TANZANIA

PUBLIC FINANCIAL MANAGEMENT REFORM PROGRAMME,

PHASE IV

APPRAISAL MISSION REPORT

September 12 to 23
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INTRODUCTION

Tanzania’s Public Financial Management Reform Programme (PFMRP) Phase III was developed and launched in November 2008. The strategic vision for Phase III was “to excel in and sustain financial management and accountability, fiscal control and provision of quality treasury services”. PFMRP III currently covers some line ministries, local government, Parliament and Zanzibar; and is due to run until 2012. In parallel, the Government of Tanzania (GoT) has decided to formulate the next phase of its PFM reforms and is therefore drafting the strategic documents that will underpin PFMRP IV. It is anticipated the GoT will seek financial support for the implementation of its PFM reform strategy, in addition to its own efforts.

In July 2011, the Permanent Secretary, Ministry of Finance invited the PFMRP Development Partners’ Group to take part in a joint appraisal of the emerging PFMRP Phase IV strategy with a view to making recommendations on its development and providing comments for improvement of the strategy before it is finalised. According to its terms of reference, the overall objectives of the appraisal mission were to:

- To provide a basis for dialogue and advice to GoT on implementation of the next phase of the PFMRP strategy
- To assess the feasibility of the programme
- To minimise the transactions costs for GoT and DPs by providing a joint base for interested DPs to prepare their respective documents needed in order to formally commit to PFMRP IV

The appraisal mission took place between 12th and 23rd September, 2011. The key document for the appraisal mission was the September 2011 version of the PFMRP IV Strategy. The appraisal mission team comprised development partner (DP) representatives. The mission was undertaken through interviews with GoT Component / Key Result Area (KRA) managers and other stakeholders, and a review of key documents. The PFMRP Secretariat in MoF provided logistic support to the mission.

Scope and Limitations

The mission team focused on overall strategy and specific KRAs. The assessment for each KRA focuses on: relevance of proposed activities; feasibility of reforms; efficiency and value for money; sustainability of reforms and actions; and the co-operation framework.

The relevance of the objectives was generally agreed for each KRA. However there is some strategic information that needs to be incorporated into the Phase IV Strategy before the DPs can initiate the preparation of documents needed in order to commit to the PFMRP phase IV. The mission has therefore focused on providing input on some key changes to the strategy that will facilitate the GoT and donor collaboration and the finalization of the Phase IV Strategy. This report summarises the findings and recommendations of the joint appraisal mission.

1 List in Annex A
1.0 Executive Summary

1.1 The willingness of the Government counterparts to engage in frank and open dialogue was critical to the process of identifying those areas where changes to the Phase IV Strategy would provide the most significant impacts on PFM reform. While the scope of the work required that each of the KRA teams work independently there was a significant degree of coherence and similarity in focus in each team's recommendations. This summary is intended to provide an overview of the central themes which emerged over the course of the appraisal mission along with a brief rationale and recommendation for change.

1.2 There is a need to narrow the focus of the Phase IV Strategy with the prioritization of support for "high impact" implementing agencies and initiatives. This finding was brought forward by all of the KRA Team Leaders independently. High Impact would be considered to be those agencies that are at the start up phase, in transition or activities that are complex and likely to have significant impact across all sectors. The new Internal Audit General, (IAG), the Accountant General, (AccGen), Treasury Registrar, (TR), Department for Financial Management Information Systems, (DFMIS), and PMO RALG would all qualify as high impact partners while the plan to introduce accrual accounting, program based budgeting and the integration and harmonization of ICT systems would qualify as high impact initiatives. The narrowing of focus is expected to have a significant positive impact on progress and impacts in critically important areas.

1.3 While good progress has been made on the M&E framework, the Strategy does not include milestones to assess annual progress at outcome levels. The format for the PFMRP Action Plan (Annex I) and the M&E Framework (Annex II) need to be harmonized. The indicators currently being used should be rationalized and complemented by additional indicators (where PEFA is not appropriate). The indicators need to be Specific, Measurable, Achievable, Relevant and Time bound (SMART). It was also observed that the monitoring framework should be complemented by annual operational plans which detail the budgeted activities to the desired milestones. It is therefore recommended that the Action Plan and the M&E Framework be revised to ensure that progress can be measured annually at the outcome and milestone levels. A jointly developed example of format for Reform Action Plan is set out in the Annex C.

1.4 The linkage between the reforms that are set out in the Phase IV strategy to the supporting mid-term work plans of the implementing agencies requires strengthening. It is recognized that the agendas being managed by most agencies are complex and it is critical that all key reform activities are prioritized, sequenced and placed within the agencies considering the agencies capacity and resource constraints. For example, while there has been significant progress with the implementation of ICT systems, the current architecture would benefit from coordination, integration and systems harmonization. The development of a mid-term action plan to guide the strategic integration, harmonisation and roll out of ICT systems to MDAs and LGAs is recommended as a priority. The properly sequenced and prioritised implementation of this plan would be considered as one of the high impact initiatives for the Phase IV strategy. DPs would be interested in supporting this and other planning processes as required for the Phase IV strategy.
1.5 It is suggested that the programme management structures need to be strengthened and reflect an increased emphasis on coordination amongst participants and other programs. The lessons learned from Phase III suggest that the management and leadership structures need to be strengthened in order to create a strong focus on providing strategic support and building engagement with the KRA leads and external stakeholders. The reconfiguration of the Joint Steering Committees and Working Groups with some revisions to their composition and TORs should be considered.

1.6 Capacity development initiatives undertaken during Phase III were implemented at the component level with limited coordination or standardization of curricula. There is an opportunity during Phase IV to develop a capacity development framework and strategy which is aimed at improving the harmonization of training across agencies, standardization of curricula and training approach.

1.7 It is recognized that Phase IV will focus on developing capacity in terms of skills and knowledge. The challenge of increasing the application of these skills and knowledge is of equal importance and warrants support. The pace of change in this area will be more a function of the effectiveness of individual managers and the success of the Government broader change initiatives.

1.8 Discussions with stakeholders indicated that the PFM reform process during Phase III was not well understood or supported. Building engagement with component managers and the larger stakeholder community will require a purpose communication strategy designed to improve information flow and to create awareness and broad engagement with the PFM reform process.

1.9 The Development Partners are interested in collaborating with and supporting the development of the final version of the Phase IV strategy, including the provision of necessary technical support to facilitate comprehensive business planning exercises for the high impact implementing partners. The following timeline and processes are suggested:

a) By 7th October: DP Appraisal Report delivered to GoT;
b) By 21st October: Appraisal Report recommendations and timeline to finalise the Strategy agreed with GoT;
c) Between 7th-21st October: i) Swedish Embassy to engage with the PFMRP Secretariat’s M&E Specialist to review and revise the format of the Action Plan and the M&E Framework; ii) DPs to propose a structure to technical engagement with KRA leaders and component managers to support the finalisation, and in a longer-term to support the implementation of the Strategy.
2.0 Cross Cutting Issues (KRA 5)

2.1 Strategic Planning /Strategic Focus:

2.1.1 Discussions with Phase III partners indicated that the absence of detailed business plans had limited the effectiveness and strategic alignment of some activities during Phase III. It has also created challenges for the effective monitoring of activities and outputs relative to the agreed vision and objectives. There is a concern that the Phase IV Strategy also lacks sufficient focus on addressing implementation challenges and the strategic alignment of activities.

