts for 2014/15- PER – Study on the prevention and management of payment arrears, IMF 2014
21.1 Consolidation of cash balances.	
21.2 Cash forecasting and monitoring.	
21.3 Information on commitment ceilings.	
21.4 Significance of in-year budget adjustments.	
PI-22 Expenditure arrears	• Study on the prevention and management of payment arrears, IMF 2014 • CAG report for 2014/15 • Arrears reports MoE • Interviews: ACGEN; Government Budget Division; Debt Management Unit, TCCIA (Chamber of Commerce)
22.1 Stock of expenditure arrears.	
22.2 Expenditure arrears monitoring	
PI-23 Payroll controls	• Office of the President – Personnel management Division • IFMIS unit MoF • Regional Secretariat, Dodoma • ACGEN • Finance and HR officers at Ministries of work and Education • CAG report for 2014/15 • Interviews with CAG, Internal auditor general and internal audit departments
23.1 Integration of payroll and personnel records.	
23.2 Management of payroll changes.	
23.3 Internal control of payroll.	
23.4 Payroll audit.	
PI-24 Procurement	• Interviews with Public Procurement Regulatory Authority; • The Public Procurement Act (2011) with regulations (2013). • PPRA performance reports 2014/15 and 2015/16A • www.ppra.go.tz • www.tender.ppra.go.tz
24.1 Procurement monitoring.	
24.2 Procurement methods.	
24.3 Public access to procurement information.	
24.4 Procurement complaints management.	

	• www.ppaa.go.tz • Tanzania Procurement Journal • Procurement plans, tender documents, award decision • Brochures from PPRA • Chamber of Commerce interview • Internal and external audit reports • Case descriptions and results on PPAA website. • Public Investment Management . Operational Manual, President's Office 2015
PI-25 Internal controls on non-salary expenditure 25.1 Segregation of duties. 25.2 Effectiveness of expenditure commitment controls. 25.3 Compliance with payment rules and procedures.	• CAG and Internal audit interviews and reports • The accounting manual of 2015 • Study of EPICOR functions, incl commitment control • The IMF arrears study • Study of forms and documents for payment processing • Interview with reconciliation unit and systems development unit in ACGEN • Interview with PO-DPSM and IFMIS unit-MoF • Heads and finance officers at Ministries of Education , Works and Regional Secretariat
PI-26 Internal audit 26.1 Coverage of internal audit. 26.2 Nature of audits and standards applied 26.3 Implementation of internal audits and reporting. 26.4 Response to internal audits.	• MoF (Internal audit) • Accountant General • Heads and finance officers of major budgetary units • SAI for triangulation of information
IX. Accounting and reporting	
PI-27 Financial data integrity 27.1 Bank account reconciliation. 27.2 Suspense accounts. 27.3 Advance accounts. 27.4 Financial data integrity processes	• CAG and Internal audit interviews and reports • The accounting manual of 2015 • Study of EPICOR and Lawson system functions, • Study of forms and documents for payment processing • Study of user registration process and

	authority levels • Interview with reconciliation unit and systems development unit in ACGEN • Interview with PO-DPSM and IFMIS unit-MoF, Heads and finance officers at Ministries of Education , Works and Regional Secretariat
PI-28 In-year budget reports	• Accountant General corroborated by SAI or internal audit • Treasury or MoF
28.1 Coverage and comparability of reports.	
28.2 Timing of in-year budget reports.	
28.3 Accuracy of in-year budget reports	
PI-29 Annual financial reports	• Accountant General corroborated by SAI
29.1 Completeness of annual financial reports.	
29.2 Submission of the reports for external audit.	
29.3 Accounting standards.	
X. External scrutiny and audit	
PI-30 External audit	• SAI, corroborated by the parliamentary public accounts committee and civic interest groups; • Information on submission of reports for audit can also be corroborated with the MoF or the Treasury ministries. • SAI and internal auditors of major budgetary units, corroborated by Parliamentary Public Accounts committee, Government ministers, the MoF, audited entities and civic interest groups • SAI • Legislation • External reports on SAI independence and financial governance
30.1 Audit coverage and standards.	
30.2 Submission of audit reports to the legislature	
30.3 External audit follow up.	
30.4 Supreme Audit Institution independence.	
PI-31 Legislative scrutiny of audit reports	• CAG, MoF, and Public Accounts Committee of Parliament, corroborated by civic interest group (TCCIA).

