Joint Supervision Mission
PFMRP 20th Sept – 1st Oct. 2010

Aide Memoire

November 2010
List of Acronyms (Not exhaustive)

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AccGen</td>
<td>Accountant General</td>
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<td>BOT</td>
<td>Bank of Tanzania</td>
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<tr>
<td>CAG</td>
<td>Controller and Auditor General</td>
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<td>DPs</td>
<td>Development Partners</td>
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<td>HCMIS</td>
<td>Human Capital Management Information System</td>
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<td>IFMS</td>
<td>Integrated Financial Management System</td>
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<td>IPSAS</td>
<td>International Public Sector Accounting Standards</td>
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<td>LGA</td>
<td>Local Government Authority</td>
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<tr>
<td>MDA</td>
<td>Ministry, Department, Agency</td>
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<td>MoFEA</td>
<td>Ministry of Finance and Economic Affairs</td>
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<td>MoHSW</td>
<td>Ministry of Health and Social Welfare</td>
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<td>MoNRT</td>
<td>Ministry of Natural Resources and Tourism</td>
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<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
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<td>NAO</td>
<td>National Audit Office</td>
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<td>PAC</td>
<td>Public Accounts Committee</td>
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<td>PFA</td>
<td>Public Finance Act</td>
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<td>PFM</td>
<td>Public Financial Management</td>
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<td>PFMWG</td>
<td>Public Financial Management Working Group</td>
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<td>PO-PSM</td>
<td>President's Office-Public Service Management</td>
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<td>PPA</td>
<td>Public Procurement Act</td>
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<td>PPRA</td>
<td>Public Procurement Regulatory Authority</td>
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<td>RAS</td>
<td>Regional Administrative Secretariat</td>
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<td>SP</td>
<td>Strategic Plan</td>
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<td>TRA</td>
<td>Tanzania Revenue Authority</td>
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EXECUTIVE SUMMARY

Introduction

The Joint Supervision Mission Aide Memoire is a follow up on GBS PFM Key messages from the 2009 Annual Policy Dialogue Report. This Joint Supervision Mission examined progress made against last year’s PFM Key issues and short term agreed Action Plan dated August 13th. It also contributed to the stock of knowledge available to assess the robustness of public financial management in Tanzania and the part it plays in securing General Budget Support.

The mission team consisted of Government of Tanzania officials, Development partners and members of the Development Partners Governance and PFM secretariat. It took place between 20 September and 1st October 2010 and consisted of a series of interviews with key stakeholders of the GoT, with documents provided as evidence of achievement when necessary.

This Aide Memoire was commonly drafted by the supervision mission team.

Progress on General Budget Support PFM Key Issues

Recognising the improved timeliness of the financial reporting, reform activities were designed to improve the quality of reporting, effective budget management, cash management, flow of funds and the effectiveness of the IFMS. Specifically in response to the GBS review, the current status of the key messages is as follows:

<table>
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<tr>
<th>PFM Key messages</th>
<th>Situation as at November 1st 2010</th>
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<td>1. Government commitment to deliver on a prioritized action plan covering 5 areas among which cash management, flow of funds, quality of reporting and budget management improvements, IFMS performance.</td>
<td>Action plan drafted, shared and agreed. Implementation jointly assessed. Out of 24 short term actions, 15 have been assessed as green, 1 orange, 5 red, 2 as split and 1 as not applicable (to be dealt with by the Public service Reform).</td>
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<tr>
<td>2. Review Public Finance Act and Local Government Finance Act</td>
<td>The revised final draft of the Public Finance Act was approved in the June/July 2010 session of Parliament. The draft Local Government Finance Bill is at the Cabinet secretariat.</td>
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3. Increase the oversight function of the Accountant General over Local Government Finances

Miscellaneous amendments to the Public Finance Act (PFA) include provisions to increase oversight function of the Accountant General over Local Government Finances by inserting “Local government authority” as appropriate. (CAP348). There is a provision for appointment of an Assistant Accountant general for local government and it is anticipated that the President will soon make the appointment. The draft Local Government Finance Bill is still at the Cabinet secretariat.

4. Implement measures to increase budget transparency, including continuous updating of information on LGA budgets and expenditures on government websites

A Budget Background and Medium Term framework was distributed in November 2009. 2010-2011 Budget guidelines published in February 2010; budget speech was delivered at the Parliament in June 2010. The PMORALG website was updated to include actual expenditure 2008/9 and 2009/10. Open Budget Index indicates improvements.

5. Agreed to prepare the new phase of the PFMRP

Current phase extended until end F/Y 2010/2011 A joint GoT/DP retreat to begin formulating PFMRP IV has taken place on 25 and 26 October 2010.

Comments to the table;

1. The Action Plan will be reported on in detail in chapter three (3).

2. Amendments to the Public Finance Act have laid down the legal foundation of improvements to internal audit and in particular the reporting of the IAG to the PS (T) by adding a new “Part V Office of Internal Auditor General” in the Finance Act 2010. (CAP 348 in Finance Act 2010).

3. The foundation for oversight function has been strengthened through legislation. The Public Finance Act has been reviewed and passed and provides the Accountant General with greater oversight powers over local government finances, although required changes to the Local Government Finance Act have yet to be passed by Cabinet. The Presidential appointment of the Assistant Accountant General (local government authorities) awaits the establishment of the new government subsequent to the elections. Potential legal and administrative challenges in instituting this arrangement and the precise interpretation of oversight remain to be clarified. The potential conflict between the different legislations is recognised by the GoT and it is assumed that the amendments to the Local Government act will resolve the issue.

4. Measures to increase Budget transparency have been taken. The last year did see some progress in Tanzania. I November 2009, the “Budget Background” laid out the macroeconomic and fiscal parameters at the time to guide the budget process. The Background also provided linkages to the sector policies and strategies, incorporating aspects of the policy dialogue between the GoT and the DPs. 2010-2011 Budget
guidelines were published in February 2010; budget speech was delivered at the Parliament in June 2010. The PMORALG website was updated to include actual expenditure 2008/9 and 2009/10. In addition, a recent study “Open Budget Index”, OBI, score increased from 36 in 2008 to 45 in 2010. This is largely because the government started publishing a more comprehensive Executive’s Budget Proposal and Audit Report.

5. Work has started on the next phase of the PFMRP, while the PFMRP III Strategy and MoU were extended for one additional year. 2009 saw some delays and slippage in the reform programme, however the continuing high level leadership and the recruitment of a PFMRP Secretariat and experienced Reform Coordinator has improved dialogue and enabled more consistent progress monitoring. At a recent retreat the next phase was discussed. Finally, a draft Terms of Reference (ToR) for the provision of consultancy services for developing a comprehensive medium term strategic plan for the public financial management reforms programme phase IV has been circulated.

Summary of Findings on the short term action plan

The overall assessment reads “moderately satisfactory”. An overview of the findings on the progress against the action plan is included in annex 1.

As part of key findings, the mission learnt from this assessment exercise that i) using adequate terminology on the drafting of actions and criteria assessment is essential for proper assessment. Even if obvious, some actions did not use appropriate GoT terminologies and thus made the assessment difficult; and ii) better link between objectives, generic actions and actions to be implemented in one year should be made. Proposal for next year’s action plan will reflect this logic, as its assessment will be used to assess the PFMRP underlying principle of the PAF 2011.

The mission agreed to use a “traffic light system” when assessing implementation of the various actions (see annex 1). Green would indicate that the action has been successfully implemented within the one year scope. Orange has been used when the assessment criteria have not been formulated in such a way that it covers the essence of the action and/or to mark progress which is not fully satisfactory. Red is used if the action is not implemented or far from being reached/implemented. “Split” indicates that consensus was not reached (2 actions).

The overview per objective can be summarized as follows: out of 24 short term actions, 15 have been assessed as green, 1 orange, 5 red, 2 as split and 1 as not applicable (to be dealt with by the Public Service Reform).

The summary per objective is:

- "To improve the performance, scope and coverage of IFMS”; 4 green (including the implementation of short term action plan on CAG’s recommendations about IFMS, one of the 5 PFM key issues of the last year GBS AR, 1 orange and 1 red.

1 It should be noted that the action plan is not a diagnostic tool nor are the actions “balanced” – some actions are more strategic and harder implement then others.
- "To improve Cash Management"; 3 green, 1 red.
- "To improve the flow of funds to all levels of Government"; 3 green, 1 red, 1 not applicable.
- "Improve overall quality of reporting"; 2 green, 2 red.
- "Budget management"; 2 green, 2 split.
- “Preparation of the next phase of the reform programme (PFMRP)”; 1 green.

Two of the above actions rated as red cannot solely be implemented by Government of Tanzania and are as much in the hands of development partners (“DPs to shift to GBS” and “Future MOU to exclude clauses that create additional special accounts”). Of the two split assessments, and in both cases, Government assesses “green” and DPs “orange”.

The supervision mission has been organized by the PFMRP secretariat to include interviews between DPs and key stakeholders and the receipt of supporting documentation\(^2\). For each of the 5 components, 2 co-leads have been named, one from GoT and DP sides respectively. On that basis, it should be noted that the dialogue between GoT and DPs has improved, as well as trust within GoT institutions and between GoT and DPs. This allowed the mission to have an open and constructive dialogue, and obtain complementary information in order to complete the assessment.

\(^2\) See in annex 6 the ToRs of the supervision mission, with interviews timetable.
1. BACKGROUND AND CONTEXT

The Public Financial Management Reform Program is one of the underlying processes in the General Budget Support Performance Assessment Framework, (PAF)

In order to address concerns over the slow progress of PFM reforms, a short-term action plan was developed by GoT and DPs in September 2009. The action plan is broadly linked to the PFM Reform Programme, and it was recognised at the outset that proposed actions were necessary but not sufficient to achieve the proposed objectives. However, the Action Plan identified critical areas for required progress in the PFMRP, over 2009/10. Criteria for the prioritisation of proposed activities were not specified (e.g. materiality), but the intention was that chosen activities should be achievable, or show significant progress within twelve months.

During the PAF assessment in November 2009, it was concluded that at the overall cluster 4/5 level there was a “Satisfactory performance”. This assessment was based on adequate macro-fiscal outcomes and progress in a number of PFM reforms, while significant concerns remained on budget alignment and PFMRP”.

There was a split assessment for Underlying Process 1, dealing specifically with the PFMRP which was rated as “satisfactory with some significant concerns” for the Government of Tanzania, and "unsatisfactory" for the Development Partners.

At the GBS annual review, five key messages were agreed as a result of this assessment. These included the implementation of this action plan together with four other key messages.

In order assess progress of PFM reforms, DPs and GoT agreed to hold a joint mission to review the status of the key messages, some PAF indicators, progress on the action plan and the work carried out by other component managers. The improved relationship between GoT and DPs has been greatly facilitated by the fact that 2010 was the first year in which PFMRP Secretariat was fully functioning. This has facilitated technical dialogue between GoT and DPs during the supervision mission. This aide memoire sets out the key conclusions of the supervision mission held between 20 September and 1st October 2010.
2. GENERAL OBSERVATIONS ON PFM

Reviewing the action plan and PAF indicators provides a rather narrow perspective on the status of PFM in Tanzania. It is therefore important to note that since the last annual budget review, GoT has continued to produce timely consolidated financial statements for central government (ministries and independent departments) on the basis of IPSAS-Cash. Similarly, local government authorities have prepared timely financial statements. However, both the timeliness and quality of financial statements prepared by the public authorities and other bodies remain a challenge.

Bank of Tanzania has completed an upgrade of systems to link up with ACCGEN software and the electronic transfer of fund system has been operationalised and rolled out. The government has also made good progress in clearance of unreconciled transactions and matching is now automatic in most cases.

