UNITED REPUBLIC OF TANZANIA

A STUDY ON THE PREVENTION AND MANAGEMENT OF PAYMENT ARREARS

INCEPTION REPORT - DRAFT

Guy Anderson

April 2014
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<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGD</td>
<td>Accountant General's Department</td>
</tr>
<tr>
<td>AFE</td>
<td>African Technical Assistance Center East</td>
</tr>
<tr>
<td>FAD</td>
<td>Fiscal Affairs Department</td>
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<tr>
<td>GoT</td>
<td>Government of Tanzania</td>
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<tr>
<td>IAD</td>
<td>Internal Audit Division</td>
</tr>
<tr>
<td>IFMIS</td>
<td>Integrated Financial Management Information System</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>LGAs</td>
<td>Local Government Authorities</td>
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<tr>
<td>MDAs</td>
<td>Ministries, Departments and Agencies</td>
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<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
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<tr>
<td>PA Work Group</td>
<td>Payment Arrears Working Group</td>
</tr>
<tr>
<td>PER</td>
<td>Public Expenditure Review</td>
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<td>PFM</td>
<td>Public Financial Management</td>
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<td>RASs</td>
<td>Regional Administration Secretariats</td>
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<tr>
<td>SOE</td>
<td>State Owned Enterprises</td>
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<td>TA</td>
<td>Technical Assistance</td>
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</tbody>
</table>
I. INTRODUCTION

1. In response to a request from the Government of Tanzania (GoT), IMF/East AFRITAC (AFE) has agreed to undertake a study on payment arrears. The study is intended to provide practical guidance on: (i) verifying the types and amounts of arrears; (ii) identifying the root causes for arrears (and/or for preventing arrears); (iii) limiting the future accumulation of arrears; and (iv) developing strategies for managing and clearing the existing stock of arrears.

2. This inception report sets out the proposed approach for the study. Box 1 highlights the key proposals for moving the study forwards and the preliminary decisions required from the GoT, whilst Table 1 summarizes the proposed activities and provides indicative timelines.

**Box 1: Key proposals and required decisions**

The proposed methodology for the study includes two blocks of activity: the first concentrating on a survey of representative government institutions to ascertain the reasonableness of current payment arrears data gathering and reporting arrangements; and the second drilling down into more details on factors causing (or failing to prevent) the accumulation of arrears, options for strengthening processes to limit the further accumulation of arrears, and development of practical guidance and strategies for clearing the existing stock of arrears. This draft inception report sets out the intended approach for the study and its timeframe.

A key element of the study involves the deployment of survey teams, with their membership drawn from the MoF departments involved in the management of payment arrears. In order for the survey to be completed in a timely fashion, early GoT decisions are required on: the available budget to fund the survey activities; the number of survey teams, their membership and availability; the sample survey sites; the survey timing and duration; and administrative support for this exercise.

**Table 1: Summary of study activities and timeframe**

<table>
<thead>
<tr>
<th>Phase/Activity</th>
<th>Wk1</th>
<th>Wk2</th>
<th>Wk3</th>
<th>Wk4</th>
<th>Wk5</th>
<th>Wk6</th>
<th>Wk7</th>
<th>Wk8</th>
<th>Wk9</th>
<th>Wk10</th>
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<tr>
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<tr>
<td>Investigate issues</td>
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</tbody>
</table>

a) Background

3. In recent years the GoT has been accumulating payment arrears comprised of staff claims, contracted works, suppliers and other services. The Public Expenditure Review (PER) champions recognize that the persistent accumulation of payment arrears negatively impact on the government’s finances and ability to deliver budgeted services in the current and future years. Consequently they have commissioned AFE to undertake a
study to present findings on the causes of arrears and make recommendations for addressing the problems.

4. During March 2014 the PFM Advisor made presented to the PER Secretariat and working group an understanding of the broad issues to be covered as part of the study and the expected outputs. That meeting stressed the importance for the preliminary survey to include a representative sample of central and local government institutions to assess the current practices for gathering and reporting data on payment arrears, and the reasonableness of that data.

5. The earlier presentation provided the PA working group with an overview of the payment arrears issue, and an outline of the proposed approach to the study. The presentation is attached to this report as Annex A. It covered discussions on:

- The definition of payment arrears.
- The detrimental impacts that arrears cause Tanzania.
- Typical factors that contribute to the accumulation of arrears.
- Measures that governments have considered for controlling expenditures and preventing arrears.
- In the event that preventative measures fail how payment arrears might be managed and cleared.