Annex V: Calculations for Budget Reliability Pillar (PI-1,2 & 3)

PI1 and PI 2 dimensions i) and iii). Methodology 2016

Table 2						
Data for year =	2013/2014					
Administrative head	Budget	Actual	adjusted budget	deviation	absolute deviation	Adjusted absolute variation (%)
The Treasury	869.529.643.877	206.476.812.990	695.143.874.837,8	-488.667.061.847,6	488.667.061.847,6	70,3%
Ministry of Energy and Minerals	1.289.329.129.000	916.278.347.290	1.030.751.801.259,0	-114.473.453.968,6	114.473.453.968,6	11,1%
Ministry of Works	1.226.431.739.000	971.672.011.946	980.468.598.484,2	-8.796.586.538,3	8.796.586.538,3	0,9%
Ministry of Health and Social Welfare	753.856.475.000	658.720.879.490	602.669.172.688,1	56.051.706.802,0	56.051.706.802,0	9,3%
Ministry of Education and Vocational Training	689.681.055.000	667.183.376.111	551.364.251.179,9	115.819.124.931,0	115.819.124.931,0	21,0%
DEFENCE	661.015.373.000	766.595.516.231	528.447.524.417,7	238.147.991.813,3	238.147.991.813,3	45,1%
Ministry of Water	582.895.874.000	256.432.236.055	465.995.034.594,4	-209.562.798.539,0	209.562.798.539,0	45,0%
Ministry of Transport	529.405.994.000	300.579.318.644	423.232.648.389,8	-122.653.329.746,2	122.653.329.746,2	29,0%
Ministry of Home Affairs - Police Force	364.243.913.000	428.098.975.920	291.194.126.447,4	136.904.849.472,5	136.904.849.472,5	47,0%
Ministry of Agriculture, Food Security and	349.284.608.000	255.232.853.032	279.234.937.573,5	-24.002.084.541,3	24.002.084.541,3	8,6%
RAS Dar Es Salaam	313.587.569.000	238.955.194.588	250.697.005.387,5	-11.741.810.799,6	11.741.810.799,6	4,7%
President's Office and Cabinet Secretariat	302.368.805.000	348.918.974.798	241.728.185.137,7	107.190.789.660,5	107.190.789.660,5	44,3%
Ministry of Finance	288.380.260.000	278.260.367.126	230.545.068.560,6	47.715.298.565,6	47.715.298.565,6	20,7%
Prime Minister's Office - RALG	278.686.065.000	248.045.785.049	222.795.062.194,3	25.250.722.854,5	25.250.722.854,5	11,3%
RAS Mbeya	277.515.379.000	233.749.300.271	221.859.159.424,4	11.890.140.846,2	11.890.140.846,2	5,4%
Ministry of Defence & National Service	248.682.522.000	123.127.937.625	198.808.784.915,9	-75.680.847.290,5	75.680.847.290,5	38,1%
RAS Mwanza	237.848.653.000	217.544.643.085	190.147.668.266,0	27.396.974.818,6	27.396.974.818,6	14,4%
Immigration Department	222.711.068.000	127.388.428.414	178.045.953.773,9	-50.657.525.360,2	50.657.525.360,2	28,5%
RAS Tanga	205.953.778.000	191.398.215.400	164.649.369.098,1	26.748.846.302,4	26.748.846.302,4	16,2%
RAS Kilimanjaro	201.603.917.000	185.072.487.843	161.171.880.720,5	23.900.607.122,1	23.900.607.122,1	14,8%
RAS Morogoro	200.481.156.000	188.998.877.253	160.274.291.503,6	28.724.585.749,5	28.724.585.749,5	17,9%
National Service	193.301.634.000	208.487.667.357	154.534.635.843,0	53.953.031.513,5	53.953.031.513,5	34,9%
RAS Arusha	180.599.492.000	167.130.365.669	144.379.931.778,8	22.750.433.890,5	22.750.433.890,5	15,8%
RAS Kagera	174.925.757.000	148.006.344.666	139.844.074.766,4	8.162.269.899,9	8.162.269.899,9	5,8%
RAS Dodoma	174.373.462.000	165.673.608.766	139.402.543.544,2	26.271.065.222,1	26.271.065.222,1	18,8%
21 (= sum of rest)	3.577.349.758.000	3.009.262.744.887	2.859.905.685.720,3	149.357.059.167,1	149.357.059.167,1	5,2%
Allocated expenditure	14.394.043.078.877	11.507.291.270.507	11.507.291.270.507,1	0,0	2.212.470.997.262,4	
Public Debt (Incl. principals)	3.319.017.772.000	3.480.714.153.025				
Contingency non-emergency	535.922.149.123	150.980.981.888				
Total expenditure	18.248.983.000.000	15.138.986.405.420				
overall (PI-1) variance						83,0%
composition (PI-2) variance						19,2%
contingency share of budget						0,8%