PPRA has made progress, both in terms of more clearly define compliance criteria’s and also in conducting follow-up audits to ensure adherence to the Procurement Act.

The Controller and Auditor General’s reports on the accounts of central government, local government and public authorities and other bodies were tabled at the National Assembly in April 2010. A ‘structured’ response to audit queries has been prepared by MoFEA together with an action plan. It is understood that oversight committee reports (Public Accounts Committee (PAC), Local Authorities Accounts Committee (LAAC) and Public Authorities and Other bodies (PAOC) have been prepared, tabled and debated.

Finally, GoT and DPs are concluding the PEFA review of 30th of June 2009 which will give a somewhat broader perspective.
3. 2010 PROGRESS AGAINST ACTION PLAN – DETAILED FINDINGS

Objective 1: To improve the performance, scope and coverage of IFMS

Performance, scope and coverage of IFMS were mainly reviewed with the following MDA’s including the Accountant General’s Office in MoFEEA, the Bank of Tanzania and PMO-RALG. Other sources of information included consultations with Soft Tech, the provider for the EPICOR system for the IFMS and the National Audit Office (NAO) Report on the IFMS.

i. Government to implement short term recommendations from the NAO review of IFMS report expected end of December 2009: (Green)

The KPMG report was received through the NAO. Management response and implementation plans have been included in the final report for all recommendations.

The MoFEEA has classified the agreed recommendations of actions into short, medium and long term period beyond one year for implementation. Some of the short term issues have already been acted upon and closed. Others are at different stages of implementation. The mission focused on observations with possible high risk level for GoT accountability, in order to assess the logistics of the overall implementation plan.

At the central level progress was assessed as overall satisfactory (73 recommendations, 12 on VFM-value for money, 31 on application controls and 30 on IT general controls). Out of those 73 recommendations, 26 are flagged "red" as an indication that they should have priority in implementation. Management response presented 11 actions already implemented, and a follow up update on the 15 remaining ones.

The mission assumes that PMO-RALG will be responsible for the reply on the status to date at Local Government level (22 recommendations, 8 on VFM-value for money - 7 flagged "red", 3 on application controls - 1 flagged "red", and 11 on IT general controls - 3 flagged "red").

The current status of the overall action plan for the main areas is as follows: (i) Contract management has started with the establishment of a full inventory per site and licenses (ii) Data recovery system started with "delocalisation" of the actual site (DSM, BoT) to the sub-treasury of Morogoro; (iii) a working group has been established with Softech in order to work out the first test upgrade to EPICOR 9. AccGen internal targets are mainly on Data Recovery System setup and Data warehouse implementation.

Two specific actions are still to be followed up from the NAO report on IFMS, these are on 2.1.2 (Weak local purchase order control - Short term implementation) and 2.2.1 (Incorrect VAT Computations - Medium term implementation until July 2011).

ii. Clearance of unreconciled transactions from 2000 to date: (Green)

During the migration from Platinum to EPICOR in 2000, the cash book in Platinum was not migrated to EPICOR. As a result, there were payments in bank not in cash book during July 2000 to December 2000 that were not reconciled. The NAO report on IFMS stated that the
Platinum/EPICOR issue resulted in un-reconciled items totally TSH 1.730 million (pg.117. On March 9 2010, the Controller and Auditor General (CAG), allowed a temporary cash book to be created to facilitate reconciliation. The majority (95%) of these items have now been reconciled.

Using computer assisted software (IDEA) the NAO report on IFMS identified a further TSH 22.426 million (pg. 118) on two accounts, arising primarily due to incomplete reference numbers.

The introduction of the EFT facility for the recurrent and development accounts is simplifying the bank reconciliation procedure for the majority of transactions. A few transactions on these accounts will still need to be manually reconciled (e.g. incorrect EFTs which are not identified within 24 hours, cheques). Normal bank reconciliation procedures are required for the other accounts and the AccGen is planning to hold more training on this issue. Progress is being now made on seven accounts as the mission was able to see from a bank reconciliation progress report as at 20/09/2010 for seven key bank accounts. It presents for these 7 bank accounts the list of a summary of outstanding reconciliation items arranged percentage wise, per type of transaction and shows the % achieved between June the 30th 2008 (start of the reconciliation for those specific accounts) and the date of the supervision mission. The government consider that it should be possible to reconcile these accounts expeditiously and Government has already managed to make significant progress.

Action is to be taken by December 2010 to install IDEA or other appropriate software and also to implement the other recommendations in the report to assist in bank reconciliation.

iii. Operationalise the Asset module starting with 10MDAs: (Red)

Training on Asset Management completed for 20 MDAs including the SDU technical staff - 111 personnel.

This issue is tackled within the IFMS implementation of CAG recommendations (Unused IFMS modules, page 59 of the report). A task force for asset management, chaired by the Assistant AccGen has been formed with general implementation plan to be done by March 2011. Training has taken place, software is installed, for (at least) 10 MDAs asset lists are produced, valuation is done but GoT needs to formally adopt a valuation policy. Population of data into the system has not started but configuration of the system is ongoing in order to import asset lists into the system.

This is typically a long term issue as operationalisation means that data is already introduced (targeted by June 2012)³.

³ The precise scope of the operationalisation of the fixed asset module. ‘Operationalisation’ would suggest the installation of software plus population of the database, which from scratch would not be feasible within a twelve month horizon. However, according to the CAG report on IFMS asset valuation contracts has been issued previous years and yet no use appears to have been made of the data. In addition, a formal valuation policy including how depreciation of assets is applied is yet to be adopted by the GoT.
iv. **Data Warehouse in place**\(^4\): (Orange)

The servers have been procured and bought by end of August, 2010. The Data warehouse has existed since 2000, and has been upgraded regularly. One of the 3 last servers acquired in 2007/8 never functioned so its setup was mainly to maintain data history (IFMS report page 45). The management decided to procure a complete system which is actually installed and under configuration. The warehouse will be installed with TA support and intensified systems training.

v. **Establishment of the steering committee to guide integration of IFMS with other systems/budget tools** (Green)

Formalities for establishing a “Ministerial ICT Steering Committee”, SC, were completed on 18\(^{th}\) of October by the Permanent Secretary nominating and inviting, by individual letters, 11 members to the SC and 6 persons to serve as secretariat of the same\(^5\).

vi. **Submit for approval revisions of the PFA 2001 to give ACGEN stronger oversight over PFM & operations of IFMS at LG level**: (Green)

The Miscellaneous Amendments to PFA 2004 were approved by Parliament and enacted by the President in June 2010. Remaining challenges include whether the PFA and LG Finance Act and their associated regulations are consistent. The amendments made on PFA give oversight to AccGen on the LGF Act itself.

Updated information on the materiality, impact and accountability of the medium and long term actions will be important in monitoring future progress in IFMS.

**Objective 2: Improve Cash management**

Cash management was reviewed with the following GoT MDA’s including the Accountant General’s Office in MoFEA, the Bank of Tanzania, The Tanzanian Revenue Agency, the Ministry of Health and Social Welfare and the Ministry of Natural Resources and Tourism and PMO-RALG. Other sources of information included consultations with Soft Tech, the provider for the Epicor system for the IFMS, the NAO Report on the IFMS prepared for the National Audit Office and information on the Aid Management system and the new Aid Management Platform.

i. **Future MOU to exclude clauses that create additional special accounts**: (Red)

\(^4\) *Data Warehouse “in place”*: For the purposes of this mission a physically procured and installed data warehouse which can produce reports on demand will serve as the measure of progress. This because the Data warehouse has been in place for some time but not functioned.

\(^5\) Establish would be read as approving the Committee as such and “in place” would be read as appointment of members
A sample of MoUs was checked for clauses stipulating requirements for additional bank accounts. Since the start of FY 2010/11 at least 6 letters from both bilateral and multilateral DPs have, with reference to existing MoUs, asked MoFEA to open new special accounts.

Implementation of this action requires donor cooperation and coordination. An agreement needs to be reached between GoT and multilateral and bilateral DPs to determine the extent to which this objective might be achievable going forward. For example, the WB requires seven new accounts for its Strategic Cities Initiative and there are health projects which also are requiring new accounts. Aid from China, Korea and USAID is significant but is not generally provided on budget (exception is US MCC).

There is a newly activated (July 2010) IT based Aid Management Platform which provides the facility to chart all donor pipeline and time bound commitments and disbursements, including both loans and grants. This may assist in controlling the proliferation of accounts as more information about aid programs becomes known at an earlier stage. MOUs with respect to GBS, SBS, basket funds and some projects flow through the Exchequer Account and donors may be persuaded that the majority of aid funds do not require separate bank accounts.

ii. Development of clear criteria to guide the opening and management of all bank accounts: (Green)

The Public Finance Act (section 15) already provides that the ACCGEN’s approval must be given for the opening of new accounts. There is need for appropriate enforcement. It is proposed that a circular be issued to guide the signing of new MOUs which will address the issue of any new bank accounts. It has been proposed that each LGA have only two bank accounts – one for PE and one for all others. This appears to be not widely accepted on different grounds by different stakeholders. PMO-RALG and the ACCGEN are proposing that each LGA have 6 accounts, one for development, one for salaries and fees, one for other costs, one for miscellaneous deposits, one for the Road Fund and one Revenue Collection Account. This would reduce the numbers of LGA central accounts from the current typical 24 to 30 accounts and allow the closure of an additional 3,000 bank accounts. The decision is not yet final. The MoHSW believes that the mingling of resources in a single operational account will destroy rational execution of the budget as the LGAs will, knowingly or through lack of information on the purpose of funds, make reallocations of funds between programs. LGAs confirm that knowing the purpose of moneys transferred is often difficult. It was noted that each school will still likely have two or more accounts, with small balances.

iii. Revenue collected by line ministries transferred to BOT by the end of the month & Government balances in commercial banks minimized (Green)

The ACCGEN has acted to inform line ministries of the requirement to deposit funds on a daily basis, with transfers of remittances to the BoT monthly.

While not a part of this action plan, it was noted that revenue from the TRA is transferred to the BoT daily and the transfers are reconciled. There appear to be minimal delays in the transmission of tax revenues deposited in commercial banks, but this would need an audit to confirm. Revenues from fees and charges in schools and health facilities are 100%
retained by the institutions, so the issue of remittances is not applicable to these amounts. However, it obviously raises the issue of bank accounts, but that was not practical to explore in this mission.

The Ministry interviewed which provides significant remissions to the Central exchequer was the MNRT. The 2004 PFA provides for the division of revenue between the amounts transferred to the Tanzanian Wildlife Protection Fund (approx. TSH13 billion), the Tanzania Forest Fund (approx. TSH 17 billion) the Antiquities Fund (small) and remitted to the national treasury (approx. TSH 48 billion) in the past year. These funds are transmitted to the Treasury at the end of each month together with revenue collected throughout the country where the MNRT acts as a collection agent. It also acts as a collection agency for the 5% of timber revenues transferred to LGAs and for the Timber Dealers Association fees.

The mission has seen sample of July, August and September letters from MoFSA to instruct BoT to transfer revenue collected by MDAs to the Exchequer account. The letters had enclosed lists of 81 MDAs, including an account number per MDA and the balance to be transferred. Confirmation of 100% compliance would need an audit.

iv. Reducing the number of LGAs bank accounts in the commercial banks: (Green)

The work is in progress to find out the way in which LGAs bank accounts can be reduced from the current number of bank accounts. In improving the situation, PMO – RALG will prepare and issue a circular to all LGAs directing the number of bank accounts that will be required to be maintained by the LGAs and how these accounts will be operating.

A May 2008 Report stated that as at December 2007, there were 36,409 government accounts maintained at 17 commercial banks, with balances of TSH 637.8 billion and US$ 25.7 million. Of these, 34,855 were maintained at the NMB. The ACCGEN’s office has noted that approximately 14,000 of these were individual primary school accounts.