6. This inception report takes account of the comments and suggestions made during the course of that presentation.

    b) Proposed methodology

7. The study will combine the following techniques:

   a) A survey by local teams to confirm the levels of arrears across a representative sample of government institutions, the nature of those arrears and factors which have acted to allow or prevent payment arrears from occurring. The survey will assess the payment arrears existing as at 31st March 2014.

   b) Further research on the causes of payment arrears and the formulation of practical guidance, based on good international experience, on measures to prevent the accumulation of further arrears as well as reduce the stock of existing arrears.

8. The study will be conducted in two blocks of two weeks. The output from the first block will form the basis for the second block. A presentation on the findings and proposals will be made at the conclusion of each block. Sufficient time will be allowed for comments and feedback from the working group before documents are finalized and submitted to the PER secretariat for onward distribution to the champions.

    c) Expected outputs

9. Key outputs that are expected from the study include:-

   a) A report on the survey – confirming the completeness and accuracy of the current quarterly data gathering exercise, and identifying where inconsistencies
are apparent. It will provide practical guidance on measures to improve the quality of data, their aggregation and reporting.

b) **A final study report** – building on the earlier report by identifying the nature of payment arrears, the factors which have contributed to the accumulation of arrears and recommendations for preventing future accumulation. The report will include draft guidance notes/finance instructions on: (i) expenditure control measures; and (ii) the mechanism to manage and reduce the existing stock of arrears.

**II. Survey**

10. **A sample survey will be valuable in confirming the credibility of currently quoted figures for payment arrears.** The survey will review the latest submissions (e.g. the quarterly returns for 31\textsuperscript{st} March 2014). It will consider a representative range of government institutions, including:\textsuperscript{1}

- Ministries, departments and other central government agencies (MDAs).
- Central government spending units operating outside of Dar es Salaam (e.g. courts, hospitals).
- Regional Administration Secretariats
- Local government authorities
- Regulatory and other “general government” autonomous bodies funded through the national budget.

11. **In order to achieve a representative sample, teams will be dispatched to Dar es Salaam and the five regional zones.** Within each zone a cross-section of institutions will be surveyed using a standard questionnaire/checklist. Subject to the availability of sufficient GoT budget, it is proposed that the exercise would be carried out in the zones simultaneously using five teams trained for the task. Each team would comprise the following three officials drawn from:

- The Accountant General’s Office
- The Internal Audit Department
- A finance official from the respective zone.

a) **Preparatory work**

12. **Preparatory work will involve preparing both the survey teams and the survey sites.** Ensuring the readiness of the survey sites will require:

- Identifying the representative survey sites.

\textsuperscript{1} The survey will not include state owned trading enterprises. The team will liaise with the consultants undertaking the study on contingent liabilities to ensure that any accumulation of payment arrears by SOEs are identified as contingent liabilities and included in the overall assessment of fiscal risks.
• Advising the sites, in writing, of the survey dates, the purpose and the information required, and then following up to ensure that the report on arrears as at 31st March is prepared, and that all payment vouchers, invoices and other records are accessible.

13. **Ensuring that the survey teams will gather the right information will require the compilation of a suitable questionnaire/checklist and training.** The training will aim at ensuring a shared and clear understanding of the definition of payment arrears and data collection techniques. The questionnaire/checklist will seek to obtain a range of related information, including:

• Confirmation of the declared payment arrears as at 31st March, updating the list where the definition of arrears has been incorrectly applied.

• Reviewing payments made since 1st April and current outstanding invoices which were not included on the list of the payment arrears to ascertain if they should have been on the list.

• For each payment arrear category noting factors which caused (or failed to prevent) the accumulation of arrears.

• Practices which have proved effective in preventing arrears.

• Impact (if any) of payment arrears on planning, budget execution and service delivery.

• The use of IFMIS, local purchase orders, manual Commitment/Vote Registers and bank accounts as means for managing expenditures.

  b) Site visits

14. **The site surveys will be undertaken in two parts.** The first will immediately follow the training sessions and all five teams will concentrate on sites in and around Dar es Salaam over a period of one to two days. The experiences from these sites will be used to review and modify the questionnaire/checklist. The updated questionnaire will be used for the second wave of surveys to be conducted in the regions.

  c) Analysis

15. **The survey results will be gathered in a central database (MS-Excel).** The results will classify payment arrears according to payment types, duration and causes. The results will be analyzed to inform:

• An opinion on the reasonableness of the existing quarterly payment arrear returns

• Areas that will require further research during the follow-on inputs.