Data for year =	2014/2015					
Administrative head	Budget	Actual	adjusted budget	deviation	absolute deviation	Adjusted absolute variation (%)
Ministry of Works	979.072.881.250	830.703.426.014	881.021.729.611,6	-50.318.303.597,6	50.318.303.597,6	5,7%
Ministry of Energy and Minerals	1.077.692.347.000	547.878.266.441	969.764.757.789,0	-421.886.491.348,0	421.886.491.348,0	43,5%
The Treasury	954.426.993.200	294.454.200.110	858.844.051.796,8	-564.389.851.686,8	564.389.851.686,8	65,7%
DEFENCE	851.635.388.000	880.632.795.175	766.346.711.162,4	114.286.084.012,6	114.286.084.012,6	14,9%
Ministry of Education and Vocational Training	795.397.353.000	724.082.128.554	715.740.743.195,6	8.341.385.358,4	8.341.385.358,4	1,2%
Ministry of Health and Social Welfare	659.702.923.000	767.608.152.585	593.635.694.933,4	173.972.457.651,6	173.972.457.651,6	29,3%
Ministry of Transport	538.744.835.000	185.229.899.388	484.791.189.135,0	-299.561.289.747,0	299.561.289.747,0	61,8%
Ministry of Water	518.981.973.000	168.799.980.770	467.007.517.260,6	-298.207.536.490,6	298.207.536.490,6	63,9%
Prime Minister's Office - RALG	478.401.939.000	331.998.088.910	430.491.449.430,4	-98.493.360.520,4	98.493.360.520,4	22,9%
President's Office and Cabinet Secretariat	434.163.344.000	430.287.864.091	390.683.214.283,8	39.604.649.807,2	39.604.649.807,2	10,1%
Ministry of Home Affairs - Police Force	427.928.142.000	793.907.631.208	385.072.448.675,1	408.835.182.532,9	408.835.182.532,9	106,2%
RAS Dar Es Salaam	365.174.679.000	258.413.359.528	328.603.552.875,7	-70.190.193.347,7	70.190.193.347,7	21,4%
Ministry of Agriculture, Food Security and	332.560.678.000	280.397.361.604	299.255.744.228,5	-18.858.382.624,5	18.858.382.624,5	6,3%
RAS Mbeya	308.426.573.000	248.241.535.452	277.538.595.958,0	-29.297.060.506,0	29.297.060.506,0	10,6%
Immigration Department	279.842.016.000	122.646.692.103	251.816.694.830,3	-129.170.002.727,3	129.170.002.727,3	51,3%
RAS Mwanza	262.592.709.000	258.931.239.730	236.294.853.117,8	22.636.386.612,2	22.636.386.612,2	9,6%
Ministry of Defence & National Service	249.300.146.000	87.024.152.439	224.333.499.607,2	-137.309.347.168,2	137.309.347.168,2	61,2%
RAS Morogoro	242.974.917.000	209.436.193.418	218.641.722.927,0	-9.205.529.509,0	9.205.529.509,0	4,2%
RAS Tanga	239.361.744.000	208.341.163.233	215.390.398.141,2	-7.049.234.908,2	7.049.234.908,2	3,3%
RAS Kilimanjaro	229.161.853.000	206.195.025.797	206.211.994.998,1	-16.969.201,1	16.969.201,1	0,0%
National Service	211.566.661.000	253.201.698.889	190.378.907.609,4	62.822.791.279,6	62.822.791.279,6	33,0%
RAS Arusha	208.343.055.000	182.707.015.712	187.478.135.881,3	-4.771.120.169,3	4.771.120.169,3	2,5%
RAS Dodoma	197.697.264.000	179.219.848.227	177.898.488.258,0	1.321.359.969,0	1.321.359.969,0	0,7%
RAS Kagera	194.634.923.000	180.588.887.798	175.142.831.333,8	5.446.056.464,2	5.446.056.464,2	3,1%
RAS Mara	192.642.457.000	163.910.660.738	173.349.904.703,8	-9.439.243.965,8	9.439.243.965,8	5,4%
Ministry of Foreign Affairs and International Co-	190.297.349.000	157.689.491.755	171.239.652.090,5	-13.550.160.335,5	13.550.160.335,5	7,9%
21 (= sum of rest)	3.837.445.843.650	4.777.585.114.864	3.453.137.390.698,7	1.324.447.724.165,3	1.324.447.724.165,3	38,4%
Allocated expenditure	15.258.170.986.100	13.730.111.874.533	13.730.111.874.533,0	0,0	4.323.428.155.705,8	
Public Debt (Incl. principals)	4.354.865.076.000	5.063.916.466.000				
Contingency non-emergency	240.339.937.750	106.488.692.715				
Total expenditure	19.853.375.999.850	18.900.517.033.248				
overall (PI-1) variance						95,2%
composition (PI-2) variance						31,5%
contingency share of budget						0,5%