In April, 2010, the office of the ACCGEN had identified 15,602 accounts which it felt should be closed. This was communicated to the BoT which responded on August 20 with four requests prior to its agreeing to participation in the closing, one being that there should be a single bank account as repository for the remaining balances.

ACCGEN took all necessary actions and after a meeting between BoT – MoFSA and PMO-RALG and MNB representatives a letter was issued from the MoFSA to BOT on the 20th of October in which BOT was instructed to close more than 13000 government bank accounts in NMB (BOT acknowledged that they received the letter the same day).

**Objective 3: Improve flow of funds to all levels of Government**

Improve flow of funds to all levels of government was reviewed with the following GoT MDA’s including MoFSA and the Accountant General’s Office, the Bank of Tanzania, the Ministry of Health and Social Welfare and the Ministry of Natural Resources and Tourism and PMO-RALG and two Local Governments (Kinondoni and Iballa). Other sources of information included consultations with Soft Tech, the provider for the EPICOR system for the IFMS.
i. **BoT to complete upgrade of systems to link up with AccGen software (Green)**

Circular to operationalize the system was issued to all MDAs and Regions. The circular, date 30/3/2010, to operationalize EFT was presented to the team. Training of 110 data entry and examiners personnel on how to use the system was conducted in July and August 2010. The linkage between IFMS and BOT TISS was made and Electronic Payment System is operational effective from early July, 2010.

The system is applicable to the 46 MDAs within the central payment system although this is only to selected accounts: recurrent and development. The previous system is still applicable to five non-central payment system votes: State House, NAO, Tanzania Peoples Defence Force, PMO-RALG, Ministry for Defence, and National Service.

A sample of TISS (Tanzania Inter-bank Settlement System) transaction reports was presented to the team. A log of transactions conducted was produced which showed a significant number of unsuccessful transfers in the very early stages, mainly due to clerical issues, but after conducting EFT training to system users, including staff working at Central Payment Office, the problems remain are now minimal, about four returns out of four to five hundred transactions.

ii. **MoFEA to finalize review of the PFA 2001 to provide for EFT and appropriate safeguards and submit for Government approval (Green)**

The circular, dated 30/3/2010, to operationalise EFT and a sample of TISS (Tanzania Inter-bank Settlement System) transaction reports was presented to the team.

iii. **Transfer of funds to LGAs to be completed within seven working days (Red)**

This has been defined as follows: For LGDG within 7 working days of receipt of request from PMO-RALG; for government funds within 7 working days of agreement by Ceiling Committee. Annex 2 illustrates the flow of recurrent and development funds.

Transfers to LGAs are supposed to be completed within seven days after the AccGen office receives the request, with the only exceptions being those requests missing vital requisite information. To avoid delays, the necessary documents, including TFN 358 for development funds, should be submitted on time.

The status of the fulfilment of this seven day requirement is difficult to quantify, but a sample of transactions was presented to the team for assessment. However, the sample of transfers carried out between June and October shows there are still a handful of transactions taking more than seven days, even when there are no problems in documentation. It has to be stressed that at the Lushoto retreat, DPS PMO-RALG insured that transfers made to LGAs take generally less than 7 days. This has been confirmed by the Ass AccGen, who told that, as long as the request documents are complete, the majority of transfers always take less than 7 days. A better formulation of the action might help on further assessment of that type (numbers of days for a routine activity).
However, the mission had an opportunity to visit two LGAs. The impression was that there are many different accounts to manage with different procedures (flow of funds, flow of information etc) attached to the same. Generally, the LGs faced difficulties in knowing when funds would be available but also the restrictions attached to the same (e.g. what they should be used for). At the same time, there are instances of releases that are not acknowledged by LGs since they had not received information but in fact transferred. It was also voiced that if funds arrives late in the budget year it is not possible to implement the budget activities.

Transfer of funds to LGAs involves different players, such as PMO-RALG, Commissioner for Budget, Accountant General, Line Ministries, RASs, donors and LGAs themselves. This chain creates inherent delays by itself, but other notable causes of delays are:

- Incomplete documents
- Money sent but the Accountant at the LGA does not know. This is due to the separation of flow of information. Exchequer notification issue for the transfers to the LGA accounts, which is essentially the payment information, is automatically sent to the RAS offices where a particular LGA is located. RAS office is responsible for informing the LGAs. This is where the problem is; in some cases it does not happen. Also lack of information on transfers to banks, so money arrives in bank with no clarification of what or where it comes from. This problem, however, does not affect the basket and programme funds because these funds have separate bank accounts, such that whenever funds are deposited, it is clear that they are for that purpose only.
- Other mistakes with information, eg. account number
- Late arrival of requests
- For the sake of basket funds, although for justifiable reasons, Steering Committee meeting may have not approved the disbursement on a timely basis as required

iv. **Explore the possibility of enhancing allowances for staff working in remote LGAs: (not assessed)**

This action point, although having clear impact on the PFM systems, is led by Cluster 3 as a governance key issue – hence it has not been part of this assessment.

v. **To monitor and ensure that end-year balances of LGAs are disclosed and transferred to the opening balances/revenues of the subsequent year (Green)**

The adoption of International Public Sector Accounting Standards has allowed for closing balances to be brought forward to the current year financial statements and budget (now being re-budgeted) during budget revision, which is conducted twice in a year. For the time being, the local authorities are not doing accrual accounting, hence cash balances can be disclosed as a memorandum item since the system is still under cash basis.

One important piece of evidence for the achievement in this action point builds on the fact that a circular has been issued on the above and that CAG check the compliance of end year
Capacity building to 38 Regional Secretariat staff was conducted in February 2010 for backstopping LGAs in the disclosure process. Training report for this activity was submitted to the team.

Capacity building to 290 LGA staff (mainly District Treasurers and Internal Auditors) was conducted in February 2010. Officials from Kinondoni and Ilala Municipals have confirmed to have attended this training.

Instructions to be incorporated in Pay Master General’s Circular on Budget Implementation for the year 2011/12.

**Objective 4: Improve overall quality of reporting**

Quality of reporting was reviewed with AccGen Office, Commissioner for Budget and PMO-RALG among others. However, reporting was featuring in basically all discussions relating to flow of funds, cash-management, budget management and also in relation to IFMS. It should also be noted that the links between the actions and key objective sometimes are a bit weak.

i. **GoT to commission a study to examine/recommend whether/how various revenue collection systems could be integrated:** (Red)

A study has been undertaken to assess the non-tax revenue potential, review the current non-tax revenue collection regimes and to come up with policy recommendations for improvement in the contribution of the non-tax revenue to the total domestic revenue efforts. The study focuses on Ministry of; Energy and minerals, Natural Resources and Tourism, Lands and Human Settlement Development, Home Affairs/Immigration Service Department but also on Tanzania Communication Regulatory Authority (TCRA), Tanzania Government Flight Agency (TGFA), Tanzania Civil Aviation Authority (TCCA), Tanzania Airport Authorities (TAA) and Tanzania Electrical, Mechanical and Electronics Service Agency (TEMESA)

During the meeting at MoFEA it was agreed that the assessment criteria “TOR to engage a consultant in place and approved” refers to the action of a study on integration of revenue collection systems and that the above mentioned study (in its TOR) does not aim for this, hence the action is delayed. The new timeline presented was;

- TORs approved before the end of the year.
- Tender should be out in June 2011
- Response awaited in July 2011

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6 Although not true for all LGAs; “Unspent balances for the preceding financial year were not subsequently brought forward to the Statement of Capital Expenditure and it’s financing for the year under Review”. ANNUAL GENERAL REPORT OF THE CONTROLLER AND AUDITOR GENERAL On the Financial Statements of Local Government Authorities for the financial year ended 30th June, 2009, Executive Summary, B. Major Irregularities and weaknesses noted during the course of our audit, Second bullet.
• month contract awarded by September/October 2011
• Study to be finalised in march 2012
• Possible and partial implementation in conjunction with budget 2012/13

If the above timeline is realistic and achieved it would imply that the delay had no practical implication since the target to implement findings of the study anyway would not have happened before the budget of 2012/13.

The revised timeline is tight and in order for the study to take effect in the budget 2012/13 then momentum needs to be kept. The TOR must be formulated in such a way that the findings will be easy to implement since the period between March and finalisation of the budget is short. However, some findings may require legislative changes which probably will take longer to implement.

ii. **DPs to shift to GBS: (Red)**

The combined donor commitment for General Budget Support (GBS) in Tanzania in financial year 2010/2011 is $534 million. This commitment is $220 million less than the last financial year 2009/2010.

There are a number of reasons for this decrease in GBS, such as some front loading in 2009/2010. Nonetheless some of the decrease results from Development Partners concerns about slow implementation of reform programmes, and expected results not being met in critical reform areas. These include the reform of the public financial management system, the expected improvement in the business and investment climate, and the need for more equitable delivery of public services.

iii. **MoFEA and POPSM to sustain training on report writing using GoT formats: (Green)**

Training on report writing has been conducted by POPSM to 10 MDAs on the new system. The assessment criteria looks at number of additional MDAs trained. Six (6) additional MDAs have been reached through training during the last year. Training has been sustained over at least two years.

For the future it should be clarified if action point implies "down load data as basis for report writing "or use of the report writing system". Furthermore – it is important to ensure that “sustained training” results in improved quality of reporting. If so, “reports” should be more clearly defined as well as “quality”.

iv. **PMO-RALG to constantly update the www.pmoralg.go.tz - local government finance information (logintanzania) where the information on budget and expenditure of LGAs is posted: (Green)**

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7 Exchange rate used to convert national currencies to Tshs, and then to USD, is the BOT buying rate of 29 April, 2010
PMO-RALG Login Tanzania does feature the current financial year. Planning data is available, but there are gaps on the expenditure side.

To ensure flow of information through the said webpage would increase the LG capability to implement the budget. To keep web-pages up-dated is always a challenge and there is a need to ensure a robust routine. A medium term challenge would be to review the procedures (flow of funds and information) and try to simplify the same.

**Objective 5: Budget Management**

The Actions subsumed under this Objective does not necessarily work together very tightly and there is no direct link between them in relation to achieving the Objective. Nevertheless they have all been determined as essential component of the budget management process and as actions that were deemed critical to improving budget management in Tanzania overall.

The four actions can loosely be divided into supporting the improvement of budget preparation and Budget execution. The enhancement of the basket Aid modality touches both sides of budget management as they should be predictable and timely enough for recipient MDA to budget around the commitments expressed. On the other hand the execution of basket supported expenses are often delayed due to structural issues surrounding this aid modality.

Most discussions has been held with Commissioner for Budget, MoFEA including AccGen, EFD, PMO-RALG, line ministries such as Health and Education, LGA in Ilala and Kinondoni as well as the Public Procurement Regulatory Authority, PPRA.

i. *GoT to develop and implement a time bound action plan for improving the quality of sector plans as well as the quality of MTEF (Split – GoT Green/DPs orange)*

The action wording “sector plans” was discussed. After some elaborations the team suggests that the action refers to institutional strategic plans (SP) rather than sector plans which don’t exist as such. The following text is elaborated on the premise that the SPs are the basis for discussion.

The GBS Key issues ask for a time bound action plan for improving institution’s strategic planning and MTEF. This has not been specifically prepared since there is a cycle embedded already to address this issue which GoT deems appropriate to continue to improve on planning and budgeting.

The first step the Government Budget Department (GBD) took to address the issue of quality improvement was the development of the Manual for Strategic and Medium Term Budgeting in 2005 which harmonised POPSM procedures and formats on developing the institutional strategic plans with the MTEF process and formats as spearheaded by MoFEA.
The document was updated to 2008 to capture some of the changes in the process such as the introduction of performance indicators in the MTEF.