2.1.2 The vision and the KRA objectives of the Draft Phase IV strategy cover the main reform priorities of the GoT and provide a framework for the Development Partner support. Discussions with participants indicated that while the appropriate strategic objectives had been identified they were not always derived from or supported by detailed strategic planning exercises undertaken by the individual units. As such the properly sequenced set of activities that are required to achieve each strategic objective have not been clearly defined and set out in a guiding document. This includes the planning for interdependencies between agencies or the support required from other operating units and / or decision making authorities. These detailed plans are critical to ensure that planned activities are properly sequenced, resourced and have the necessary support from management, partners and authorities. They also provide a ready framework for progress reporting on multi-year strategic objectives. It is therefore recommended that the completion of detailed operational plans for the high impact units’ agencies be incorporated into the Phase IV Strategy.

2.1.3 It is important to recognize that some partner institutions have made substantial advances in the development of their core capacity. The NAO and PPRA are examples of organizations that have made significant progress and are well on their way to or meeting international operating standards. While they warrant continued support and attention as part of Phase IV, the impacts from this support will be lower in impact than those provided at the earlier stages of their development.

2.1.4 It is therefore recommended that the Phase IV focus support on a smaller number of “high impact” partners and activities. High impact partners would be defined as those core units that are at the “start up” phase or that have significant strategic and developmental challenges facing them and where focused support during Phase IV is likely to have a more significant impact of Phase IV results. High impact activities would be activities that will have substantial cross cutting impacts and will require multi-year planning and support. This focus would not preclude other implementing units from receiving support but would result in a more strategic alignment of resources. Examples of high impact units would be the Accountant General, Treasury Registrar, the Internal Auditor General, the DFMIS Coordination Unit and PMO RALG. Examples of high impact activities would include the shift to accrual accounting and the integration and harmonization of ICT systems by Central government.

2.1.5 It is recommended that support be provided for a strategic business planning process within each of the “high impact units”. While this planning process should be given the highest priority the completion of plans should not delay the finalization of the Phase IV
strategy. It is proposed that the completion of these plans be included as a critical step / milestone in final Phase IV document. It is unlikely that the individual plans would change or alter any of the key strategic objectives of the existing Phase IV Strategy. They would be supporting documents ensuring that each “high impact” unit has a clear activity roadmap that links their current state to the achievement of strategic objectives over time. If prepared properly, a monitoring framework would emerge providing key milestone indicators from individual KRA sub-strategies.

2.1.6 It will be important for the managers of high impact units and components to ensure that the linkage between activities and the Phase IV strategic objectives are clearly established and communicated. The AccGen, for example could outline how the proposed accrual IPSAS will help in consolidating local and central levels accounting, thereby supporting the oversight task of the assistant AccGen over local level accounting system.

2.2 Leadership and Management Structure

2.2.1 It was considered important to conduct some open and pointed discussions with Phase III component managers and external stakeholders in order to ensure that the appraisal identified leadership and management challenges in order to be able to support appropriate solutions for the Phase IV.

2.2.2 It is recognized that the PFM donor behaviour, characterized by undue focus on program activities and detail together with sometimes arbitrary and inappropriate interventions, was a major contributing factor to the challenges experienced during Phase III. It was also mentioned that stronger support and strategic guidance from external stakeholders including oversight committees would have increased engagement and interest with the reform programmes.

2.2.3 Discussions suggest that PHASE III management structures and practices were unduly focused on processes and completion of the component program activities. The design of the oversight structures and the practices that evolved over the course of the program lead to problems with prioritization, strategic guidance and the support provided to the component managers. It was noted that guidance to and coordination amongst implementing agencies and external stakeholders were not given sufficient attention. There was also a marked lack of focus on the program’s achievements and the qualitative and value addition objectives of program activities, in terms of the broader PFM context.

2.2.4 This lack of strategic support, the focus on activities together with inappropriate DP interventions lead to a noticeable loss of program momentum with weakened engagement from component managers and staff. Component managers delegated responsibility downwards to a point at which participants at working group and JSC levels did not have sufficient authority to make necessary decisions. There was a very noticeable aura of unpopularity around the Phase III program and some critical component managers were reluctant to consider engagement with Phase IV as a result.

2.2.5 The role of the Secretariat was also considered in the discussion around Phase III program management. There was a general consensus that the Secretariat had played an important role and provided a level of cohesion and coordination during Phase III that would
have otherwise been absent. It was noted that the role of the Secretariat could be enhanced during Phase IV to improve the impact of this technical support.

2.2.6 In light of these findings, it is recommended that the management and leadership structure proposed in Phase IV be revised in order to better reflect how component managers will be empowered and be supported. The new structure should clearly attribute program authority / responsibility at a suitably senior level and describe how this will be put into practice and sustained over the course of the program. It is proposed that a new leadership structure, with terms of reference be included in the final Phase IV Strategic Plan and established in time to take over at the commencement of Phase IV. Technical assistance could be provided to support this process.

2.2.7 It is also suggested that the structure and role of the Joint Steering Committee (JSC) be amended. The composition and TORs for this oversight group should consider the seniority/authority of the participants and create a clear focus on the coordination of effort, guidance and strategic leadership within PFM RP. It is recommended that JSC participation be restricted to a small number of strategically positioned members. The detailed TOR needs to be prepared considering what would be the most efficient number and composition of participants, how the JSC best carry out a more strategic mandate and how it can effectively communicate to all stakeholders on priorities and decisions. Technical assistance could be provided as necessary to support this process.

2.2.8 The composition and role of the PFMRP WG also requires change. It is recommended that smaller working groups be formed in order to focus on and support specific PHASE IV KRAs. This smaller Management Working Group could then compile and communicate findings and recommendations from the technical working groups for consideration by the JSC. The intent is to increase collaborative discussions and improve the regular flow of performance feedback to the working Group and the JSC. It is recommended that the Management Working Group be comprised of not more than one GoT and one DP representative per KRA plus the Chair and Co chair. (If 5 KRAs then 12 members in total). Detailed TOR need to be prepared for the WG or WGs.

2.2.9 The PFM RP Secretariat could be more efficient if it reported directly to the DPS responsible for the PFM reform. The Secretariat's role and efficiency could also be expanded through the addition of outside technical assistance on a needs basis. Consideration could be given to establishing a pool of short-listed technical consultants (including process and leadership consultants) to be managed by the Secretariat and to be called upon on demand. The Phase IV Strategy Plan should include revised/updated TOR for the current staff of the Secretariat and potentially an indicative list of future needs for external TA.

2.3 Capacity Development

2.3.1 The need to focus on the development and enhancement of human resource capacity was a consistent theme in all discussions with Phase III participants as well as with the broader stakeholder group. The discussions ranged from the development of job skills, which are not currently present or not present to an acceptable degree or standard in the workforce to the refinement of skills required for more advanced or technical applications.
2.3.2 It is important to differentiate between the development of capacity in terms of the size of the workforce, the level and appropriateness of the knowledge and skills represented in the workforce and the degree to which those knowledge and skills are being applied to the achievement of agreed objectives or results.

2.3.3 The most easily managed capacity development issue under Phase IV is the support for the development of appropriate knowledge and skills. While the addition of training supports may not have an immediately recognizable impact on results the DPs agree that it is an essential and necessary component of a capacity development initiative.