Data for year =	2015/2016					
Administrative head	**Budget**	**Actual**	adjusted budget	deviation	absolute deviation	**Adjusted absolute variation (%)**
The Treasury	393.494.616.063	223.509.917.737	338.147.865.783,5	-114.637.948.046,6	114.637.948.046,6	33,9%
DEFENCE	1.151.865.683.000	1.104.538.741.505	989.850.703.099,3	114.688.038.405,7	114.688.038.405,7	11,6%
Ministry of Education and Vocational Training	947.963.202.000	909.974.564.255	814.628.003.820,8	95.346.560.433,8	95.346.560.433,8	11,7%
Ministry of Works	923.856.108.500	1.285.318.876.211	793.911.679.163,4	491.407.197.047,2	491.407.197.047,2	61,9%
Ministry of Health and Social Welfare	780.740.724.000	397.757.995.408	670.926.103.620,7	-273.168.108.212,9	273.168.108.212,9	40,7%
Ministry of Energy and Minerals	642.123.079.000	855.588.705.132	551.805.640.714,1	303.783.064.418,0	303.783.064.418,0	55,1%
Ministry of Water	512.235.736.000	163.371.610.275	440.187.524.392,3	-276.815.914.116,9	276.815.914.116,9	62,9%
Ministry of Home Affairs - Police Force	460.643.658.000	551.049.155.537	395.852.099.319,4	155.197.056.217,3	155.197.056.217,3	39,2%
President's Office and Cabinet Secretariat	445.832.281.000	526.853.060.348	383.124.007.707,9	143.729.052.640,1	143.729.052.640,1	37,5%
RAS Dar Es Salaam	442.397.102.000	302.536.507.401	380.172.001.759,2	-77.635.494.357,8	77.635.494.357,8	20,4%
Ministry of Finance	425.066.289.000	59.541.247.117	365.278.843.914,0	-305.737.596.797,2	305.737.596.797,2	83,7%
Prime Minister's Office - RALG	395.588.786.000	245.123.131.281	339.947.481.498,4	-94.824.350.217,2	94.824.350.217,2	27,9%
Ministry of Transport	389.437.277.000	189.806.336.840	334.661.209.323,9	-144.854.872.484,4	144.854.872.484,4	43,3%
RAS Mbeya	322.780.554.000	287.524.479.392	277.380.047.898,9	10.144.431.493,2	10.144.431.493,2	3,7%