The MoFEA in collaboration with PO-PSM, PMO and PMO-RALG have been harmonizing various interventions required in the preparation and execution of SPs and MTEF at MDAs, RSs and LGAs level. The harmonization team (Technical Committee and National Task Force) have managed to reduce SP’s duration from five years to three years which is similar to MTEF. Likewise, GoT has prepared a national facilitation team as well as Training Manual for preparation of Medium Term Strategic Plan in order to ensure quality and standard of institution’s SP.

Since 2006/07 MoFEA through the Government Budget Department (GBD) have been conducting regular training to MDAs, RSs and LGAs on planning and budgeting. Other trainings conducted include: Performance monitoring which covered two planning officers from 10 pilot MDAs, 5 Regions and 42 LGAs; Strategic Budget Allocation system to 152 participants from all MDAs and RSs; Planning and Reporting System (Plan-Rep) to 665 head of departments from 133 LGAs; and Classification of Government Functions (CoFoG) to 180 budget officers from all MDAs and 3 pilot Regions. Apart from these standard trainings, respective MDAs, RSs and LGAs have been arranging such trainings on individual basis and GBD is invited to facilitate such training by providing the resource persons, and training material.

Furthermore, every September the GBD invites all MDAs, Regions and LGAs for a budget evaluation workshop in order to review the budget preparation process of the previous year, discuss challenges encountered and draw lesson learnt from best practices. Various issues raised during the evaluation have been shared with other stakeholders in order to inform and improve the next year’s budget process.

The definition of a good MTEF is laid down by the GBD in a Budget Checklist and time table. According to the GBD, the quality of MTEFs has gone up. Budget Checklist and time table is used to scrutinize the annual budgets when they are submitted to GBD. MTEFs are scrutinized and then resubmitted to the budgeting entity. Most Draft MTEF are returned before finalisation, after they are returned to the MoFEA again, ¾ of the draft MTEFs submitted to GBD for scrutiny have been rated as “good”. Overall strategic plans and the MTEF have improved.

In general, a "good" MTEF is measured in four major stages of the budget cycle as follows:

I. During the formulation stage good MTEF should adhere to national plan and budget guidelines. It should provide multi-year ceilings. The first year, the ceiling is “hard” and the following years are indicative but credible. MoFEA uses scrutinization checklist to go through draft MTEFs and the results has shown big achievement for MDAs, RSs and LGAs.

II. Unless there are exogenous influences, better planning and budgeting should result over time in a reduced need for reallocations and better predictability for all MDAs. During the execution stage good MTEF is implemented with minimal deviations and based on
approved budget ceilings, action plan and procurement plan. The government in collaboration with stakeholders have been set maximum targets to be allowed for deviation outturns. However, budget deviations are not solely the result of poor planning but there are several other reasons such as natural calamities and disasters which cause unforeseen events e.g. drought and floods, thus lead to famine, destruction of infrastructure and shortage of power supply. A part from these, there other decisions made for instance salary adjustments which are not included in the respective budgets of MDAs, RAs and LGAs but later reallocated to the same from the Treasury. In this regard, budget deviations have been occurred mainly within the target as shown in the table below and it can also be concluded that the actual deviation decreases in parallel to higher GoT ambitions:

<table>
<thead>
<tr>
<th>S/N</th>
<th>FINANCIAL YEAR</th>
<th>DEVIATION TARGET</th>
<th>ACTUAL DEVIATION</th>
<th>MAJOR REASONS FOR DEVIATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2003/04</td>
<td>20.0</td>
<td>22.6</td>
<td>Payment of suppliers’ arrears</td>
</tr>
<tr>
<td>2</td>
<td>2004/05</td>
<td>19.0</td>
<td>20.4</td>
<td>Excessive rainfall which caused floods in many areas and resulted in famine and rehabilitation of road infrastructures.</td>
</tr>
<tr>
<td>3</td>
<td>2005/06</td>
<td>18.0</td>
<td>17.1</td>
<td>Salary adjustment, payment of teachers’ arrears and reorganization of new government (4th phase) after 2005 general election.</td>
</tr>
<tr>
<td>4</td>
<td>2006/07</td>
<td>17.0</td>
<td>16.0</td>
<td>Payment of suppliers’ arrears, teachers’ arrears and salary adjustment. Also the budget affected by drought, famine and shortage of power supply.</td>
</tr>
<tr>
<td>5</td>
<td>2007/08</td>
<td>16.0</td>
<td>16.7</td>
<td>Payment of suppliers’ arrears, teachers’ arrears and salary adjustment. Also the government received excess inflow which allocated to support</td>
</tr>
<tr>
<td>6</td>
<td>2008/09</td>
<td>14.5</td>
<td>13.3</td>
<td>Procurement of food and emergency power supply caused by serious drought. Also payment of salary adjustment and teachers claims</td>
</tr>
</tbody>
</table>

III. During the Monitoring as well as Review and Evaluation stages, good MTEF are shown through performance indicators which meet targets. Likewise monitoring and evaluation reports have been used to indicate the performance of MTEFs after being implemented as compared to targets set in the respective SPs.

IV. Lastly to provide a basis for a policy discussion on how to utilise possible fiscal space in the outer years or how to restructure expenditures etc.

In order to improve the current MTEF-process there are some general challenges which need to be further looked at for example;
• over optimistic macro economic framework (significant variations - budget versus actual - with respect to revenue projections), very thin domestic government treasury/bond market, ineffectual cash planning, and cash flow forecasting, and budgeting that is incremental in nature or change of priorities within FY year leading to cash rationing which in turn forces the ceiling committee to deviate from cash flow plans

• Spending ceilings and budgets are not in line. This would imply that there are results budgeted for in a specific sector within an approved budget but since full (or correct) resource envelope is not established the spending ceiling will be the bottleneck as opposed to availability of funds (if – for instance – funds are committed and disbursed by a development partner within the FY “outside” the budget but through the system or vice versa)

• If MDAs are not considering the MTEF as credible because lack of training or because of too large deviations between years. This might lead to that the MTEF does not practically support the yearly planning process or if the fiscal space is not recognised in the outer year since lion part of the three year plan consists ongoing activities (hence difficult to restructure the expenditures).

\textit{ii. Improve procurement compliance to 65% (Green)}

The mission was provided with the following table:

<table>
<thead>
<tr>
<th>Year</th>
<th>total # of Audits done</th>
<th># of &quot;new&quot; Audits</th>
<th># of follow-up audits</th>
<th>Average level of compliance of new audits</th>
<th>Average level of compliance of follow up audits</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>06/07</td>
<td>20</td>
<td>20</td>
<td></td>
<td></td>
<td>39%</td>
<td>2006/07 Annual Report</td>
</tr>
<tr>
<td>07/08</td>
<td>100</td>
<td>100</td>
<td></td>
<td></td>
<td>50%</td>
<td>2007/08 &amp; 2008/09 Annual Reports</td>
</tr>
<tr>
<td>08/09</td>
<td>144</td>
<td>99</td>
<td>45</td>
<td></td>
<td>55%</td>
<td>2008/09 &amp; 2009/10 Annual Reports</td>
</tr>
<tr>
<td>09/10</td>
<td>91</td>
<td></td>
<td>91</td>
<td></td>
<td>71%</td>
<td>2009/10 Annual Report</td>
</tr>
<tr>
<td>Total</td>
<td>355</td>
<td>219</td>
<td>136</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Out of total number of PEs</td>
<td>385</td>
<td></td>
<td>219</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The numbers represents procuring entities.

It is established that the average level of compliance of PEs with PPA and its Regulations has reached 73% based on follow-up audits. The sample size represents 91 Procuring entities compared to the 199 audits done during 07/08 and 08/09. Moreover, in the annual report
2009/2010 PPRA states that they received information on tender award from 264 PEs equal to 69% of all PEs (385).

With regards to the last published report from the Public Procurement Regulatory Authority (PPRA) in June 2009, that dealt with the follow up implementation of procurement audit recommendations in 55 procuring entities audited in 2006/2007 and 2007/2008; the outcome of the review indicated compliance improvement from an average level of compliance of 39% and 43% in the financial years 2006/07 and 2007/08, respectively, to an average level of compliance of 71% in 2009. Those results are valid for MDAs (from 43 to 74%) as well as LGAs (from 40 to 66%). The methodology for the calculation of the outcome indicator is set out in Annex 4.

On the PAF indicators: The Government submitted revisions the Public Procurement Act to Parliament in 2009. This is more than what was expected in the PAF 2009 TPA 3’s assessment for Cluster 3 and 4: "Presentation to Parliament of amendments to Public Procurement Act...".

<table>
<thead>
<tr>
<th>Outcome Indicators</th>
<th>Baseline 2005</th>
<th>Actual 2008</th>
<th>Target 2009</th>
<th>Actual 2009</th>
<th>Target 2010</th>
<th>Target 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average level of compliance of procuring entities with the Procurement Act 2004 to reach 80% by 2011 (PPRA)</td>
<td>39% (2006/2007)</td>
<td>43%</td>
<td>55%</td>
<td>50%</td>
<td>65%</td>
<td>80%</td>
</tr>
</tbody>
</table>

N.B Calendar year.

iii. **Develop new guidance to govern all existing and new basket funding arrangements in line with JAST (Split – GoT Green/DPs orange)**

The External Finance Department of MoFEA has produced an “Official Development Assistance Manual”. It is currently in the “draft 2” version from September 24, 2010 when it has been presented to a wide range of stakeholders. This ODA Manual covers all types of aid in a generic form. One chapter (3 pages) deals with basket funds and explains the basics of a basket fund mechanism (actors involved, implementation cycle).

While the ODA Manual might be useful to some of the intended purposes (e.g.: provide a guide to new staff to enhance their knowledge on aid management in Tanzania), in its current form it hardly addresses the shortcomings of basket funds that lead to the inclusion of this action in the PFM action plan. For example it does not address the issue of how to avoid disbursement problems, neither does it explains the main contents of a MoU or provide guidance related to good practices with regard to the specifics of a MoU. As a matter of fact, many of the Baskets as they are structured currently appear to impede sector finance more than they support it. The impact of the ODA Manual on the governance and
especially the harmonisation and simplification of basket funding arrangement will therefore be negligible.

However, the Policy Note 5 of the PER Working Group of August 2009 was shared with the EFD during the supervision team meeting. It provides a thorough overview of the bottle necks, differences and similarities of various basket arrangements as implemented currently. The study concludes that for most basket funds, the flow of funds from the DPs is not harmonised, with each DP depositing funds at different times. As a result, implementation of approved work plans tends to be disrupted by delays in the flow of funds to the respective holding accounts. Transfers from the holding accounts and Government of Tanzania disbursements to the respective spending units seem to be problematic whether the funds from DPs are timely or not. The causes of delays of transfers are related to failure to conform to a range of requirements or conditions for disbursement within the year as specified in the relevant MoU. The delays in transfers at all levels lead to considerable roll-over of balances at the end of the financial year. This in itself represents a derogation of basket funding from mainstream GoT funds.

As a way forward it is proposed that efforts should be focused by GoT and DPs on improving basket funds and reducing the derogations from GoT systems. Revised basket fund guidelines are needed and GoT must also be guided in improving the management of basket funds and provide the reports, review, audits etc. mandated in the MoU in a timely manner. The above mentioned study gives a number of suggestions on how to revise and standardize the MoUs. This could be consulted to draw out some good practice. Possibly it should be used as the foundation for a joint GoT and DPs group to in a swift process could jointly develop a best practice example of one of the currently existing basket fund and offer it up for replication. Hence, further work needs to be done, best jointly between the GoT and DPs, involving sectors and LGA explicitly. The results could then be inserted in the next draft of the ODA manual.