2.3.4 As suggested under the discussion on strategic focus the allocation of resources for skill development should be concentrated on those “high impact” agencies that need to develop core skills and HR capacity as a result of newly developed or transitional mandates. This approach is particularly the case when the development of skills can be directly linked to improved PFM outputs. The new IAG Department is an example of an agency that is faced with a significant and critically important skill development agenda during the Phase IV. This and the other high impact agencies should receive priority attention in terms of the development of suitably detailed training needs assessments training plans, curricula development and training delivery. The coordination of all training needs assessment, curricula development and training plans with Public Service Management could be important to ensure that a coherent approach is taken and that economies of scale with standardization of curricula are achieved. The Public Service College could be used to offer accredited courses across a number of areas of specialization to meet Government capacity building needs.

2.3.5 It is recommended that Phase IV support the standardization of skill development training with a focus on the use of professional accreditation programs wherever practical. The NAO is doing this at this time with CPA accreditation for its employees and there are applications in other areas of specialization for which professional accreditation programs exist.

2.3.6 In the same manner Phase IV should support the development of standardized, internal curricula and modules for those start ups or transitional agencies that will have large skill development needs that are better suited to internal control and delivery. In all cases the strategic alignment and prioritization of skill development plans and training curricula with Phase IV objectives will have to be carefully considered and coordinated. The final Phase IV Strategy Plan should address more explicitly the vision and strategy of capacity development including links and references to other reform programmes which include capacity development activities.

2.3.7 The discussions with GoT partners confirm that less than optimum performance can also be attributed to the absence of consistent management supervision, oversight and direction. This is a common problem across Government and private sector companies in most countries. While this problem can also have a training solution, the influence of the broader performance management and leadership culture within the GoT is one of the key components for the effective utilization of capacity. The work being done by the Public Service Commission to implement performance management systems with incentives based
on employee performance will influence progressive changes within all sectors of the Public Service.

2.3.8 Phase IV should not engage in the supplementation of workforce numbers except in those cases where a need is clearly short term or where there is a firm commitment to move the employees into the Public Service within the term of the program.

2.4 Effective Communication, Coordination and Dissemination

2.4.1 The absence of a robust communication strategy has constrained progress under Phase III. Discussions indicated that the value-addition/benefits of Phase III have not been clearly articulated to motivate and make a sufficiently strong case for change. Weak communication between components and regarding overall PFM progress has also impeded effective coordination of, and engagement in Phase III, both at technical and senior official levels. It also seems that there is a lack of a consistently shared understanding (within GoT and between GoT and DPs) of what a reform Programme supported by DPs should encompass.

2.4.2 Collectively, these factors (amongst others) have resulted in Phase III being viewed as an unpopular ‘bolt-on’ project with burdensome engagement and reporting requirements. The Phase IV Strategy Plan identifies effective communication, coordination and dissemination as a strategic imperative to its success, and notes specifically the need to improve interaction between internal stakeholders and among PFM stakeholders. It proposes to address these issues by developing a Communication Strategy, raising awareness of PFM issues to stakeholders, developing and disseminating IEC materials and reviewing communication structures between central ministries and LGAs.

2.4.3 Some interviews indicated that the GoT can collaborate with NGOs engaged in the process of transparency in PFM (Policy Forum) to build profile for PFM reforms and to publicize progress, challenges experienced by the program.

2.4.4 Plans to improve communication and encourage acceptance of the Phase IV Strategy to be developed as soon as possible. These plans should encourage engagement (particularly high-level) from the outset should be endorsed and implemented. To make a strong case for change, the strategy should address the need to i) articulate the benefits of PFM reforms in an accessible way to support bottom up (i.e. NSAs) and top-down (i.e. the oversight institutions) accountability and ii) articulate Phase IV value-addition to existing work agendas to encourage engagement and iii) employ communication tools to improve coordination between Phase IV components, and between Phase IV and other core reform programmes.

2.4.5 As an additional critical component of the communications agenda, efforts to improve transparency and public access to key fiscal information – currently mentioned at output 10 in the strategy, are strongly supported. This will require a clear understanding of what information should be, but isn’t available for political and/or technical reasons. Output has been tasked to the Communication Unit within the MoF but the need for fiscal transparency has to be clearly mainstreamed across the KRAs given they are the suppliers of such information.
2.4.6 To enhance awareness of Phase IV, including its value-addition a more pro-active and purposed approach to communication is required. This approach should include progress reporting and information dissemination but should also include a marketing component aimed at building support and engagement for the reform program. The recruitment of a Communications Specialist, potentially part-time in the Secretariat to support strategic communication could be considered.
3.0 REVENUE MOBILISATION (KRA 1)

3.1 Overall Findings and Recommendations

3.1.1 As an overall observation, the emphasis of KRA 1 on improved domestic revenue collection and the efforts to get the aid management platform to work and DP funding flowing through the exchequer, is appropriate. However, as explained below the Strategy could be improved by narrowing the scope, prioritising initiatives within the programme, and clarifying linkages with MDA strategic plans.

3.1.2 Reforms set out in the Phase IV Strategy bear direct reference to separate strategic plans of some of the implementing agencies but the linkages from reforms to the strategic plans are in some cases unclear. Several of the reforms set out in the Strategy are covered by the Tax Modernization Project and the Third Corporate Plan for modernisation of Tanzania Revenue Authority (TRA). Similarly, the outputs and actions envisioned with regards to Local Government Authorities are addressed through separate strategies and support from GIZ. These programmes are already supported by donor funding. The Strategy should in these cases be limited to a description of the status of these related reform efforts and activities focused on seeking possible synergies between reform initiatives.

3.2 Findings

3.2.1 The PFMRP IV Strategy addresses both the area of domestic revenue collection and the area of external resource mobilization. The strategy points to improved quality of revenue forecasting and strengthening of capacity of the revenue collection system as desired outputs for the reform area with the aim of enhancing efficiency in the overall financing of the national budget. Main weaknesses identified in relation to these outputs are stated as conservative revenue forecasting and weak capacity within LGAs, MDAs. The appraisal mission is not convinced that the identified weaknesses are accurate and consequently that the outlined actions will achieve the desired outputs.

3.2.2 Evidence shows that the shortfall in domestic revenue collection from 2008/9 was mainly attributed to two factors: the effects of the global financial crisis (in particular in the first year) and the effects of the widespread tax exemptions and holidays granted. It is also clear that the trend in non-tax revenue has been stagnant for a very long period in Tanzania. The focus under the PFMRP IV should address these main barriers to improved revenue management, i.e. pervasive tax exemptions and holidays and very low collection of non-tax revenue.

3.2.3 The focus of the Strategy with regards to domestic revenue collection should be in two areas:

a) Improved tax policy through a reduction of tax exemptions and holidays. Tanzania is currently in the high range in the region in terms of fiscal cost of such practice (estimated at 2-3 percent of GDP for indirect taxes and overall 5-6 percent of GDP, see IMF 2011 report and the AFDB 2010 report on DRM). There is however limited
evidence of the cost efficiency of these measures and the extent of exemptions and holidays are considerably higher than for neighbouring countries. Current practice effectively undermines the tax effort in many areas of domestic revenue.

b) Improved non tax revenue policy and administration in a few selected ministries. As mentioned above, Tanzania is performing well below standard and collection has even been declining to below 1 percent of GDP in the last fiscal year’s (average in SSA is 2.7 percent of GDP). The PWC study from 2009 as well as individual ministry strategies and action plans, clearly form a basis for efforts in the next 5 years. The appraisal mission recommends focusing on the Ministry of Land and Human Settlement development (MOL) and the Ministry of Natural Resources and Tourism (MNRT).