National Service	287.353.207.000	262.513.137.183	246.935.713.238,7	15.577.423.943,9	15.577.423.943,9	6,3%
RAS Mwanza	286.897.645.000	260.590.528.945	246.544.228.039,8	14.046.300.904,7	14.046.300.904,7	5,7%
RAS Tanga	270.220.276.000	236.960.980.846	232.212.604.419,0	4.748.376.427,5	4.748.376.427,5	2,0%
RAS Morogoro	269.372.251.000	244.576.010.718	231.483.857.869,0	13.092.152.849,1	13.092.152.849,1	5,7%
RAS Kilimanjaro	251.365.274.000	237.786.911.870	216.009.641.467,6	21.777.270.402,7	21.777.270.402,7	10,1%
Ministry of Defence & National Service	239.990.395.000	295.006.883.862	206.234.689.281,8	88.772.194.580,3	88.772.194.580,3	43,0%
RAS Arusha	230.926.390.000	207.508.821.869	198.445.576.493,2	9.063.245.375,5	9.063.245.375,5	4,6%
RAS Dodoma	211.132.385.000	201.897.525.667	181.435.685.448,1	20.461.840.218,4	20.461.840.218,4	11,3%
RAS Kagera	211.100.865.000	211.980.615.373	181.408.598.874,9	30.572.016.498,5	30572016498	16,9%
RAS Mara	208.931.183.000	194.044.108.065	179.544.092.201,2	14.500.015.864,0	14500015864	8,1%
Ministry of Agriculture, Food Security and Cooperatives	206.816.421.000	80.342.031.958	177.726.780.787,6	-97.384.748.830,1	97384748830	54,8%
Electoral Commission	191.499.632.000	182.550.648.329	164.564.365.599,3	17.986.282.729,5	17986282730	10,9%
RAS Tabora	187.693.051.000	176.606.018.144	161.293.196.977,0	15.312.821.167,0	15.312.821.167,0	9,5%
21 (= sum of rest)	3.908.010.133.500	3.163.184.992.966	3.358.331.301.519,0	-195.146.308.553,2	195.146.308.553,2	5,8%
Allocated expenditure	15.195.334.204.063	13.058.043.544.232	13.058.043.544.232,0	0,0	3.160.410.683.232,6	
Public Debt (Incl. principals)	6.390.465.067.000	6.456.800.480.462				
Contingency non-emergency	909.689.889.937	27.785.698.766				
Total expenditure	22.495.489.161.000	19.542.629.723.460				
overall (PI-1) variance						86,9%
composition (PI-2) variance						24,2%
contingency share of budget						0,1%