**iv. GoT continue to implement the findings of the CAG reports (Green):**

On the *external audit side*, the last annual reports of the National Audit Office have been delivered on time and are published on the website of the institution. The report on Central Government states that:

“...unqualified opinions for MDAs and RAS have increased from 71 (70%) to 91 (86%) while qualified opinions have declined from 26 (26%) to 11 (11%) in the financial years 2007/08 and 2008/09 respectively.

This year’s results have recorded three (3) (3%) adverse opinions as compared to 5 (5%) of the previous year.

Even though the trend of audit opinions has shown positive improvements, however, there are still major weaknesses in internal controls and non compliance with laws/regulations warranting the attention of Accounting Officers ...”

According to the Audit Act of 2008 the GoT has to deliver a structured response to the CAG, responding to the queries made in his annual report. Normal audit procedure would involve the issuing of a management letter to which the ministry/department responds.
Outstanding queries and responses on which no agreement has been reached are then included in the audit report to parliament. In some reports, they include all management responses. In Tanzania, this approach was adopted for the 2004/5 audit reports. However this was under the acting auditor general.

The structured response was given for the first time in response to the CAG audit report for FY 2008/2009, which was issued in April 2010. The PST submitted this structured response on the 27th of July 2010 and deals with major issues stressed by the CAG on all financial and performance audits conducted during the F/Y. Furthermore, PST sent on the 22 of June 2010 a consolidated management response and action plan to be implemented following CAG’s findings, organized per vote. This document, compiled by the MoFEA, has been submitted to the CAG and to the PAC.

A Pay Master General Committee was established to support the PMG in audit and PFM related issues. The mission was told that PMO-RALG has started to implement findings of the CAG report on Local Authorities and that there are letters sent to LGA instructing LGs to respond.

The mission had access to the "Replies to Management letter on the accounts of Ilala Municipal Council for the F/Y ended 30th June 2009 (dated July 2010). Ilala audit opinion was an adverse one (mainly because the management response came after the publication of the CAG’s report on LGA).

**Objective 6: Preparation of the next phase of the reform programme**

Government of Tanzania took a decision in the first half of 2010 to extend PFMRP III. Furthermore, a T.o.R. to develop a comprehensive medium term strategic plan for Public financial management reform programme phase IV has been drafted and is currently circulated for comments. In addition, a 2 days retreat has been held to take stock of the current situation and set out the direction for the future reform programme.

Challenges going forward includes;

- PFM underpins General Budget Support to Tanzania, and both the GoT and its Development Partners place great emphasis on the progress of PFM reform and in particular the implementation of a credible PFM reform programme. Agreement on what is credible remains elusive, as do common expectations as to what can and cannot be achieved in the short term. It is suggested that this should be examined during the development of PFMRP IV.

- Furthermore, a broader view of the PFM reforms show the complex interrelated nature of changing interlinked systems, cultures and norms which must be taken into consideration when objectives and targets are set. GoT and DPs acknowledge that the planned pace of some reforms may not have been realistic, while progress in other areas has been slow and not met expectations.
• Significant reliance is placed on the Controller and Auditor General reports by DPs yet the National Audit Office is also ‘developing’. While progress is being made, it is important that progress and support to that end is being sustained.

• Moving forward, there is a need to address the fundamental issues and to focus also on ‘how to change’ and not just ‘what to change’. For instance, several actions in the agreed plan target long held concerns of both GoT and DPs e.g. flow of funds. Several of the issues raised in the IFMS action plan also reflect problems with the sustainability of earlier initiatives and clearly show the dependency of PFM reforms on effective public sector reforms.
<table>
<thead>
<tr>
<th>S/N</th>
<th>OBJECTIVE</th>
<th>ACTION</th>
<th>CRITERIA ASSESSMENT</th>
<th>STATUS TO DATE</th>
<th>Assessment</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>To improve the performance, scope and coverage of IFMS</td>
<td>Government to implement short term recommendations from the NAO review of IFMS report expected end of December 2009</td>
<td>% of short term recommendations implemented in FY</td>
<td>The NAO report has been received through the CAG's Office. The MoFEA has already classified the agreed recommendations of actions into short, medium and period beyond one year for implementation. Some of the short term issues have already been acted upon and closed. Others are at different stages of implementation. DPs focused on the observations with possible high risk level on GoT accountability, in order to assess the logics of the overall implementation plan.</td>
<td>Management response and implementation plans included in the final report for all recommendations. Overall satisfactory at Central level (73 recommendations, 12 on VFM-value for money, 31 on application controls and 30 on IT general controls). Out of those 73 recommendations, 26 are flagged “red” and management response presented 11 actions already implemented, and a follow up update on the 15 remaining ones. The mission assumes that PMO-RALG is responsible for the reply on the status to date at Local Government level . The added complexity of dealing with LGAs suggests that actions are less likely to be manageable in the short term</td>
<td>General remarks in the narrative: Consistency of the overall action plan per main areas: Contract management starts with full inventory per site and licenses. Data recovery system started with delocalisation of actual site (DSM, BoT) to the sub-treasury of Morogoro (Disaster recovery site). Working group created with Softech in order to work out the first test upgrade to EPICOR 9). 2.1.2 (Weak local purchase order control - Short term implementation) and 2.2.1 (Incorrect VAT Computations - Medium term implementation until July 2011) still to be followed up.</td>
</tr>
<tr>
<td>Clearance of the unreconciled transactions from 2000 to date</td>
<td>% unreconciled transactions by volume</td>
<td>Controller and Auditor General has granted approval for the method to reconcile the long outstanding items in the system. A bank reconciliation position as at 20/09/2010 has been presented to the mission. It presents for the 7 bank accounts the list of a summary of outstanding reconciliation items arranged percentage wise, per type of transaction and shows the % achieved between June the 30th 2008 (start of the reconciliation for those specific accounts) and the date of the supervision mission. Regarding current transactions, the reconciliation (matching) is automatically done through TISS as BoT statements are uploaded within EPICOR. In between a range of 95% to 97% of payments under EFT match. Training on EFT and TISS is operational at AccGen level.</td>
<td>90% to 100% reconciliation of expenditure accounts, with the exception of Public Debt, but with slower progress on deposit accounts. Progress. Overall vision of global amount outstanding has been given by GoT.</td>
<td>No progress since June 2008 on some operations (receipts in bank not in cash book for the Public debt A/c for ex).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Task</td>
<td>Description</td>
<td>Status</td>
<td>Notes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>-------------</td>
<td>--------</td>
<td>-------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operationalise the asset module starting with 10 MDAs</td>
<td>Training on Asset Management completed for 20 MDAs including the SDU technical staff. Available to date for the 20 MDAs - but not populated into the system: Asset list - done, valuation - done based on valuation policy but GoT has yet to formalise the valuation policy and to start to populate the system</td>
<td>Issue tackled within the IFMS implementation of CAG recommendations (Unused IFMS modules, page 59 of CAG report). A task force for asset management, chaired by the Assistant AccGen has been formed with general implementation plan to be done by March 2011. On progress but not achieved (IT people trained and software installed is more close to the reality). Operationalisation implies data (incl. valuation) is populated into the system.</td>
<td>Next steps would include i) continued training, continuation of populating the data into the system and rolling out to more MDAs ii) testing of system. AccGen expects assessment to turn green by end-November.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Data Warehouse in place. Will be done with TAs support and intensified systems training</td>
<td>Servers delivered. Data Warehouse has been upgraded regularly but one of the 3 last server acquired in 2007/8 never functioned. Management decided to procure a complete system, actually installed and under configuration. Current timetable suggests that configuration and testing will be completed by the end of November. The Data Warehouse should be in place by mid-December.</td>
<td>Server in place (checked).</td>
<td>Server to be installed and re-training on data entry to commence thereafter. Not clear if a TA works on training purpose or if it's in house training. GoT explains that TA is not needed for training.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establish a Systems Steering Committee to guide integration of IFMS with other systems/budget tools.</td>
<td>PST granted approval on establishment of MoFEA Steering Committee. Steering Committee established. Steering committee on LG-level established</td>
<td>Letters to Steering Committee members have gone out.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

29
<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
<th>Status</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Submit for approval revisions of the PFA 2001 to give ACCGEN stronger oversight over PFM &amp; operations of IFMS at LG level</strong></td>
<td>Review of PFA 2001 Submitted to parliament for approval</td>
<td>The miscellaneous amendment bill to PFA 2004 submitted to Parliament in July 2010.</td>
<td>The miscellaneous amendments to PF act provide AccGen with greater oversight.</td>
</tr>
<tr>
<td><strong>To improve Cash Management</strong></td>
<td>Future MOU to exclude clauses that create additional special accounts</td>
<td>Exclusion of the clause</td>
<td>DPs are still demanding special accounts.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>GoT presented a sample of 6 recently received letters (since June) from both bi- and multi-lateral DPs requesting special accounts.</td>
</tr>
<tr>
<td></td>
<td>Development of clear criteria to guide the opening and management of all bank accounts.</td>
<td>Criteria in place.</td>
<td>PFM act regulates this.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Satisfactory - The PF regulation is clear on this point.</td>
</tr>
<tr>
<td></td>
<td>Revenue Collected by line ministries transferred to BoT by the end of the month &amp; line ministries balances in commercial banks minimized</td>
<td>Ensure transfer of revenue to BoT is made on monthly basis</td>
<td>In May, 2010 ACCGEN convened a meeting with ACs from the line ministries where they directed them to ensure that revenues collected are deposited to the bank on daily basis and transfer to BoT is made at the end if every month.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Satisfactory - based on: i) interviews, ii) some documentation and iii) one DP has seen samples copies of statements of monthly transfer at Ministry of Natural resources and Tourism and iv) PFM DPG secretariat has seen sample of July, August and September letters from MoFEA to instruct BoT to transfer revenue collected by MDAs to the Exchequer account. The letters had enclosed lists of 81 MDAs, including an account number per MDA and the balance to be transferred. Noted that system/routine to check compliance is not in place.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>A circular directing Accounting Officers to transfer collection of revenues to BOT on monthly basis to be issued in FY 2010/11, Compliance needs to be monitored (Audits, regular checking etc). The mission visited Ministry of Natural Resources and Tourism. Ministry stated that they are transferring revenues every month. Missionmember has also seen monthly letters from MoFEA to BoT on the same.</td>
</tr>
<tr>
<td>#</td>
<td>To improve the flow of funds to all levels of Government.</td>
<td>BoT to complete upgrade of systems to link up with ACCGEN software</td>
<td>Circular to operationalize EFT in place</td>
</tr>
<tr>
<td>---</td>
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<td>---</td>
<td>---</td>
</tr>
<tr>
<td>3</td>
<td>Reducing the number of LGAs bank account in the commercial banks</td>
<td>% of the dormant accounts closed</td>
<td>A list of GoT accounts to be closed identified. BoT has acknowledged that they have received a letter from MoFEA to instruct BoT to close about 13,000 (of about 15,602) identified accounts in National Microfinance bank (NMB).</td>
</tr>
<tr>
<td>3</td>
<td>MoFEA to finalize review of the PFA 2001 to provide for EFT and appropriate safeguards and submit for Government approval</td>
<td>Circular to operationalize EFT in place</td>
<td>Circular in place.</td>
</tr>
<tr>
<td>Activity</td>
<td>Percentage of Activity</td>
<td>Remarks</td>
<td></td>
</tr>
<tr>
<td>----------</td>
<td>------------------------</td>
<td>---------</td>
<td></td>
</tr>
<tr>
<td>Transfer of funds to LGAs to be completed within 7 working days.</td>
<td>% of all transfers done within 7 days</td>
<td>Transfers to LGAs done with exceptional number of applications missing vital requisite information are subject to delays.</td>
<td></td>
</tr>
<tr>
<td>The mission was shown some disbursement documents by the Assistant AccGen and PMO-RALG, both of these documents showed a large number of transactions take more than seven days after MOFEA has received the disbursement request. The mission has the impression that this &quot;7 days&quot; rule is not observed.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>The 7 days to be observed will be based on timely submission of necessary documents including TFN 358 for development funds. Narrative expand on the &quot;different funds&quot; and proposes a starting point for each type of fund.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Explore the possibility of enhancing allowances for staff working in remote LGAs</td>
<td>- MTPP by POPSM addressing this issue</td>
<td>Not really a PFM issue.</td>
<td></td>
</tr>
<tr>
<td>Dealt within cluster 3.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To monitor and ensure that end–year balances of LGAs are disclosed and transferred to the opening balances/revenues of the subsequent year.</td>
<td>% of LGAs reflecting year end balances in their cash flow statement</td>
<td>• Capacity building to 38 RS staff (FMOs/IAs/LGOs) conducted in Feb. 2010 for backstopping LGAs in the disclosure process</td>
<td></td>
</tr>
<tr>
<td>Satisfactory</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instructions to be incorporated in PMG's Circular on budget implementation for the year 2010/11. End year balance suggested to be included in LGs financial statements. Compliance checked by CAG on an yearly basis</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Improve overall quality of reporting</td>
<td>GoT to commission a study to examine/recommend whether/how various revenue collection systems could integrate</td>
<td>TORs to engage a consultant in place and approved</td>
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</tr>
<tr>
<td></td>
<td>DPs to shift to GBS</td>
<td>% of ODA under GBS</td>
<td>2010/2011 as compared to 2009/2010 indicates less GBS.</td>
</tr>
<tr>
<td></td>
<td>MoFEA and POPSM to sustain training on report writing using GoT formats</td>
<td>No of additional MDAs trained</td>
<td>Training on Report writing conducted by POPSM to 10 MDAs, Further training to be conducted during the FY 2010/11. In total 320 persons has been trained.</td>
</tr>
<tr>
<td></td>
<td>PMO-RALG to constantly update the <a href="http://www.pmoralg.go.tz">www.pmoralg.go.tz</a> - local government finance information (logintanzania) where the information on budget and expenditure of LGAs is posted</td>
<td>Information posted on website</td>
<td>Programming and development of the website is on going- expected completion October, 2010.</td>
</tr>
<tr>
<td>5</td>
<td>Budget management</td>
<td>GoT to develop and implement a time bound action plan for improving the quality of sector plans as well as the quality of MTEF.</td>
<td>% of sector plans approved by Parliament</td>
</tr>
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</tbody>
</table>