• A draft updated financial guideline/instruction on expenditure control.

• A draft updated financial guideline/instruction on the capture and reporting of payment arrears.
16. The above analysis will be presented to a workshop of the payment arrears working group. The conclusions and other outputs will also be submitted is a survey report. This report will provide a more detailed work plan for the follow-on input.

d) Timeframe

17. Table 1 sets out the survey activities, responsibilities and proposed timeframe. It is intended that the survey takes place as early as practical. In particular it is suggested that it be completed before the end of May 2014, so that (i) it can benefit from the March data on payment arrears, and (ii) it does not unduly interfere with preparatory work for closing the 2013/14 financial year.

<table>
<thead>
<tr>
<th>Phase/Activity</th>
<th>Responsibility</th>
<th>Wk1</th>
<th>Wk2</th>
<th>Wk3</th>
<th>Wk4</th>
<th>Wk5</th>
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<td>Conduct training</td>
<td>AFE/Survey teams</td>
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<tr>
<td>Pilot questionnaire (DSM)</td>
<td>Survey teams</td>
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<td>Review/update questionnaire</td>
<td>Survey teams/AFE</td>
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<td>Conduct Surveys</td>
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<td>Arrange logistics</td>
<td>PA working group</td>
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<td>Complete surveys &amp; report</td>
<td>Survey teams</td>
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<td>Analysis of Survey Results</td>
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<td>Collate data</td>
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<td>Report findings &amp; proposed data improvements</td>
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</tbody>
</table>

III. FINAL STUDY REPORT

18. The objective of the second set of inputs will be to provide the GoT with practical guidance on measures to: (i) prevent the accumulation of future payment arrears; and (ii) systematically clear the stock of existing payment arrears. The ultimate acceptance and implementation of measures need to provide stakeholders (the GoT, its creditors, development partners and lenders) with the confidence that actions are being taken to limit exposure to future payment arrears and to settle existing liabilities in a fair and transparent manner.

19. The input will build on the earlier results. It will conduct follow-up interviews with institutions to more fully consider the causes, risks of occurrence and comparative impacts of arrears under the following classes of payment types:
• Capital contracts (within budget year and multi-year), including the management of contract variations.

• Goods and services supported by local purchase orders, including the effectiveness of commitment controls.

• Debt servicing payments.

• Refunds of overpaid taxes.

• Transfers and subscriptions.

• Utility payments and rents, including the adequacy of budgets and budget execution.

• Claims and compensations.

• Payroll, pensions, contributions to the pension funds.

20. For each class of payment the study will consider the adequacy of existing expenditure controls and, where necessary, suggest how these might be strengthened. The proposed measures will be proportionate to the risk of accumulating arrears and the comparative impact that would result. Proposals will likely consider whether process changes are required at each stage of the budget cycle, including:

• Budget formulation, including the credibility of revenue and expenditure budgets and the adequacy of medium term provisions for development projects.

• Procurement planning.

• In-year budget management, including revised budget scenarios due to exogenous shocks and other reallocations.

• In-year cash forecasting

• Budget and cash releases

• Commitment controls for local purchase orders, contracts, utilities etc

• Payments

• Reporting and managing liabilities.

21. The study will also propose a mechanism for managing the stock of GoT payment arrears. The proposed mechanism will likely involve processes to:

• Stock take to establish the level of payment arrears

• Verification of arrears through independent audit to confirm legitimacy
• **Classification** of arrears (institution, creditor, period overdue, amounts, currency, payment type and economic item).

• Develop and implement the **strategy to clear** the stock of payment arrears, taking account of age, amounts, penalties, legal actions etc.

• **Monitoring and reporting** on the clearance of the existing stock and any fresh accumulation of payment arrears.