PI2 dimension ii), variance composition by Economic classification. Methodology 2016

Data for year =	2013/2014					
Economic head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	**Adjusted absolute variation (%)**
Compensation of Employees	2.885.766.905.526	2.613.101.651.028	2.468.604.536.018,9	144.497.115.009,6	144.497.115.009,6	5,9%
Use of Goods & Services	2.607.333.280.500	2.195.030.126.151	2.230.420.880.782,1	-35.390.754.630,9	35.390.754.630,9	1,6%
Maintenance & Repair	73.317.321.207	57.288.696.410	62.718.673.276,7	-5.429.976.866,6	5.429.976.866,6	8,7%
Interest Payments	1.022.742.717.000	976.938.950.032	874.896.480.908,3	102.042.469.123,9	102.042.469.123,9	11,7%
Subsidies	144.814.076.456	146.452.516.599	123.879.959.027,2	22.572.557.572,2	22.572.557.572,2	18,2%
Grants	7.974.227.556.917	6.701.656.999.114	6.821.484.535.205,1	-119.827.536.090,7	119.827.536.090,7	1,8%
Social Benefits in cash or kind	227.837.305.500	274.587.751.000	194.901.467.874,8	79.686.283.125,7	79.686.283.125,7	40,9%
Other Expenses (excl. Contingencies)	102.710.000	41.020.350	87.862.388,1	-46.842.038,1	46.842.038,1	53,3%
Acquisition of Fixed & Semi-fixed Assets	1.162.064.746.792	589.165.756.064	994.078.315.745,1	-404.912.559.681,4	404.912.559.681,4	40,7%
Acquisition of Strategic stocks & commodities	300.837.456	-	257.348.820,2	-257.348.820,2	257.348.820,2	100,0%
Acquisition of Land & Natural Assets	-	6.723.151.381	0,0	6.723.151.381,0	6.723.151.381,0	
Loans & other Financial Investments	1.153.013.891.000	1.345.751.883.946	986.335.838.825,0	359.416.045.121,3	359.416.045.121,3	36,4%
Repayment of Loans & Accounts Payable	445.758.760.523	232.247.903.343	381.320.506.548,9	-149.072.603.205,7	149.072.603.205,7	39,1%
Total expenditure	17.697.280.108.877	15.138.986.405.420	15.138.986.405.420,4	0,0	1.429.875.242.667,4	
overall variance						116,9%
composition variance						9,4%

Data for year =	2014/2015					
Economic head	**budget**	**actual**	**adjusted budget**	**deviation**	**absolute deviation**	**Adjusted absolute variation (%)**
Compensation of Employees	2.871.231.859.283	3.152.209.021.786	2.456.170.655.438,1	696.038.366.347,7	696.038.366.347,7	28,3%
Use of Goods & Services	2.566.515.366.575	2.275.957.353.666	2.195.503.546.581,6	80.453.807.084,6	80.453.807.084,6	3,7%
Maintenance & Repair	79.742.026.299	44.513.631.776	68.214.632.116,0	-23.701.000.340,3	23.701.000.340,3	34,7%
Interest Payments	997.478.000.000	1.263.784.405.743	853.283.995.552,0	410.500.410.190,8	410.500.410.190,8	48,1%
Subsidies	257.464.695.015	213.251.395.170	220.245.963.997,2	-6.994.568.827,6	6.994.568.827,6	3,2%
Grants	8.951.687.412.427	6.994.039.031.399	7.657.644.180.832,5	-663.605.149.433,0	663.605.149.433,0	8,7%
Social Benefits in cash or kind	227.161.973.000	283.308.615.115	194.323.760.482,9	88.984.854.631,7	88.984.854.631,7	45,8%
Other Expenses (excl. Contingencies)	366.685.000	68.398.300	313.677.536,7	-245.279.236,7	245.279.236,7	78,2%
Acquisition of Inventories	-	34.846.636.718	0,0	34.846.636.718,3	34.846.636.718,3	
Acquisition of Fixed & Semi-fixed Assets	924.669.351.822	388.737.174.753	791.000.462.253,0	-402.263.287.500,3	402.263.287.500,3	50,9%
Acquisition of Strategic stocks & commodities	16.609.000	-	14.208.026,5	-14.208.026,5	14.208.026,5	100,0%
Other operative expenses	-	(82.932.967.576)	0,0	-82.932.967.575,6	82.932.967.575,6	
Loans & other Financial Investments	2.267.703.556.000	2.064.356.523.368	1.939.887.547.385,7	124.468.975.982,6	124.468.975.982,6	6,4%
Repayment of Loans & Accounts Payable	456.539.027.679	292.531.221.022	390.542.393.580,0	-98.011.172.558,4	98.011.172.558,4	25,1%
Total expenditure	19.600.576.562.100	16.924.670.441.239	16.767.145.023.782,1	157.525.417.457,2	2.713.060.684.454,1	
overall variance						115,8%
composition variance						16,2%