DPs assess "Orange" since the assessment covers too many dimensions to make assessment clear + that assessment criteria needs to be reviewed. DPs agree on "status"
| Improve procurement compliance to 65% | Compliance to reach 65% by Nov. 2010 | PPRA increased the number of training sessions from 24 to 28 to ongoing capacity building programs covering seven modules. Trend of compliance level had reached 55% recorded in June, 2008 and is presented by the PPRA with a compliance level of 73% for the 2009/2010 F/Y. | This action is an OI of the GBS AR. Definition of the indicator has been strengthened and is clear. Green assessment is justified by the fact that evidence suggests that compliance rate has improved. | There are indications from PPRA that criteria will be changed / strengthened as some criteria are “always” passed. This would imply that compliance rate target will be more difficult to reach (which must then be noted). Further capacity building and procurement auditing to be carried out. PPRA has a task of ensuring that a compliance level of 80% is attained by 2011. PPRA expressed its need of more training resources to reach it as well as more funds to undertake more audits. |

| Develop new guidance to govern all existing and new basket funding arrangements in line with JAST | % of DPs adherence to Paris declaration | Government is in the process of preparing ODA Manual. A Consultant submitted a second draft "ODA manual" which has been shared with DPs. | Satisfactory based on the second draft of the ODA manual | Assessment criteria needs to be developed. |
| GOT will continue to implement the findings of CAG reports | % of the CAG recommendations cleared by GoT | The reports from CAG are reviewed and responded to annually. The CAG report for 2008/09 issued, GoT has produced a structured response. | The assessment is based on the Mission receiving a copy of the Structured response for the year ended 30th June 2009, and the consolidated management response and action plans to implement the CAG’s report for the F/Y 2008/2009 per Vote - Central Government, dated 22nd of June. The mission had also access to the response management of Ilala, one of the rare adverse opinion last year. | It should be up to the CAG to determine if recommendations has been "cleared" which will be followed up in next CAG report. LGAs and PAOBs responses and action plan to be presented, by vote (as it is for the MDAs-RAs). | Not satisfactory for major DPs basket funding agencies | Many of the Baskets as they are structured currently appear to impede sector finance more than they support it. The September 2010 draft of the new ODA manual does not give sufficient guidance on what is proven good practice on how to govern basket arrangement more effectively and more accountably towards their financier. Moreover the Manual does not take into account the analytical work done on basket modalities by PER Macro in 2009. Further work needs to be done, best jointly between the GoT and DPs, involving sectors and LGA explicitly. |
| 6 | **Preparation of the next phase of the reform programme (PFMRP)** | Work will be initiated in the first six months of 2010 to develop a new PFMRP which will address these issues and provide targeted resources to take forward the reform agenda. | PFMRP IV developed and agreed with DPs | Draft TORs in place and circulated to DPs for review and comments, Agreed a small technical group to be formed to refine the TORs as to scope and funding arrangements, date set for workshop, facilitator identified, background documents are currently being drafted by GoT. Objective postponed as the current PFMRP III has been extended until end of F/Y 2010/2011. | Decision taken in first half of 2010 to extend PFMRP III. Green assessment based on fact that a draft ToR has been circulated and discussed and that a date is set for planned workshop on PFMRP IV. | 2 days retreat by end of October 2010 with reps of GoT and PFM DPs to draft the objective of next PFM reform phase. |
ANNEX 2 Recurrent and Development Funds Flow

Ceiling Committee meets every month to approve the release of funds → Budget Department allocate transfers for each Payee (MDAs, RASs etc.) → Accountant General issues Exchequer Notification about the payment to Payees

BOT transfers from Exchequer → Account Expenditure account → MDA, RASs and other independent votes

access Expenditure Account for expenditure

Basket Funds Flow

Basket Funds relevant committees (such as Steering Committee for Health) approves Expenditure → Request letters from spending units and line Ministries sent and received by Pay Master General (PMG) → Budget Department prepares Treasury Release Warranty

Accountant General issues Exchequer Issue Notification to Accounting Officers → BOT transfers from Basket Accounts to → Exchequer Account then Expenditure Accounts
ANNEX 3 The MTEF Process (Annual Budget cycle and MTEF planning process)

Budget process in Tanzania is divided in four main stages namely: Formulation, Execution, Monitoring, and Review and Evaluation. All stages are interlinked and interdependent from one to another and they are implemented within the financial year, which begins on 1st July to 30th June. The government through MoFEA has been issuing guidelines and circulars regarding strategic policies, time frame, financial resources and implementation formats that should be adhered by each organization.

The MTEF process starts with formulation stage where by different stakeholders at MDAs, RSs and LGAs levels participate fully in the identification of priorities and objectives, which the government want to attain in the medium term as directed in the guidelines. At this stage MDAs, RSs and LGAs prepare their MTEFs by committing financial resources to implement specific targets and activities in line with three year institutional strategic plan. Each institution aligns its priorities with MKUKUTA cluster strategies and submits its MTEF book to MOFEA for scrutinization and data entry in the Integrated Financial Management System (IFMS) which is used by MOFEA to produce Budget Books. Finally, budget books are discussed by Parliamentary Standing Committees and thereafter submitted to the National Assembly for approval.

The second Budgeting stage is Execution, which covers the collection or receipt of revenue, disbursement of funds to spending agents and physical implementation of planned activities as approved by the National Assembly. Day to day responsibilities of budget execution are mainly vested in the implementing agencies, which receive public resources regarding the appropriations made for that financial year. MoFEA is also charged with overall responsibility of coordinating government budget execution at macro level.

Budget monitoring is the third stage of budget cycle which uses internal management and other bodies to follow-up and control the use of approved budget in line with intended purposes. Likewise, MoFEA conducts expenditure tracking to ensure efficient use of resources and attainment of approved activities, targets and objectives. Monitoring and control mechanisms used include management supervision, reporting system, budget adjustments, internal audit, external audit and Parliamentary control.

Budget Review and Evaluation is done by MDAs, RSs and LGAs as a basis for knowing the performance level and setting proper direction with regard to macro and micro priorities. Currently, the budget review and evaluation is carried out twice annually (i.e Mid-year Review and Annual Budget Review) by MOFEA at the aggregate level. MDAs, RSs and LGAs also conduct the same at respective levels or irregularly when required by stakeholders. Each institution is urged to carry out review and evaluation of their performance and show their alignment to MKUKUTA aspirations when assessing the level of achievement in terms of outcome and impart. With regard to Plan and Budget Guidelines, each review should indicate among other things the alignment of MKUKUTA targets from the approved revenue
against actual; approved expenditure against actual; planned targets against achievements; problems experienced; and future strategies.

<table>
<thead>
<tr>
<th>Month</th>
<th>Planning and Budget preparation related process</th>
<th>Documentation/Outputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>Financial Year begins</td>
<td>Budget execution starts</td>
</tr>
<tr>
<td>September</td>
<td>The budget preparation process starts with the formulation of the Plan and Budget Guidelines Committee.</td>
<td>Plan and Budget Guidelines Committee</td>
</tr>
<tr>
<td>October - December</td>
<td>Preparation of the National Plan and Budget Guidelines (Stakeholders’ consultation, Reviews and document compilation)</td>
<td>Draft of Plan and Budget Guidelines</td>
</tr>
<tr>
<td>January</td>
<td>Government Budget frame is approved by IMTC and the Cabinet</td>
<td>Plan and Budget Guidelines</td>
</tr>
<tr>
<td>February</td>
<td>Plan and Budget Guidelines is presented and discussed by the Parliament</td>
<td>Parliamentarians’ comments</td>
</tr>
<tr>
<td>Feb – March</td>
<td>MTEF preparation at institutional level (MDAs, RSs and LGAs)</td>
<td>Draft MTEF by MDAs, RSs and LGAs</td>
</tr>
<tr>
<td>April</td>
<td>Draft MTEF from MDAs, RSs and LGAs are submitted to MoFEA for scrutiny and data entry</td>
<td>Draft Budget Books Vol 1 – Revenue Vol 2 - Recurrent Expenditure for MDAs Vol 3 – Recurrent Expenditure for Regional Votes (RSs and LGAs) Vol 4 – Development Expenditure for MDAs, RSs and LGAs.</td>
</tr>
<tr>
<td>May</td>
<td>Annual Budget approval by the Cabinet and Sectoral discussion by Parliamentary standing Committees</td>
<td>Government approval</td>
</tr>
<tr>
<td>June</td>
<td>Budget Speech by Minister for Finance and Economic Affairs and submission of Draft Budget to Parliament</td>
<td>Parliamentary approval</td>
</tr>
<tr>
<td></td>
<td>Parliament deliberates on budget, appropriates the annual budget</td>
<td>Final Budget Books are printed</td>
</tr>
</tbody>
</table>
ANNEX 4 Methodology for the Calculation of the Procurement Outcome Indicator.

CLARIFICATION ON THE MEASUREMENT OF COMPLIANCE LEVELS

Indicator

S/N 2: Average level of compliance of procuring entities with the Public Procurement Act, 2004 to reach 80% by 2011. The average compliance is assessed on a sample basis.