3.2.4 While non-revenue tax collection under the Ministry of Energy and Minerals is addressed through separate efforts that will or already receives considerable funding from different development partners (WB, Norway), it was somewhat unclear to what extent key line ministries such as MOL and MNRT, have alternative direct funding and program opportunities to implement actions to improve revenue collection.

3.2.5 In the area of revenue management for parastatal companies and public enterprises there was limited evidence of ownership to the proposed actions. Nonetheless, the area is important in particular considering the current net drain on the government treasury. It could perhaps be questioned whether it belongs under the KRA 1 on revenue management.

3.2.6 The focus and objective of work under the heading of external resource management could be more clearly stated. Furthermore, targets which are not directly under the control of GOT should be avoided (e.g. increased predictability of direct budget support funds). The emphasis of the KRA sub-area should be on:

a) Getting the aid management platform to work, through getting the majority of the donors to utilize it, as well including the MDAs in terms of actual expenditure updates and

b) Ensuring that donor funding flow through the exchequer.

3.3 Recommendations

3.3.1 Tax policy. The appraisal recommends to focus on three related actions, a) Cost benefit study of the effects of tax exemptions and holidays in Tanzania b) Prioritized revision of key legislation, regulations, institutional powers and mandate that affect domestic tax revenue (priority on key tax legislation such as Excise Duty and VAT, and on the acts and regulations related to TIC, SEZ and FTZ) and c) Establish effective monitoring and control of the implementation of the new legislation, regulations, institutional powers and mandates to ensure impact.

3.3.2 Non Tax revenue policy and administration. The following targeted approach is suggested: a) taking stock of revenue collection strategies and action plans at the MOL and MNRT b) agree on prioritized areas of action within their action plans and strategies that are not funded by donors and where the potential for additional revenue collection has been
indentified to be the largest (see PWC report 2009) c) implement areas of action agreed with funding and strong coordination with MOF and TRA to ensure harmonization and alignment. The capacity building and information sharing among MDAs and LGAs on non-tax revenue collection is found suitable.

3.3.3 Parastatal and Public Enterprise Revenue management. While there was no clear institutional ownership of this output the weakness it is meant to address is clearly relevant as it currently represents a growing net fiscal drain on the resources available. GOT should consider where this output and draft actions belongs, for example should it be the responsibility of the Treasury Registrar, possibly in liaison with the Commissioner of Policy Analysis Department, CPAD.

3.3.4 Central Government Tax administration. Reference should be kept to the Tax administration area, but at the same time removing actions related to TRA as they are defined and funded separately in the Tax modernisation project. The relationship between PFMRP-IV and Tax Modernization Program (TMP) should be further clarified and the duplication of allocation of funding to TRA’s activities should be avoided. Donors’ assistance to TRA in the area of Tax Policy and Tax Administration, including capacity development for TRA staff, should be properly captured by TMP and referred to in PFMRP-IV.

3.3.5 Local Government Tax administration. The same situation applies as for TRA. The relationship with ongoing and planned efforts supported by GIZ should be clarified; it would seem that most actions are well covered through separate interventions.

3.3.6 External Resource Management. Suggested formulations of output and actions should be revised as they currently include very ambitious targets that go beyond what can realistically be attained with this intervention. The first focus should be on getting as much of donor aid onto the aid management platform (planning and disbursement) as well as connecting the MDAs (planning and actual expenditure). Question regarding whether it is realistic to also include LGAs? The actual proposed actions must be reassessed and compared to what already exists. The second focus should be on working to have as much of donor government funding channelled through the exchequer as possible.
4.0 PLANNING AND BUDGETING (KRA 2)

4.1 Overall Findings and Recommendations

4.1.1 The Strategy has an overall outcome to strengthen capacity of planning and budget management, including results-based and program-based budgeting, within MoF and MDAs by 2016. It has identified three interlinked priorities:
   a) Harmonised and effective utilisation of tools and systems for economic planning and budgeting, including program-based budgeting
   b) Strengthened capacity in handling Public-Private Partnerships
   c) Strengthened capacity in MoF, MDAs and LGAs for MTEF preparation

4.1.2 The mission finds these priorities appropriate and relevant and notes that they are consistent with recommendations made recently by the IMF (“Improving preparation, execution and reporting of the budget, IMF, April 2011). The IMF report states that the policy focus of the budget is significantly undermined by lack of realism in strategic plans of the MDAs, excessive focus on detail in preparation of MDA budgets and lack of attention to outer years in the MTEF. The report recommends that more emphasis should be given to the initial strategic phase of budget preparation with more closely defined time frameworks. A stronger program level focus is required with a reform of the current activity based budgeting process.

4.1.2 However, what is less clear in the Strategy is how these outputs will be delivered and at what pace. Significant improvements in several PEFA indicators – including nos. 5 (program-based budget classification), 11 (orderliness of and participation in budget preparation), 12 (multi-year perspective in fiscal planning) and 24 (quality and timeliness of fiscal reporting) – is anticipated but key milestones between 2012 and 2016 are not identified. There is a lack of detail in the Strategy about how some of the reforms, notably the introduction of program budgeting and improvements to the MTEF, will be implemented.

4.2 Findings

4.2.1 Moving to program based budget is a high priority for the government and a major undertaking that will impact on other areas of reform. A first internal draft action plan for developing a program budgeting system has been developed with support from IMF East AFRITAC. It was noted that while this reform is a high priority, the Government did not need additional funds for this undertaking at this stage. However, the Phase IV Strategy would benefit from including clear references, to give a holistic understanding of PFM reforms that are being undertaken.

4.2.2 The Action Plan in Annex I of the Strategy lists three outputs for KRA2 whereas the Results Monitoring Framework in Annex II lists five outputs which only partly correspond to the priorities in the text:
   a) Program based budgeting
b) Capacity building for Public-Private Partnerships

c) Public access to fiscal information

d) Capacity building for MTEF preparation

e) Improved utilization of IFMIS

4.2.3 A significant area of work in MoF relates to improving budget transparency. A draft action plan for increased budget transparency based on the Open Budget Index has been prepared and presented to some development partners, but this plan has not been integrated into the draft strategy. OBI Survey ratings do not appear in the Monitoring Framework although there is good potential to make an improvement in budget transparency and the OBI ratings by publishing the eight key fiscal on the web:

a) pre-budget statement
b) executive’s budget proposal
c) citizens’ budget
d) enacted budget
e) in-year report
f) mid-year review
g) year-end report
h) audit report

4.2.4 It is not clear how the reform output related to Public Private Partnerships relates to the main priorities set out under KRA 2. In order to narrow the focus of the PFMRP IV it should be considered if this output could be removed.

The Appraisal mission was unable to develop a clear understanding of MoF plans for improving the quality of MDA planning and budgeting. The Strategy appears to target some high-level indicators of performance in this regard which are not entirely within the control of the Budget Department (e.g. percentage reduction in deviation of actual expenditure from approved budget). At the same time, it does not provide an indication of how some of the more detailed technical issues recognised by the IMF and others are to be addressed (e.g. integration of capital and recurrent budgets, the level of aggregation at which MTEF planning is undertaken, measures to improve the quality of MDA strategies and plans, changes to the budget calendar to allow strategic engagement and decision-making from policy-makers).