Data for year =	2015/2016					
Economic head	**budget**	**actual**	**adjusted budget**	**deviation**	**absolute deviation**	**Adjusted absolute variation (%)**
Compensation of Employees	3.755.358.757.506	3.564.050.686.474	3.212.489.423.662,5	351.561.262.811,5	351.561.262.811,5	10,9%
Use of Goods & Services	2.720.347.835.819	1.824.505.428.132	2.327.098.212.330,4	-502.592.784.198,9	502.592.784.198,9	21,6%
Maintenance & Repair	91.661.298.594	35.686.225.126	78.410.871.319,6	-42.724.646.193,4	42.724.646.193,4	54,5%
Interest Payments	1.564.465.432.000	1.454.521.060.664	1.338.308.528.829,7	116.212.531.834,2	116.212.531.834,2	8,7%
Subsidies	239.612.961.308	210.381.658.597	204.974.851.586,6	5.406.807.010,2	5.406.807.010,2	2,6%
Grants	9.108.393.492.941	8.311.275.354.636	7.791.697.052.683,6	519.578.301.952,3	519.578.301.952,3	6,7%
Social Benefits in cash or kind	580.010.968.788	424.260.180.680	496.165.406.065,5	-71.905.225.385,2	71.905.225.385,2	14,5%
Other Expenses (excl. Contingencies)	256.609.880	29.470.696	219.514.719,8	-190.044.023,8	190.044.023,8	86,6%
Acquisition of Inventories	-	(1.006.236.818)	0,0	-1.006.236.818,0	1.006.236.818,0	
Acquisition of Fixed & Semi-fixed Assets	351.456.292.590	83.846.109.484	300.650.269.583,0	-216.804.160.099,4	216.804.160.099,4	72,1%
Acquisition of Strategic stocks & commodities	9.588.000	(5.000.000)	8.201.972,3	-13.201.972,3	13.201.972,3	161,0%
Loans & other Financial Investments	2.703.016.000.000	3.106.468.599.069	2.312.271.842.106,8	794.196.756.961,8	794.196.756.961,8	34,3%
Repayment of Loans & Accounts Payable	468.356.102.000	516.276.155.270	400.651.208.403,3	115.624.946.866,7	115.624.946.866,7	28,9%
Total expenditure	21.582.945.339.426	19.530.289.692.009	18.462.945.383.263,2	1.067.344.308.745,7	2.737.816.906.127,8	
overall variance						110,5%
composition variance						14,8%

PI-3. Methodology 2016

Data for year =	2013/2014					
Economic head	**budget**	**actual**	**adjusted budget**	**deviation**	**absolute deviation**	**percent**
Tax revenues						
Import duties (incl. Custom refunds)	852.199	693.712	720.737,1	-27.024,8	27.024,8	3,7%
VAT (incl. refunds)	2.590.291	2.276.633	2.190.707,5	85.925,8	85.925,8	3,9%
Excises	1.908.857	1.508.963	1.614.392,9	-105.429,4	105.429,4	6,5%
Income tax (incl. Refunds)	3.656.506	3.778.546	3.092.445,7	686.100,0	686.100,0	22,2%
Other taxes (incl. other refunds)	1.387.587	1.036.562	1.173.535,3	-136.973,0	136.973,0	11,7%
Grants						
Grants for Programme Support	776.910	514.502	657.061,9	-142.560,4	142.560,4	21,7%
Grants for Projects	1.347.186	884.524	1.139.366,5	-254.842,8	254.842,8	22,4%
Grants bor Basket Support	266.070	188.623	225.025,5	-36.402,2	36.402,2	16,2%
Other grants	-	-				
Other revenue						
Parastatal dividends & Agencies contr	122.047	110.014	103.219,9	6.794,1	6.794,1	6,6%
Other Treasury collections	4.433	26.098	3.749,0	22.349,1	22.349,1	596,1%
Ministries and regions	614.654	418.596	519.836,3	-101.240,4	101.240,4	19,5%
TRA Non-Tax (fees and penalties)	17.497	18.102	14.797,8	3.304,0	3.304,0	22,3%
Sum of rest						
Total revenue	13.544.237	11.454.875	11.454.875,4	0,0	1.608.946,1	
overall variance						84,6%
composition variance						14,0%