Clarification:

a) Due to budget limitation, the number of procuring entities audited in a particular financial year depends on the availability of funds. The “sample” therefore, means the number of audited procuring entities out of the total number of procuring entities.

The criteria used in selecting a sample are as follows;

i) Procuring entities are selected from all categories i.e Ministries, Agencies, Public Authorities, Independent Departments, Local Government Authorities, and Regional Administrative Secretariats,

ii) Procuring entities which have not been audited for the past three years or more are given high priority (within a particular category),

iii) Procuring entities with high volumes of procurement (within a particular category),

iv) Frequency of complaints (within a particular category), and

v) Non-compliance in submitting procurement reports to PPRA (within a particular category).

b) At the moment, there is no procuring entity which complies 100% with the Public Procurement Act, 2004. Therefore, in order to determine the overall level of compliance, we compute the average compliances of the audited procuring entities. “The level of compliance of 39%” therefore, does not mean that 39% of the sample has reached 100% compliance. Rather, it means the average level of compliance of all the audited procuring entities in a sample (the sum of the percentage compliances of all the audited procuring entities in a sample divided by the number of procuring entities in a sample).
c) There are 13 compliance indicators some of which originated from the OECD-DAC compliance. The compliance indicators are divided into the following groups; Organization setup and functioning (23%); Procurement planning (8%); Tender process (46%); Records management (8%); and Contracts management (15%).

Example:

### Compliance Indicators

<table>
<thead>
<tr>
<th>S/No</th>
<th>INDICATOR</th>
<th>PERFORMANCE DATA</th>
<th>Scoring, %</th>
<th>MAX SCORE, %</th>
<th>PERFORMANCE SCORE, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1st Stage</td>
<td>2nd Stage</td>
<td>Aggregation</td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>1</td>
<td>Establishment and composition of Tender Board</td>
<td>Existence of a Tender Board in accordance with the requirements of the Act and Regulations</td>
<td>✓ Right composition of members of TB as per PPA 2004 and its Regulations</td>
<td>35%</td>
<td>✓ Presence of appointment letters of member of TB</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>✓ Appropriate qualification of members</td>
<td>35%</td>
<td>✓ Notification to PPRA of the establishment of the TB</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>✓ Right composition of members of TB as per PPA 2004 and its Regulations</td>
<td>35%</td>
<td>✓ Presence of appointment letters of member of TB</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>✓ Appropriate qualification of members</td>
<td>35%</td>
<td>✓ Notification to PPRA of the establishment of the TB</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>✓ Right composition of members of TB as per PPA 2004 and its Regulations</td>
<td>35%</td>
<td>✓ Presence of appointment letters of member of TB</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>✓ Appropriate qualification of members</td>
<td>35%</td>
<td>✓ Notification to PPRA of the establishment of the TB</td>
</tr>
</tbody>
</table>

**Where:**

a. Right composition of members of TB as per PPA 2004 and its Regulations - Yes (or Not) satisfy the condition which scores 35% (or zero)  
   A% Percent of TB Members with appointment letters

b. Appropriate qualification of members - Yes (or Not) satisfy the condition which scores 35% (or zero)

c. Notification to PPRA of the establishment of the TB - Yes (or Not) satisfy the condition which scores 15% (or zero)

1 Trained in PPA No. 21 of 2004, Regulations, 2005 and/ or Regulations, 2007
ANNEX 5 Supporting Documentation

Supporting documentation received (Not exhaustive)

- A report of the Evaluation workshop on planning, budgeting process and submissions for the fiscal year 2006/07 - 2008/09 held at Courtyard Protea Hotel, Dar Es Salaam 18th-19th September, 2006, Ministry of Finance and Economic Affairs

- A synthesis report of key issues discussed by pilot Ministries, Regional Secretariats and Local Government Authorities During the Evaluation of Planning, Budgeting and Submission processes for the year 2009/2010 - 2011/12 and Training for all ministries' directors of policy and planning and accounting/budget officers held at the national social security fund water front conference on 14th to 18th of September 2009, Ministry of Finance and Economic Affairs


- Annual Performance Evaluation report for the Financial year 2009/2010, (September 2010), Public Procurement Regulatory Authority

- Annual Procurement for the year 2010-2011 (May 2010), Ministry of Health and Social Welfare

- Budget Background and Medium term Framework 2009/10 - 2011/12, Ministry of Finance and Economic Affairs

- Budget Checklist and time table 2009

- Budget Digest 2010/11 (Dodoma, June 2010), Ministry of Finance and Economic Affairs

- Budget Execution report (2009-10), Ministry of Finance and Economic Affairs

- Budget for Fiscal year 2009/10 April – June 2010 and full year budget performance (August 2010), Ministry of Finance and Economic Affairs

- Cash flow Plan for 2010/11 (June 2010), Ministry of Health and social welfare

- Circular on introduction of Electronic Fund Transfer System dated 30/3/2010

- Comparison of Approved Budget, Ceilings Issued and Requests (incomplete), Ministry of Finance and Economic Affairs
• Economic Survey (Hali ya Uchumi wa Taifa Katika Mwaka), 2009 (June 2010) Ministry of Finance and Economic Affairs

• Economic Survey 2008 (June 2009), Ministry of Finance and Economic Affairs

• Extracts from "LGA Consolidated Quarterly Financial Report": June 30, 2009, Ministry of Finance and Economic Affairs

• Introducing to the National Assembly the Estimates of Government Revenue and Expenditure for the Financial Year 2010/2011 (Dodoma, 10th June, 2010, Minister of Finance and Economic Affairs


• Medium Term Expenditure Framework FY 2010/2011 – 2012/2013, Volume 1 and 2 (Activity Costing Tables), Ministry of Water and Irrigation

• Medium Term Expenditure Framework FY 2010/2011 – 2012/2013, Volume 1 and 2 (Activity Costing Tables), Ministry of Infrastructure development


• Medium Term strategic Planning and Budgeting Manual, Ministry of Finance and Economic Affairs

• "Minute Sheet (Swahili) of establishment of an "'ICT Steering Committee"' including names of members and secretariat", Ministry of Finance and Economic Affairs

• Mpango Wa Maendeleo Wa Mwaka 2010/2011 (June 2010) (Government Workplan), Ministry of Finance and Economic Affairs

• Official Development Assistance Manual, Draft 2, September 24, 2010

• Overview of trainings conducted and trainings planned by the CB office, 2008-2009 complemented by an e-mail update.

• Presenting the Economic Survey for 2009 and the Medium Term Outlook for (2010/11 – 2012/13) to the National Assembly, Minister of Finance and Economic Affairs

• Procurement plan for Government and Basket (Combined) for the year 2010-2011 (August 2010), Ministry of Health and social welfare

• Policy Note 5 of the PER Working Group of August 2009

• Statement of reallocation, Reallocation Warrant (No 1+2 2007/08 and No 1+2 2009/10), Ministry of Finance and Economic Affairs

• Structured response: Consolidated Management response and action plans to implement the CAG's report for the F/Y 2008/2009, per vote (Central GoT), Government of Tanzania

• Tanzania National Debt Sustainability Analysis, November 2008, Ministry of Finance and Economic Affairs

• Terms of reference for a Study to assess non-tax revenue potential (July 2009), Ministry of Finance and Economic Affairs

• Volume I, Financial Statement and Revenue Estimates for the year from 1st, July, 2010 to 30th June, 2011 as submitted to the National Assembly, Ministry of Finance and Economic Affairs
ANNEX 6 ToR of the supervision mission

Terms of Reference


Background

The Public Financial Management Reform Program (PFMRP) has been in place since 1998, and is Tanzania's main programme for improving public financial management (PFM). The first phase of the programme (1998-2004) comprised of a number of individually supported initiatives including the introduction of financial management\(^8\) software (Platinum/Epicor) across central government and in some local authorities.

In 2004, the second phase of the programme was launched, which attempted to bring all PFM activities under the same coordinating umbrella. The rationale for the approach centred on the fact that: (i) earlier funding was fragmented and there was poor coordination both within government and between development partners; (ii) the importance of linkages and dependencies were not recognised; and (iii) there was a lack of ‘joined-up’ thinking and working. The Programme was organised into ten components that roughly corresponded to individual departments of the Ministry of Finance (MOF) plus the Public Procurement Regulatory Agency (PPRA) and the National Audit Office (NAO). Originally intended to run until 2009, the Programme was ended a year early because of concerns over ownership and Programme management.

A new Programme was developed (phase III) and launched in November 2008. The Strategic Vision for phase III has been defined as: "To excel in and sustain financial management and accountability, fiscal control and provision of quality Treasury Services.", and the Mission Statement is "To achieve and maintain sound financial management, resource mobilization and allocation, public debt management, Government asset management through developing robust fiscal and monetary policies, efficient and effective provision of Treasury Services and enhancing professionalism". PFMRP III has been expanded to also cover some Line Ministries, Local Government, Parliament and Zanzibar. The goal of Phase III is to improve efficiency and effectiveness of the allocation of resources, to achieve more equitable and improved public

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\(^8\) Accounting and budgeting software were introduced but only the accounting software was implemented.
service delivery. Twenty two outputs were developed to contribute to the aforementioned goal, together with some attempt to identify relevant OVIs. However, following a Programme review by GoT and DPs in 2009, it was agreed that a more concise and focused action plan was required. Six new objectives were identified together with a number of specific activities, which would contribute to their achievement.

In addition to government funding, the PFMRP III is currently supported by both basket funding and direct support. Contributors to the basket fund include the World Bank, European Commission (currently chair of the PFM donor group) and eight bilateral developing partners. The principles and terms for the partnership between the Government of Tanzania (GoT) and the partners are set out in the Memorandum of Understanding (MoU) signed in April 2009. The most active donors on Zanzibar are Norway, Sweden, UNDP and the World Bank.

Objectives of the mission

The main objective of the mission is to assess progress towards the achievement of the key messages of the 2009 GBS AR, including the six objectives set out in the PFMRP Agreed Action Plan; and progress against the General Budget Support Performance Assessment Framework (GBS PAF) for underlying processes, temporary process actions and outcome indicators that are PFM related. Progress over the last twelve months in other outputs/components will be documented and provided by the components in the form of a short summary in order to provide a full picture of PFMRP activities, particularly with respect to work being carried out in external audit and procurement. However it will not be necessary to interview every component. Mission findings will feed into the General Budget Support (GBS) review planned for October 2010. Findings are also intended to help GoT to consider how it wishes to take forward its reform initiatives, and to help DPs provide the most effective and efficient financial and technical support. The mission will also aim at sorting out remaining outstanding issue of the last reviewed PEFA report, on the basis of PEFA secretariat and consultant request, to be addressed by the MoFEA by the beginning of the supervision mission.

Scope of the assignment

As indicated above, the Mission’s main objective is to assess progress on the PFMRP Agreed Action Plan and PAF TPAs. In particular, the focus of the review will be to:

- Assess current status of proposed actions, results achieved, use and benefits
- Determine continued relevance and implications (positive and negative) of proposed actions.
- Assess materiality/impact of actions and issues that may affect sustainability
- Understand causes of lack of progress/slow progress including (but not limited to):

9 PFMRP III is in the process of being extended until June 2011
The review will be carried out through interviews with component managers, beneficiaries and other key stakeholders plus reference to key documents. For guidance purposes, a sample of some of the documents/information that will provide the review team with required information/evidence is included as Annex B.

At the start of the mission, the GoT will provide the review team with an overview of the progress in the last twelve months highlighting both progress and constraints. The Review team will then break up into smaller teams based on the Action Plan and PAF objectives. Discussions will be held with responsible components e.g. Accountant General, other stakeholders e.g. BoT and beneficiaries e.g. PMORALG (and/or local authority), line ministry.