4.3 Recommendations

4.3.1 Review the relationship between the priorities in the Strategy and the proposed outputs in the Action Plan and Monitoring Framework and ensure they are consistent.

2 Open Budget Index
4.3.2 Program Budgeting. Based on the draft action plan for program budgeting, the Strategy could provide further details on plans to implement a system of program budgeting. A sequenced set of milestones should be presented to allow for a better understanding of the process and how it relates to other areas of PFM reform. Issues to be covered by the milestones could include, (i) establishment of necessary pre-requisites to enable program budgeting to be implemented, including principles for the definition of programs and outputs, implications for budget preparation formats, and IFMS compatibility (ii) sequencing and phasing of the reforms, and a timetable for implementation (iii) implications of the reform for appropriations and budget documentation and a strategy to address this(iv) implications for budget monitoring and reporting by the Budget Department and MDAs. If these issues are still under discussion, then the intention to address them should be included as an output in the Strategy.

4.3.3 MTEF. A similar set of issues applies to the plans to strengthen the MTEF. The harmonisation of planning and budgeting systems in MDAs needs to be clarified in the Strategy. In particular, the respective responsibilities of the Budget Department and Planning Commission should be clarified. As above, if these issues are still under discussion, then the intention to address them should be included as an output in the Strategy.

4.3.4 Budget Transparency. Measures to improve budget transparency should be included as a separate output in the Strategy. Consideration should also be given to including OBI Survey Indicators, or related measures, as milestones.

4.3.5 Public Private Partnerships. The logic of this output – “strengthened capacity in the public sector in handling PPP” – should be clarified. Almost all the activities shown in the strategy relate to training and workshops. It is not clear how these will contribute to improved planning and budgeting under KRA2.
5.0 BUDGET EXECUTION, TRANSPARENCY and ACCOUNTABILITY (KRA 3)

5.1 Overall Findings and Recommendations

5.1.1 Overall, the mission team assess that the Government has identified appropriate reforms that will address the weaknesses and enhance effective and efficient use of public resources and reporting thereof. However, the proposed reforms are not sufficiently prioritised and sequenced. Some key reforms are noted as activities and should instead be set out as “major” stand-alone reforms e.g. implementation of accrual based International Public Sector Accounting Standards and valuation of assets.

5.1.2 The mission was also unable to assess whether there was a strong link between MDA strategies and the PFMRP Phase IV Strategy. Several GoT KRA Leads expressed the need to review the Draft Strategy to align the objective and outputs with MDA strategic plans. In some MDAs, it was also evident that there was misalignment of priorities between those in the MDA and those in the Strategy. For example, the main priority of the Accountant General’s Department is the implementation of accrual-based accounting but this does not appear as an output in the Strategy Action Plan.

5.1.3 To ensure closer integration is it recommended that a process should be designed to offer each implementing MDA an opportunity to sign off on its final reform/strategic areas that shall be included in PFM RP IV strategy. This will help ensure that there is buy-in and commitment by MDA management which is critical in implementation of Strategy.

5.2 Findings

5.2.1 The PFMRP-IV strategy sets reforms that will improve utilisation of public resources in more effective, efficient and transparent manner focusing on procurement, cash and debt management and accounting and reporting. The 2009 PEFA Report and IMF report (March 2011) identifies areas relating to cash and debt management, and financial reporting that require improvement. The Phase IV Strategy clearly advocates reforms that will address these weaknesses. Reforms include:

a) The establishment of a centralised debt management unit from the current three functional structures, and development and implementation of an integrated debt management database to record and report all country debts will enhance debt management.

b) Cash flow forecasting models, implementation of Tanzania Interbank Settlement System and Electronic Funds Transfer, effective design and utilisation of Treasury Single Account and closure of many existing bank accounts to enhance cash management and reporting.

c) The enhancement of accounting reporting IFMIS and adoption of accounting standards are aimed at improving financial reporting. Capacity building is an underlying pillar in all the reforms.
5.2.2 The Strategy could be strengthened by setting out more clearly how it builds on the achievements, challenges and lessons of implementing Phase III and detail how they have been considered in developing the Phase IV Strategy. It would help to illustrate and explain the Strategy if the identified PFM weaknesses in recent PEFA, PER, IFMS Audit and IMF reports are summarised in the situational analysis section (Chapter 2) to provide a clearer justification for the identified reforms. Such information would strengthen the identified challenges set out in the Strategy.

5.2.3 There is a need to articulate a more sequenced reform strategy with well set out outcomes, outputs, and interim milestones focused on a manageable number of reforms. The strategy could benefit from sequencing of the reforms interlinking those that are connected. For example, when must the chart of accounts be updated to ensure subsequent fulfilment of the objective for program-based budgeting in actual budget cycle practice?

5.3 Recommendations

The team proposes the following contributions in finalisation of Phase IV Strategy.

5.3.1 Adoption of accrual based IPSAS: the graduation from cash based to accrual based IPSAS standards should be a key separate reform and not be set out in the strategy as an activity. To implement the reform, the mission team propose that Government develop a policy guideline on what would be required to adopt accrual based standards and later develop a comprehensive implementation strategy clearly setting out a roadmap. Reference should be made to other countries which have or are implementing accrual based IPSAS.

5.3.2 Incorporate a reform to implement Finance and Accountability management frameworks at regional level. The strategy should include establishment and implementation of frameworks that will facilitate management of resources e.g. supplies, cash collections etc at regional/local level e.g. hospitals.

5.3.3 Redesign the IFMIS system to record tax revenue should be included in the strategy. Currently tax revenue is not recorded in IFMS. A manual process is used to record tax revenue in financial reports: a process that is prone to errors. There is need to design a process to incorporate Tax revenue in IFMIS.

5.3.4 Strengthen Tanzania Public Service College to offer accredited PFM courses. The strategy incorporates many training requirements and, although it states an intention to offer training through local training institutions this is not elaborated. To offer effective and quality training, the mission team proposes strategic strengthening of Tanzania PS College which should offer accredited training courses focused on all PFM areas. The public sector officials from senior management to administration staff should attend their courses in the college.

5.3.5 Link the proposed reforms to the MDA strategy. The team identified that in some instances, there were no MDA strategies and where the strategies existed, there was no link to
proposed reforms. To ensure buy-in and support of phase IV strategy, there should be a process to sign off reforms included in the final strategy by the respective MDA.
6.0 BUDGET CONTROL and OVERSIGHT (KRA 4)

6.1 Overall Findings and Recommendations

6.1.1 There is general agreement with the objectives and outputs of KRA 4 but the final version of PFMRP-IV Strategy will need to incorporate some revised actions and performance indicators. Considering the status of the three sub-KRAs, the IAG should be given priority with a focus on the establishment of core internal audit functions and infrastructure, and the amendment of the Local Government Act to ensure the IAG has the necessary authority and to remove potential conflicts.

6.1.2 Capacity Development will be needed for staff, including internal auditors, Audit Committees members at MDAs and LGAs, Parliament Committees’ members and their support staff, to strengthen budget control and oversight function. Training programs should be cost-effective and result-oriented providing equal opportunity for all staff. Training program should be harmonized and standardized via recognized national training institutions wherever practical.

6.1.3 The establishment of full autonomy for the NAO and TR will require the support of lawmakers however PFMRP-IV Strategy could include advocacy measures for the necessary legal amendments.