22. Table 3 sets out the key activities and proposed timeframe for this part of the study.

<table>
<thead>
<tr>
<th>Table 3: Confirming the causes - proposed activities and timeframe</th>
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</thead>
<tbody>
<tr>
<td><strong>Phase/Activity</strong></td>
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<tr>
<td>------------------</td>
</tr>
<tr>
<td>Investigate issues</td>
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<tr>
<td>Follow-on interviews</td>
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<tr>
<td>Propose improvements</td>
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<tr>
<td>Consider options</td>
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<tr>
<td>Draft proposals/guidelines</td>
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<td>Workshop conclusions</td>
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<td>Review proposals</td>
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<tr>
<td>Update and finalize study</td>
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<tr>
<td>Agree final study report</td>
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</tbody>
</table>

**IV. NEXT STEPS**

23. **In order for the study to proceed GoT decisions are required on the following:**

• Agreement on the overall approach to the study as outlined above.

• The budget for supporting the survey teams.

• The number of survey teams, their membership and availability.

• The sites to be included within the survey.

• Administrative support for arranging the survey visits and other logistics.
East AFRITAC

PER Group Secretariat

Guy Anderson, PFM Advisor

A study on preventing/managing payment arrears in Tanzania – preliminary.

Ministry of Finance
March 13th, 2014

Discussion Topics

• Payment arrears – defined
• Why arrears pose a big problem for the Government of Tanzania
• How arrears accumulate
• How the government might control and prevent arrears
• When prevention fails, how arrears might be managed and reduced
The nature of payment arrears

Definitions

- Payment arrears are expenditure obligations that have been incurred by government for which payment to the employee, supplier, contractor, beneficiary, or loan creditor is overdue.
- It is a subset of accounts payables – i.e. payables that have passed their due dates for settlement.

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition of arrears</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages, salaries, pensions</td>
<td>Payments outstanding after the agreed date for payment of staff.</td>
</tr>
<tr>
<td>Goods, services and capital</td>
<td>An arrear arises when: (a) The bill has been received, and (b) Delivery verified, but (c) Payment not made within normal period according to standard government policy/practice or as stated in supplier’s contract.</td>
</tr>
<tr>
<td>Taxpayers</td>
<td>Refunds of overpaid taxes – after normal payment period after refund calculated.</td>
</tr>
<tr>
<td>Transfers</td>
<td>Amounts outstanding to target beneficiaries.</td>
</tr>
<tr>
<td>Debt servicing</td>
<td>Unpaid interest after the due date.</td>
</tr>
</tbody>
</table>
The nature of payment arrears

General issues

• Arrears are often poorly identified, measured and monitored:
  ➢ Some accounting systems unable to determine unpaid invoices beyond due date – invoice dates/invoice due dates are not systematically captured in IFMS; invoices where insufficient available funds cannot be posted in IFMS.
  ➢ In many countries (especially those operating under cash basis of budgeting and accounting) there is no requirement to report arrears, or requirement covers only year-end reporting;
  ➢ The reporting entity restricted to central government budget agencies – but arrears may be building up in agencies, local governments and state owned enterprises:
    – These could be implicit liabilities on central government (moral or political obligation to pay).
    – They may result from failures in central government paying transfers, grants or subsidies.

• Arrears accumulate where central government unable to discharge its payment obligations, often coupled with weak financial control and management.
• More frequently encountered during periods of severe financial pressure.
How do payment arrears arise?

Arrears may arise from weaknesses in each stage of the budget cycle. The principal causes:
- Unrealistic budgets/revenue under-performance
- Unfunded mandates
- Weak expenditure controls
- Weak cash management system
- Inadequate or weak enforcement of legal framework
- Absence of adequate monitoring of MDA spending
- Policy decisions to defer payment.

Impact of arrears

Problems they pose for the GoT

- Erosion of government credibility and trust in its systems/procedures.
- Disruption to short and medium term budget plans, with result that policy and service delivery objectives not met.
- Economic, operational and governance consequences:
  - Reluctance to do business with government, or increased prices to mitigate risks, or demands for advance payment;
  - Down grading of country credit status, additional costs of borrowing;
  - Job losses in the private sector;
  - Reduction in economic activity
    - Where late/non payment causes businesses to fail
    - Delayed payments to employees, pensioners and utility providers etc reduces consumption
  - Potential for rent-seeking increased – where no transparent and non-discretionary payment framework, suppliers may be tempted to offer incentives to speed up payments.
  - Reduction in tax compliance
Preventing the accumulation of arrears

• Developing preventative measures requires an understanding of the nature and underlying causes of a country’s risk of arrears.
• Often requires integrated set of PFM reforms to:
  ➢ Improve budget credibility
  ➢ Identify and record government obligations
  ➢ Strengthen internal and external controls
  ➢ Enhance fiscal transparency and reporting
  ➢ Extend the functionality and use of financial management systems (IFMS)
  ➢ Strengthen the legal and institutional frameworks.