A workshop at which the team would share its initial findings would be held in the second week of the Mission. A draft aide-memoire will be completed before the end of the Mission as discussed below.

**Duration and phasing**

The mission is to be finalised by end of September in time for the GBS Annual Review. Dates are from the 20th September to the 1st October.

**Review team**

The Review Team will comprise of both DP and government representatives. The team will be co-led by DPS MoFEA/PFMRP and DP Co-Chair (EC). The Team Leaders will guide the team and are responsible for the overall dialogue and coordination with GoT and DPs. Carole Pretorius will act as technical advisor.

Each Action Plan and PAF objective will be assigned a joint GoT/DP lead who will be responsible for drafting the progress report for that objective to feed into the overall aide memoire; which will be the responsibility of the Team leaders and the Technical Advisor. Other members of the mission to be confirmed shortly.

An interview teams and schedule based on the Action Plan objectives and PAF to be confirmed shortly – See Annex B.

**Reporting**

As noted above, the team will provide an overview of their initial findings at a workshop. A draft aide-memoire (maximum 15 pages??) will be completed prior to the end of the Mission. The proposed format is set out below:
• Background (context and methodology)
• Overall Assessment and Summary of findings including but not limited to:
  o What has been achieved on the action plan and GBS PAF
  o What have been the key constraints to achieving progress
  o Materiality and impact of achievements and sustainability
  o Implications for GBS review (what level of satisfactory)
  o Implications for next six months (where should efforts be focused)
  o Implications for future reform efforts (PFMRP IV?)
• Specific issues and observations by Action Plan Objective and major components.
• PEFA assessment reviewed on the basis of what has been agreed during the conference call (cf mail annexed "conference call report")

The final Aide Memoire will be completed within two weeks of the end of the Mission.

ANNEX A

Documents to be consulted/Information required

1. GBS PAF and Progress Reports
2. Agreed Action Plan
3. PFMRP III
4. PFMRP progress reports for 2009/10 and first quarter 2010/11
5. KPMG audit report – IFMS
6. PEFA Assessment 2008 (updated 2010)
7. Internal audit report (sample)
8. Treasury memorandum (response to audit queries)
9. Budget execution reports (detailed and summary)
10. Means of verification identified in Action Plan e.g. audit sample of transfers

ANNEX B

Stakeholders ¹⁰

Objective 1: IFMS

Leads: Accountant General and EUD / World Bank

Other stakeholders: PMO-RALG, BoT, Softech, NAO, Parliamentary Secretariat, IFMS
Technical Assistance, Zanzibar

¹⁰ IMF East Afritac to back stop on relevant objectives
**Objective 2: Cash Management**

**Leads:** Accountant General and CIDA

**Other Stakeholders:** BoT, LGRP, Natural Resources, TRA, LGA sample, PMO-RALG

**Objective 3: Flow of Funds**

**Leads:** PMO-RALG and Irish Cooperation

**Other Stakeholders:** LGAs, LGRP, BoT, Accountant General, JICA, Dutch Embassy (Hans)

**Objective 4: Quality Reporting**

**Leads:** Policy & Planning Directorate MoFEA and EUD / KFW

**Other Stakeholders:** CPAD, Commissioner for External Finance, PMO-RALG, ICE, Accountant General

**Objective 5: Budget Management**

**Leads:** Commissioner for Budget and KFW

**Other Stakeholders:** Softech, PPRA, LGA sample, CAG, CEF, Accountant General, SBAS, Consultant for basket funding
# ANNEX C

## Topics to be covered in stakeholder meetings

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Topics</th>
</tr>
</thead>
</table>
| Accountant - General                 | • IFMS  
• Cash Management  
• Flow of Funds  
• Reporting  
• Budget Management |
| PMO-RALG                             | • IFMS  
• Cash Management  
• Flow of Funds  
• Reporting  
• Budget Management |
| Bank of Tanzania                     | • IFMS  
• Cash management (EFT & reconciliations)  
• Flow of Funds |
| Softech                              | • IFMS  
• Budget Management |
| NAO                                  | • IFMS (audit, implementation)  
• Budget Management |
| Technical Assistance                 | • IFMS |
| Zanzibar                             | • IFMS  
• Flow of Funds  
• Budget Management |
| Parliamentary Secretariat            | • IFMS |
| Natural Resources                    | • Cash management  
• Budget Management |
| MoEVT                                | • Cash management  
• Budget Management |
| LGRP                                 | • IFMS  
• Cash Management  
• Flow of Funds |
| TRA                                  | • Cash Management |
| LGA sample (2-4)                     | • Cash Management  
• Flow of Funds  
• Budget Management |
| Policy & Planning Departments        | • Cash Management  
• Reporting  
• Budget management |
<table>
<thead>
<tr>
<th>Organization</th>
<th>Role</th>
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<tbody>
<tr>
<td>CPAD</td>
<td>Reporting</td>
</tr>
<tr>
<td>Commissioner for External Finance</td>
<td>Reporting</td>
</tr>
<tr>
<td>IEC</td>
<td>Reporting</td>
</tr>
<tr>
<td>PPRA</td>
<td>Budget Management</td>
</tr>
<tr>
<td>Commissioner for Budget</td>
<td>Budget Management</td>
</tr>
<tr>
<td>CEF</td>
<td>Budget Management</td>
</tr>
<tr>
<td>SBAS</td>
<td>Budget Management</td>
</tr>
<tr>
<td>Consultant for Basket Funding</td>
<td>Budget Management</td>
</tr>
</tbody>
</table>
# Tentative Time-Table for PFMRP Joint Mission

**20th September – 1st October, 2010**

<table>
<thead>
<tr>
<th>Date/Time</th>
<th>ISSUES FOR DISCUSSION</th>
<th>Meeting Place</th>
<th>Meeting with - GOT</th>
<th>Review Team- DPs (EC tentatively on all technical meetings)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Monday - 20/09/2010</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2.00-3.00</td>
<td>Initial meeting</td>
<td>MOFEA New Conference Room</td>
<td>PS - MOFEA</td>
<td>All &amp; RCU</td>
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<tr>
<td><strong>Tuesday – 21/09/2010</strong></td>
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</tr>
<tr>
<td>2.00-4.00</td>
<td>Budget Management &amp; Reporting</td>
<td>CB Office</td>
<td>Ms. Monica &amp; Team</td>
<td>KFW - DP objectives 4 &amp;5</td>
</tr>
<tr>
<td><strong>Wednesday – 22/09/2010</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>9.00-11.00</td>
<td>Policy Analysis, exp tracking system, Reporting</td>
<td>CPAD Office</td>
<td>Mr Shallanda &amp; Team</td>
<td>KFW</td>
</tr>
<tr>
<td>12- 1.00</td>
<td>IFMS (Auditing), Budget Mngt., Ext Audit &amp; AFROSAI</td>
<td>NAO Offices</td>
<td>CAG &amp; Team</td>
<td>WB - DP objectives 1 &amp; 5</td>
</tr>
<tr>
<td>2.00- 4.00</td>
<td>Procurement Mngt &amp; Compliance</td>
<td>PPRA Offices</td>
<td>Dr Mlinga &amp; Team</td>
<td>DP objectives 4 &amp; 5</td>
</tr>
<tr>
<td><strong>Thursday 23/09/2010</strong></td>
<td></td>
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<tr>
<td>12.00- 1.00</td>
<td>IFMS, Flow of Funds, Budget Mngt.</td>
<td>MOFEA Office</td>
<td>AcGEN/ NAO</td>
<td>WB - Emb. Ireland - DP objective 1,</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 (EC tentatively on all technical meetings)</td>
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<tr>
<td>2.00-4.00</td>
<td>Programme Mn gt</td>
<td>DPD Office</td>
<td>Ms. Fatima &amp; Team</td>
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**Friday – 24/09/2010**

<table>
<thead>
<tr>
<th>Time</th>
<th>Issues</th>
<th>Meeting Place</th>
<th>Meeting with</th>
<th>Review Team</th>
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<tbody>
<tr>
<td>9.00-11.00</td>
<td>IFMS, Cash Mn gt, Flow of Funds - EFT and Bank reconciliation</td>
<td>BOT</td>
<td>BOT Team</td>
<td>WB – CIDA – Emb. Ireland objectives 1, 2 &amp; 3</td>
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<tr>
<td>12.00 - 1.00</td>
<td>Cash Mn gt. Budget Mn gt</td>
<td>MoHSW</td>
<td>PSs &amp; Team</td>
<td>CIDA – DP objective 2 &amp; 5</td>
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<tr>
<td>2.00-4.00</td>
<td>IFMS and Budget Mn gt</td>
<td>SOFTECH</td>
<td>Softech Team</td>
<td>WB - DP objective 1 &amp; 5</td>
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**Monday – 27/09/2010**

<table>
<thead>
<tr>
<th>Time</th>
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<th>Meeting Place</th>
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<th>Review Team</th>
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<tbody>
<tr>
<td>9.00 – 10.00</td>
<td>Accountability &amp; Oversight</td>
<td>Parliament Office</td>
<td>Dr.T. Kashilila &amp; Team</td>
<td>WB</td>
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<tr>
<td>11.00- 12.00</td>
<td>Reporting, ODA</td>
<td>CEF Office</td>
<td>Magonya &amp; Team,</td>
<td>KFW Objective 4</td>
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<tr>
<td>2.00 – 4.00</td>
<td>Cash Mn gt. Revenue Collection</td>
<td>TRA H/Q</td>
<td>Commissioner General</td>
<td>CIDA objective 2</td>
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**Tuesday 28/09/2010**

<table>
<thead>
<tr>
<th>Time</th>
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<th>Meeting Place</th>
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<td>9.00-10.00</td>
<td>Cash Mn gt. Budget Mn gt</td>
<td>MoNRT Offices</td>
<td>PS &amp; Team</td>
<td>CIDA – DP objectives 2 &amp; 5</td>
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<tr>
<td>12.00- 1.00</td>
<td>Cash Mn gt. Budget Mn gt</td>
<td>MoEVT Offices</td>
<td>PS &amp; Team</td>
<td>CIDA – DP objectives 2 &amp; 5</td>
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<tr>
<td>2.00 – 4.00</td>
<td>IFMS, Cash Mn gt, Flow of Funds</td>
<td>LGRP Offices</td>
<td>Coordinator &amp; Team</td>
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**Wednesday – 29/09/2010**
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<th>Date/Time</th>
<th>ISSUES FOR DISCUSSION</th>
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<tbody>
<tr>
<td>9.00 – 10.00</td>
<td>Cash Mngt, Flow of Funds, Budget Mngt.</td>
<td>Kinondoni MC</td>
<td>MED &amp; Team</td>
<td>WB – Emb. Ireland – DP Objectives 2, 3 &amp;5</td>
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<tr>
<td>12.00 – 1.00</td>
<td>Cash Mngt, Flow of Funds, Budget Mngt</td>
<td>Ilala MC</td>
<td>MED &amp; Team</td>
<td>WB – Emb. Ireland – DP Objectives 2, 3 &amp; 5</td>
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<tr>
<td>2.00 – 4.00</td>
<td>PFM ISSUES</td>
<td>DSPFM Office</td>
<td>DSPFM</td>
<td>DPs</td>
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**Thursday 30/90/201**

**DRAFT AIDE MEMOIRE**

**Friday 01/10/2010**

<table>
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<tr>
<th>Date/Time</th>
<th>ISSUES FOR DISCUSSION</th>
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<th>Review Team- DPs (EC tentatively on all technical meetings)</th>
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<tr>
<td>10.00- 12.00</td>
<td>Wrap up Meeting</td>
<td>MOFEA New Conference room</td>
<td>PS - MOFEA</td>
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<tr>
<td>7.30-9.30</td>
<td>Dinner</td>
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