6.1.4 Cooperation and coordination of activities between the NAO, IAG Office, AccGen, PPRA, PMO-RALG and Parliament Committees should be strengthened with emphasis on the follow-up on audit recommendations

6.1.5 It is recommended that the PFMRP-IV Strategy should include a strategy to secure GoT budget support for core activities that are currently included in the PFMRP financing framework. Particular emphasis should be placed on shifting audit activities away from external consultants to NAO internal staff.

6.2 Internal Audit General (IAG) Office, MOF

6.2.1 The New IAG Offices will be ready not later than the end of October with 36 staff and limited equipment. The IAG Strategic Plan, Internal Audit Guidelines and Manual are under preparation at this time with the assistance of external consultants. This material is expected to be completed by June 2012. The PFMRP-IV Strategy will not be able reflect the IAG’s new Strategic Plan, however the completion of this Plan can be a key activity with the final Phase IV document.

6.2.2 The IAG plans to strengthen the Internal Audit function at MDAs level and LGAs level in parallel. PMO-RALG, Asst. AccGen (in charge of LGAs) and Asst. IAG (in charge of LGAs) are coordinating activities with the IAG. The current LGA-related laws require amendment in order to give the IAG the authority required to fulfill its mandate at the LGA level.

6.2.3 Recommendations
6.2.4 Given its early stage of development and importance to PFM outcomes it is recommended that support to the IAG is prioritized during PFMRP-IV Strategy. The objective would be to facilitate and accelerate the achievement of full operational status. Consideration could be given to allocating a developmental budget to IAG Office within the PFMRP-III arrangement.

6.2.5 The IAG Strategic Plan should consider the proper sequencing for the development of the Internal Audit capacity. It will be important to achieve the appropriate balance between expanding audit coverage while ensuring the quality of coverage. Considering the current situation, it is recommended that the IAG focus on establishing strong core internal Audit functions.

6.2.6 It is recommended that the amendment of the Local Government Finance Act be given the necessary attention in order to ensure that IAG has the necessary power and authority to carry out its duties at the LGA level without creating a conflict of interest with other government authorities.

6.2.7 Networking/communication/coordination between IAG and PMO-RALG/Internal Auditors at LGAs should be more strengthened. In particular, “the IAG Strategic Plan Draft” should be widely shared among Internal Auditors at MDAs and LGAs prior to the finalization.

6.3 Treasury Registrar (TR), MOF

6.3.1 The Treasury Registrar (Powers and Functions) Act does not currently provide autonomy to the unit nor does it provide the power and authority that is required for the TR to carry out its mandate. It was indicated that a revised Act has been drafted and is currently in approval process. The TR office currently has 40 staff in total with 4 senior staff, 2 of whom will be retiring shortly. The position of the Treasury Registrar has been vacant for a year. Discussions with key staff suggest that TR staffing levels and the capacity of the staff need to be developed in order for the TR to carry out its mandate effectively. Currently, guarantees are offered to Public Entities (PEs) without a policy framework that would ensure a proper analysis.

6.3.2 Recommendations

6.3.3 It is recommended that the PFMRP-IV Strategy provide support to the TR for the development of a comprehensive multi-year business plan which reflects the TRs mandate, reform priorities desired outcome, outputs, and activities with the necessary milestones.

6.3.4 There is a need to enact a revised Treasury Registrar (Powers and Functions) Act providing autonomy and suitable oversight authority over PE’s governance structures and operating principles. It would be useful to develop and implement a Public Investment Management Information system to provide information relating to the TR’s mandate including investments and guarantees with links to respective government offices.

6.3.5 The proposed plan should also articulate a capacity development plan which focuses on the development of tools and guidelines on investments, guarantees etc, skill and knowledge training for TR officials.
6.4 Public Procurement Regulatory Authority (PPRA)

6.4.1 The PPRA indicates that they will require support from PFMRP-IV Strategy in order to carry out its Procurement objectives and to conduct the necessary training programs for consultants and PPRA staff. There is also a need to engage in discussions with the IAG to ensure that the roles and interdependencies are clearly defined and supported by the necessary adjustment of legal frameworks.

6.4.2 Recommendations

6.4.3 If the PPRA will receive core budget support during PFMRP-IV Strategy, the strategy should also consider the a firm plan to mainstream PPRA core activities within the GoT budget prior to the end of the program.

6.4.4 It is strongly recommended that PFMRP-IV Strategy give priority to the development of procurement capacity development at LGA level in order to accelerate/improve the delivery of services. Close coordination of capacity development programs between PPRA and PMO RALG will be essential to the effectiveness of planned changes.

6.5 National Audit Office (NAO)

6.5.1 The NAO made significant developmental progress and is now close to full AFROSAI III accreditation. They are now in process of developing a strategic plan covering the period from July 1, 2011 to June 30, 2014. Some of the key strategic objectives that will be incorporated, full independence of the CAG, authority to appoint staff, and the refinement of audit capacity and approaches including the use of computer based audit systems.

6.5.2 Recommendations

6.5.3 The Phase IV strategy should provide the avenue for continued support to the NAO that Funding can be accessed on a “needs basis” to support the achievement of its strategic objectives.

6.6 Parliament Office (PO)

6.6.1 Discussions indicted that budget allocations for the Parliament Office (3 Account Committees) were not adequate for the required examination of CAG Reports along with relevant field visits. The Zanzibar-NAO is expected to include some actions for strengthening oversight function of Zanzibar Parliament Accounts Committees. If necessary, additional hearing session with Zanzibar Parliament Office should be arranged to identify the budget allocation needs and to incorporate them into PFMRP-IV Strategy Draft appropriately.

6.6.2 Capacity development for the staff assisting the MPs (especially the clerks) is required to enable them to do the analytical work and assist the MPs in the execution of their oversight functions. Employment of additional support staff could be also considered.
6.6.3 The establishment of a parliamentary budget office could be considered as a point of advocacy during Phase IV.

6.6.4 Recommendations

6.6.5 It is therefore recommended that the PFMRP-IV Strategy consider training for parliamentary support staff to complement the training which is already proposed for the members of Parliamentary Committees.

6.6.6 Consideration should be given to the expansion of the oversight functions of the 3 Account Committees considering that their current activities already go beyond the examination of CAG Reports. (The proposed Actions can be categorized in connection with PEFA indicators (PI-27: Legislative scrutiny of the annual budget law and PI-28: Legislative scrutiny of external audit reports). A PFMRP budget allocation to the Parliament Office could be considered to supplement other funding.