Preventing the accumulation of arrears

Likely actions

• Strengthen commitment control
  ➢ Deal with arrears before they become a problem
  ➢ Commitment register to ensure new commitments subject to availability of released budget.
  ➢ Force commitment control through IFMS
  ➢ Encourage supplier compliance.
• Special attention needs to be given to:
  ➢ Budget agencies not using IFMS
  ➢ Longer term contracts (both in-year and multi-year)
  ➢ Salaries, pensions, utilities, claims and other obligations not subject to purchase orders
  ➢ Obligations incurred by non-central government budget agencies (e.g. Public corporations, local governments, SOEs).
Preventing the accumulation of arrears

Actions

- Cash forecasting to anticipate the cash needs of government and to ensure payments made in timely manner. Requires:
  - Accurate, timely and regularly updated short-term estimates of cash inflows and outflows
  - MDAs to develop reliable procurement and cash plans
  - Treasury to be responsive to MDA cash needs, using active cash management.
- Enhance cash management capacity and roles
  - Cash management unit
  - Cash Management (Ceilings) Committee
  - Cash management technical working group

Preventing the accumulation of arrears

Actions

- Regular monitoring and reporting of arrears and other liabilities:
  - Needed to:
    - Manage the existing stock of payment arrears
    - For early warning of threats of accumulating arrears
  - This requires profiling of the arrears by period overdue (e.g. 30-60 days, 60-90 days, 90-180 days, 180-365 days, more than 1 year). Will indicate if arrears are from:
    - Previous or emerging problems or
    - Inefficiencies in expenditure controls.
  - Should be included as part of in-year and year-end fiscal reporting
- Sanctions should be applied for non-compliance to reporting requirements and may be applicable for allowing accumulation.
- Stocks of arrears should be subject to audit verification
Preventing the accumulation of arrears

**Actions**

- **Measures to be considered:**
  - Strengthen internal and external controls – without effective audit and control systems it is difficult to ensure:
    - Information on arrears is reliable.
    - Designed improvements will correct systemic weaknesses.
  - More rigorous budget formulation and analysis:
    - Simple analysis of historic recurrent expenditure patterns and arrears stock to ensure sufficiency of budget provisions
    - All milestone and instalment payments for multi-year investments should be recorded against the medium term budget framework and included in budget documentation.
    - Mechanisms for carrying forward unspent budgets for investment programs where year-end commitments.
  - Fiscal reporting on general government sector:
    - Capture fiscal risks, including contingent liabilities for arrears of sub-national governments and autonomous bodies.

Arrears clearance strategies

**Developing the strategy**

- Strategy required to give confidence to the market, creditors, suppliers and public that problem of arrears is being addressed. Strategy needs to cover:
  - Processes to clear existing stock of arrears
  - Actions to prevent the future accumulation.
- Payment arrears strategy - key principles:
  - Comprehensiveness: Stocktake to identify all arrears in general government sector.
  - Realism and achievable: Arrears clearance program should be reflected in annual and medium term budget and cash plan.
  - Credibility: To reflect urgency and timeliness to clear existing stock and address underlying measures.
  - Evidence-based: Verification to ensure only valid claims.
  - Transparency: Simple and clear to apply.
Annex A: Presentation made to PER Group Secretariat

**Arrears clearance strategies**

**Steps involved**

1. **Stocktake**
   - In-depth survey for understanding extent of problem, the types of arrears and creditors.

2. **Verify**
   - To avoid fraudulent claims and further reputational damage – establish legitimacy of claims through external audit, inspectorates or private auditors.

3. **Classify**
   - Create database to analyze: date of original invoice; amounts; supplier; agency; type of arrear (e.g. by economic item); currency etc.

4. **Strategy**
   - Develop strategy for clearance, taking account of age, penalties, risk of legal actions, currency risks, intra-government debts.