Data for year =	2014/2015					
Economic head	**budget**	**actual**	**adjusted budget**	**deviation**	**absolute deviation**	**percent**
Tax revenues						
Import duties (incl. Custom refunds)	899.353	783.623	765.207,0	18.416,5	18.416,5	2,4%
VAT (incl. refunds)	2.509.912	2.438.904	2.135.537,6	303.366,3	303.366,3	14,2%
Excises	1.908.185	1.670.588	1.623.563,3	47.024,9	47.024,9	2,9%
Income tax (incl. Refunds)	4.594.112	3.719.917	3.908.861,4	-188.944,7	188.944,7	4,8%
Other taxes (incl. other refunds)	1.385.710	1.278.648	1.179.019,2	99.628,7	99.628,7	8,5%
Grants						
Grants for Programme Support	546.709	382.312				
Grants for Projects	745.344	514.184	634.169,6	-119.985,3	119.985,3	18,9%
Grants bor Basket Support	189.112	127.637	160.904,3	-33.267,8	33.267,8	20,7%
Other grants						
Other revenue						
Parastatal dividends & Agencies contr	142.393	161.234	121.154,1	40.079,9	40.079,9	33,1%
Other Treasury collections	2.658	889	2.261,2	-1.371,9	1.371,9	60,7%
Ministries and regions	714.761	526.561	608.148,4	-81.587,0	81.587,0	13,4%
TRA Non-Tax (fees and penalties)	20.950	17.316	17.824,8	-508,8	508,8	2,9%
Sum of rest						
Total revenue	13.659.199	11.621.814	11.156.651,2	82.850,8	934.181,6	
overall variance						85,1%
composition variance						8,4%

Data for year =	2015/2016					
Economic head	**budget**	**actual**	**adjusted budget**	**deviation**	**absolute deviation**	**percent**
		Tax revenues				
Import duties (incl. Custom refunds)	920.560	923.337	871.836,0	51.500,8	51.500,8	5,9%
VAT (incl. refunds)	3.538.299	2.983.737	3.351.023,0	-367.286,5	367.286,5	11,0%
Excises	1.956.500	2.122.931	1.852.945,7	269.985,0	269.985,0	14,6%
Income tax (incl. Refunds)	4.299.244	4.599.829	4.071.692,0	528.136,6	528.136,6	13,0%
Other taxes (incl. other refunds)	1.629.648	1.781.118	1.543.393,2	237.725,1	237.725,1	15,4%
Grants						
Grants for Programme Support	231.444	-				
Grants for Projects	770.555	409.157	729.770,4	-320.613,1	320.613,1	43,9%
Grants bor Basket Support	81.073	86.199	76.781,9	9.417,4	9.417,4	12,3%
Other grants	347.800	-	329.391,5	-329.391,5	329.391,5	100,0%
Other revenue						
Parastatal dividends & Agencies contr	354.840	388.551	336.059,2	52.491,5	52.491,5	15,6%
Other Treasury collections	2.528	607	2.394,2	-1.787,5	1.787,5	74,7%
Ministries and regions	755.317	798.843	715.339,2	83.503,5	83.503,5	11,7%
TRA Non-Tax (fees and penalties)	18.708	23.231	17.717,6	5.513,4	5.513,4	31,1%
Sum of rest						
Total revenue	14.906.516	14.117.538	13.898.343,9	219.194,5	2.257.351,8	
overall variance						94,7%
composition variance						16,2%