6.6.7 The availability of Commission Reports could be increased through the improvement of management of the Parliament Office Website. (At present, Committee Reports in Kiswahili are available at Website, but there are technical problems in downloading Reports.)
Annex A

Mission members – Development Partners

Godfrey Kaijage  
African Development Bank, AfDB
Gauthier De Woelmont  
Belgium, (BTC)
Jim Halliday  
Canada (CIDA)
Signe Skovbakke Winding  
Denmark
Mette Melson  
Denmark (HQ)
Kerry Nelson  
United Kingdom (DFiD)
Guillaume Barraut  
EU Delegation
Martin Mfikwa  
Irish Aid
Kobby Kuroda  
Japan (JICA)
Wolfgang Solzbacher  
Germany (KFW)
Olav Lundstol  
Norway
Magnus Cedergren  
Sweden
Göran Schill  
Sweden
Amon Manyama  
UNDP
Ismael Dodoo  
UNDP
David Consigny  
USA (USAID Bagamoyo visit only)
Parminder Brar  
Worldbank
Patrick Kabuya  
Worldbank

Supporting the mission:
Jörgen Skytte  
Consultant
Emmanuel Maliti  
Consultant
Chris Smyrl  
Consultant
David Hoole  
Consultant
Kalle Hellman  
DP PFM secretariat

GoT and Development partners (DPs) - division of labor

Team 1: Flow of information and funds to service delivery level and KRA III: Budget execution, Transparency and Accountability
GoT: Accountant General
DPs: Germany, Ireland, Sweden, BTC, Worldbank

Team 2: Service delivery units / budget implementing departments to budget and plan for funds needed and account for funds received and KRAII: Planning and Budgeting
GoT: Commissioner for Budget
DPs: Worldbank, Germany, Ireland, Sweden, Belgium,

Team 3: Service delivery units / budget implementing departments to be audited for use of public resources and KRA IV: Budget Control and Oversight
GoT: Internal Auditor General
DPs: AfDB, Japan, (co-lead) UNDP, EU (support)

Team 4: KRA V Cross cutting Issues (Change management and Program Management)
GoT: Director for Planning Directorate
DPs: Canada, Denmark, United Kingdom, UNDP, EU

Team 5: Revenue management
GoT: Commissioner Policy and Development
DPs: Norway, Denmark, EU (partial), Japan (observing)
### Annex B

**Time-Table for PFMRP Joint Supervision & Appraisal Mission**  
**12th September – 23rd September, 2011**

<table>
<thead>
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<th>Meeting Place</th>
<th>Meeting with- GOT</th>
<th>Review Team- DPs</th>
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<tr>
<td>13.30-15.30</td>
<td>Strategic issues KRA 2 – Objective 2 MDAs &amp; LGAs budget and plans for funds and account for and Planning and Budgeting</td>
<td>CB Office</td>
<td>Ms. Monica &amp; Team</td>
<td>Team 2: Germany, Ireland, <strong>Sweden, WB, BTC, USAID</strong></td>
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<tr>
<td>13.30-15.30</td>
<td>Strategic Issues and Objective 4 Cross cutting issues</td>
<td>DPD Offices</td>
<td>Ms Fatima &amp; Team; CEF;</td>
<td>Team 4: <strong>Canada</strong>, Denmark, DfID, UNDP</td>
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<tr>
<td><strong>Tuesday – 13/09/2011</strong></td>
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<tr>
<td>8.15-8.45</td>
<td>Morning briefing/up-dates</td>
<td>MOF Room 229</td>
<td>PFMRP Secretariat</td>
<td>All Team</td>
</tr>
<tr>
<td>9.00-11.30</td>
<td>Strategic issues KRA 3 – Objective 1 Public funds flow to SDU and budget implementation and Budget Execution, Transparency and Accountability</td>
<td>AcGEN Office</td>
<td>Lead :Ms. Mtanda &amp; Team; PMORALG</td>
<td>Team 1: Germany, Ireland, <strong>WB, Sweden, BTC, USAID</strong></td>
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<tr>
<td>9.00-11.30</td>
<td>Strategic issues KRA 4 – Objective 3 MDAs &amp; LGAs audited for use of resources and Budget Control and Oversight</td>
<td>MOF Conference room</td>
<td>Mr Mashoko &amp; Team</td>
<td>Team 3: : <strong>AfDB, Japan</strong>, (co-lead) UNDP EC (support)</td>
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<tr>
<td>12.00-13.00</td>
<td>Accounting and oversight – Zanzibar</td>
<td>MOF Conference room</td>
<td>Mr Kombo, Mr Simai &amp; Team</td>
<td>Team 3, 2</td>
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<td>13.30-15.30</td>
<td>External oversight</td>
<td>NAO Office</td>
<td>Mr Francis &amp; Team</td>
<td>Team 3</td>
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<td>13.30-15.30</td>
<td>Procurement</td>
<td>PPRA</td>
<td>Dr Mlinga &amp; Team</td>
<td>Team 1, 3</td>
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<td><strong>Wednesday 14/09/2011</strong></td>
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<td>8.15-8.45</td>
<td>Morning briefing/up-dates</td>
<td>MOF Conference Room</td>
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<td>All Team</td>
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<tr>
<td>11.00-13.00</td>
<td>Strategic Issues KRA 1</td>
<td>CPAD Office</td>
<td>Mr Olal &amp; Team;</td>
<td>Team 5: <strong>Norway, EC,</strong></td>
</tr>
<tr>
<td>Date/Time</td>
<td>ISSUES FOR DISCUSSION</td>
<td>Meeting Place</td>
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<td>Review Team- DPs</td>
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<td>11.30-12.30</td>
<td>Change management, human resource management, incentive structures</td>
<td>MOF Conference Room</td>
<td>Ms Makani &amp; Team</td>
<td>Team 4</td>
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<td>13.30-15.30</td>
<td>TISS and Electronic transfer – links to IFMIS/Epicor, Debt management</td>
<td>Bank of Tanzania</td>
<td>Ms Lucy Kinunda &amp; Team</td>
<td>Team 4,1</td>
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<td>16.00-17.00</td>
<td>Change management</td>
<td>DSPFM Office</td>
<td>Dr Likwelile</td>
<td>Team 1,4</td>
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<td>9.00-11.00</td>
<td>Budget execution and control</td>
<td>Office of Treasury Registrar Department</td>
<td>Ms Mlaki &amp; Team</td>
<td>Team 1</td>
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<td>9.00-11.00</td>
<td>DFMIS</td>
<td>Office of Department for Financial Managements Systems</td>
<td>Mr Hamza &amp; Team</td>
<td>Team 4</td>
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<td>11.30-12.30</td>
<td>Change management, communication</td>
<td>MoF</td>
<td>Ms Mduma &amp; Team</td>
<td>Team 4</td>
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<td>Parliament oversight</td>
<td>Parliaments Office, Dar</td>
<td>Dr. Tom Kashililah &amp; Team</td>
<td>Team 3</td>
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<td>13.30-15.30</td>
<td>Revenue</td>
<td>TRA Office</td>
<td>Mr Muganyizi &amp; Team</td>
<td>Team 5</td>
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<td>13.30-15.30</td>
<td>Change Management</td>
<td>Secretariat Office</td>
<td>Ms Mkony &amp; Team</td>
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<td>Change management</td>
<td>AcGEN Office</td>
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<td>Joint Steering Committee</td>
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<td><strong>Brief Mid Mission meeting</strong></td>
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<td>PS Teams &amp; DPs</td>
<td>All Team</td>
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<td>Debt management</td>
<td>Office of</td>
<td>Mr Kayandabila &amp; Team</td>
<td>Team 1</td>
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<td>Date/Time</td>
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<td>Meeting Place</td>
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<td>14.00-15.00</td>
<td>Policy Forum</td>
<td>DFID – Umoja House</td>
<td>Mr Kilonzo and Team</td>
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<td>MOF Conference Room</td>
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<tr>
<td>9.00–10.30</td>
<td>Budgeting, execution etc</td>
<td>Ministry of Health and Social Welfare</td>
<td>Ms Kikuli &amp; Team</td>
<td>Team 1,2</td>
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<td>9.00–11.00</td>
<td>Non-tax revenue, transfer of funds every month</td>
<td>Ministry of Land, Housing, and Human Settlement</td>
<td>Mr Lazaro &amp; Team</td>
<td>Team 5</td>
</tr>
<tr>
<td>9.00–10.30</td>
<td>PFMRP in reform context, Change management</td>
<td>Office of Core Reform Secretariat</td>
<td>Mr Madata &amp; Team</td>
<td>Team 4</td>
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<td>11.00-12.30</td>
<td>IFMS- Service provider</td>
<td>Softech Office</td>
<td>Mr Bhatt &amp; Team</td>
<td>Team 4</td>
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<td>11.00-12.00</td>
<td>External resources</td>
<td>EFD Office</td>
<td>External resource management</td>
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<td>Local Government</td>
<td>New Conference Room MoF</td>
<td>Ms Mchome &amp; Team</td>
<td>Team to be specified</td>
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<td>Mr Kolongo &amp; Team</td>
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<td><strong>Tuesday 20/09/2011</strong></td>
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<td>8.30-</td>
<td>PFM Reforms in context</td>
<td>Office of Planning Commission</td>
<td>Ms Florence Deputy Executive Secretary &amp; Team</td>
<td>Team 4</td>
</tr>
<tr>
<td>8.30-10.00</td>
<td>Travel to Bagamoyo</td>
<td></td>
<td></td>
<td>All Teams</td>
</tr>
<tr>
<td>9.00-11.00</td>
<td>All AcGEN follow up issues incl. LGAs</td>
<td>AcGEN Office</td>
<td>Aziz &amp; Vitus &amp; Team</td>
<td>Supervision mission follow-up group</td>
</tr>
<tr>
<td>10.00-12.00</td>
<td>LGA issues</td>
<td>Bagamoyo DED</td>
<td>Samwel Sarianga &amp; Team</td>
<td>All Teams</td>
</tr>
<tr>
<td>10.00-11.30</td>
<td>Public Service Management</td>
<td>Presidents Office – Public Service Management</td>
<td>Mr Yambesi &amp; Team</td>
<td>Team 4</td>
</tr>
<tr>
<td>13.30-15.30</td>
<td>Change management</td>
<td>PPRA Office</td>
<td>Dr Mlinga &amp; Team</td>
<td>Team 4</td>
</tr>
<tr>
<td>Date/Time</td>
<td>ISSUES FOR DISCUSSION</td>
<td>Meeting Place</td>
<td>Meeting with- GOT</td>
<td>Review Team- DPs</td>
</tr>
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</tr>
<tr>
<td></td>
<td><strong>Wednesday – 21/09/2011</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>8.15-8.45</td>
<td>Morning briefing/up-dates</td>
<td>MOF Conference Room</td>
<td>PFMRP secretariat</td>
<td>All Team</td>
</tr>
<tr>
<td>9.30-12.30</td>
<td>LGA Issues</td>
<td>Kinondoni Office</td>
<td>Fortunatus Fwema &amp; Team</td>
<td>Group 2</td>
</tr>
<tr>
<td></td>
<td><strong>Thursday 22/09/2011</strong></td>
<td></td>
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<tr>
<td></td>
<td>DRAFT AIDE MEMOIRE</td>
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<td>ALL</td>
</tr>
<tr>
<td></td>
<td><strong>Friday 23/09/2011</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>12.00-14.00</td>
<td>Wrap up Meeting</td>
<td>MOF Conference room</td>
<td>DPS Treasury and GoT team</td>
<td>ALL</td>
</tr>
<tr>
<td>19.30-21.00</td>
<td>Dinner</td>
<td>Paradise City Hotel</td>
<td></td>
<td>ALL</td>
</tr>
</tbody>
</table>
## ANNEX C