**Arrears liquidation**

**Considerations**

- Once strategy agreed, the settlement of obligations can commence.
  - Consider creation of an “arrears committee”
  - Include funding for arrears clearance in annual and medium term budgets.
  - Ensure settlements made according to strategy
- Resist netting or offset arrangements – less transparent and may distort accounting.
- Consider applying windfall revenues to pay off arrears.
- Consider “securitization” by formally transforming arrears into government borrowing.
- Resist “promissory notes” – it sets precedent and undermines financial discipline.
Conclusions

• Lessons from countries facing financial crises:
  ➢ Introducing preventative measures is less painful than the cure, in particular these should include:
    • A legal framework which defines commitments and arrears.
    • A reporting framework which includes arrears
    • Appropriate commitment controls for all types of expenditures
    • Cash management planning which injects predictability into the PFM system.
  ➢ Where arrears occur:
    • A published strategy to demonstrate that the government will clear the arrears in an equitable and transparent manner

Payment arrears of 90+days
Timelines from December 2010 to December 2013

• The trend is upwards with dips generally in Q4.
• Accelerated growth during FY2013/14 in all categories.
• The 90+ day arrears at December 2013 amounted to TZS 892bn representing 1.6% of GDP.
Annex A: Presentation made to PER Group Secretariat

**Payment arrears as at December 2013 - arrears occur across categories……..**

- Arrears of 90+ days make up 85% of the declared arrears.
- Payment arrears relating to construction, goods and services account for 87% of the declared total of 90+day arrears.

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**Payables as at December 2013 – arrears occur across agencies**

<table>
<thead>
<tr>
<th>Vote</th>
<th>MDA</th>
<th>TZS bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>VT98</td>
<td>Ministry of Infrastructure</td>
<td>671.1</td>
</tr>
<tr>
<td>VT28</td>
<td>Min of Home Affairs - Police Force</td>
<td>127.7</td>
</tr>
<tr>
<td>VT52</td>
<td>Ministry of Health</td>
<td>117.7</td>
</tr>
<tr>
<td>VT29</td>
<td>Min of Home Affairs - Prisons Services</td>
<td>55.2</td>
</tr>
<tr>
<td>VT38</td>
<td>Defense</td>
<td>45.4</td>
</tr>
<tr>
<td>VT57</td>
<td>Min of Defence &amp; National Service</td>
<td>27.4</td>
</tr>
<tr>
<td>VT43</td>
<td>Ministry of Agriculture</td>
<td>25.2</td>
</tr>
<tr>
<td>VT46</td>
<td>Min of Education &amp; Vocational Training</td>
<td>14.8</td>
</tr>
<tr>
<td>VT49</td>
<td>Ministry of Water &amp; Irrigation</td>
<td>7.9</td>
</tr>
<tr>
<td></td>
<td>Others (28 MDAs and 9 RAS)*</td>
<td>48.9</td>
</tr>
<tr>
<td></td>
<td>Total declared arrears</td>
<td>1141.3</td>
</tr>
</tbody>
</table>

* 23 MDAs and 12 RAS had no recorded arrears at 31st December 2013.
Payment arrears – the data

Data collection:
• Submitted to AGD by Votes on a quarterly basis.
• Classified by period overdue and major expenditure classes and agencies.
• Summarised for monitoring purposes

Data limitations:
• Arrears figures are not subject to routine and independent verification process.
• The statements of arrears are not actively used for arrears management. No clear arrears management policy.
• Arrears figures may not be comprehensive, e.g. they may exclude overdue:
  • Tax refunds
  • Contributions to pension funds
  • Payments incurred by non-budget agencies (e.g. Public

Payment arrears – the study

Proposed approach

• Part 1: Verify the types and amounts of arrears.
  – Agree on clear definition of arrears
  – Review the accuracy of submissions and nil submissions against definition. Determine the level and sources of arrears.
• Part 2: Identify the root causes for arrears.
  – Through interviews with sample MDAs, RAS and LGAs, and tracking of transactions.
  – Compare practices of sample agencies at each stage of budget and procurement cycles.
• Part 3: Provide guidance to prevent future arrears by considering
  – Changes necessary at each stage of budget cycle to strengthen budget credibility and expenditure controls.
  – Appropriate commitment controls for all expenditure categories.
  – Legal, control, enforcement and reporting frameworks
• Part 4: Propose mechanism to manage the stock of existing arrears.
  – Stocktaking, verification, classification & strategies.
  – Develop regular monitoring process to ensure comprehensive & consistent reporting.