**Jointly developed example of format for Reform Action Plan**

<table>
<thead>
<tr>
<th>Impact</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sound financial management and discipline in public service attained by June 2016</td>
<td><strong>KRA 1 Revenue Management:</strong> Strengthened systems, processes and procedures for improving the operational capability of the revenue collection by June 2016</td>
</tr>
<tr>
<td></td>
<td><strong>KRA 2 Budgeting and planning:</strong> Strengthened capacity of planning and budget management, including results and program based budgeting, within MOF, MDAs and LGAs by June 2016.</td>
</tr>
<tr>
<td></td>
<td><strong>KRA 3 Budget Execution, Transparency and Accountability:</strong> Improved utilization of public resources in a more effective, efficient and transparent manner by June 2016</td>
</tr>
<tr>
<td></td>
<td><strong>KRA 4 Budget Control and Oversight:</strong> Improved adherence and enforcing of MDAs and LGAs to financial internal controls, rules, laws, regulations and audit recommendations</td>
</tr>
<tr>
<td></td>
<td><strong>KRA5 Change Management, Program Management and Communication:</strong> Improved management practices with increased accountability and leadership to better manage performance of PFMRP</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Outcome Indicator</th>
<th>Indicator Baseline 2010</th>
<th>Indicator Target 2016</th>
<th>Milestones (Outputs)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KRA 1 Revenue Management</strong></td>
<td>2.1. Aggregate revenue out-turn compared to original approved budget (PEFA: PI-3)</td>
<td>Actual domestic revenue collection was below 92% of budgeted domestic revenue estimated in no more than one of the last three years. (PEFA: C)</td>
<td>Actual domestic revenue collection is below 94% of budgeted domestic revenue in no more than one of the last three years. (PEFA: B)</td>
<td>2.1.1. Completed cost/benefit analysis of tax exemptions</td>
</tr>
<tr>
<td></td>
<td>2. Strengthened systems, processes and procedures for improving the operational capability of the revenue collection by 2016</td>
<td></td>
<td></td>
<td>2.1.2. Completed review of forecasting system for budget implications of exemptions</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>2.1.3. Completed review of process for targeting</td>
</tr>
<tr>
<td>2.2. Controls in the taxpayer registration system. (PEFA: PI-14i)</td>
<td>Taxpayers are registered in database systems for individual taxes, which may not be fully and consistently linked. Linkages to other registration/licensing functions may be weak but are then supplemented by occasional surveys of potential taxpayers. (C)</td>
<td></td>
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<tr>
<td>2.2.2.</td>
<td>Taxpayers are registered in a complete database system with some linkages to other relevant government registration systems and financial sector regulations. (B)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.3. Domestic tax revenue and non-tax revenue to GDP</td>
<td>Domestic tax revenue was 14.8% of GDP and non-tax revenue was 0.9% of GDP</td>
<td>Domestic tax revenue is 15% of GDP and non-tax revenue is 1.7% of GDP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.3.1.</td>
<td>2.3.2.</td>
<td>1.3.3.</td>
<td></td>
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</tr>
<tr>
<td>2.4. Existence and functioning of a tax appeals mechanism. (PEFA: PI-13iii)</td>
<td>There is an independent disputes resolution system funded separately by government, though it needs further capacity enhancement. (NR)</td>
<td>A tax appeals system of transparent administrative procedures is completely set up and functional, but it is either too early to assess its effectiveness or some issues relating to access, efficiency, fairness, or effective follow-up on its decisions need to be addressed. (PI-13iii: B)</td>
<td></td>
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</tr>
<tr>
<td>2.4.1.</td>
<td>2.4.2.</td>
<td>2.4.3.</td>
<td></td>
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</tbody>
</table>