Terms of reference
Assessment of Non-Tax Revenues Potential in Tanzania
(Cases of Natural Resources sector and Public and Statutory Corporations)
Dar es Salaam, February 2014
PER working group

1. Background

Non-tax revenue refers to the fees, charges and levies collected by the Government which are not generated from taxes. These include, but are not limited to, contributions and dividends from Public and Statutory Corporations, revenues from investment funds, revenues from the sale of state assets, fines, fees for permits or licenses, user fees, and voluntary contributions. These form an important component of the domestic revenue base. However, the contribution of non-tax revenue excluding LGAs own sources, though improving over time, remains consistently low. The average revenue yield over the past five years is around only 1 percent of GDP, and consistently below the target for the entire period.

Given the vast wealth in natural resources base, particularly forestry, fisheries, minerals, oil and gas, there exists ample fiscal space for increasing non-tax revenue. The current low level of non-tax revenue is attributed to, among other factors, inadequate enforcement, low levels of accountability, low levels of oversight and weak revenue administration capacity at large. In order to enhance non-tax revenue collection, the Government finds it necessary to undertake policy and administrative interventions geared towards strengthening efficiency and effectiveness in mobilizing revenues from this important source.
The Government has taken several initiatives to enhance collection of non-tax revenue by MDAs. These include the establishment of property valuation rolls. Similarly, the Government recognizes vast works that have been undertaken by different actors to address non-tax revenue collection barriers, including research works on local and central government imposts. The studies already conducted to improve management of non tax revenue in Tanzania include; study on Integration and Harmonisation of Non Tax Revenue Collection Systems for Ministries, Departments and Agencies (MDAs) Interim – July, 2013 and a study on Non-Tax Revenue Final Report - November 2009. One of the key findings raised from these studies was that under-collection of Non Tax Revenue by MDAs is attributed to many factors, including; poor revenue assessment capacity, outdated rates, inadequate enforcement and accountability and weak operating systems and procedures.

Challenges also exist in collection of non tax revenue from Public and Statutory Corporations monitored by the Treasury Registrar (TR). The Treasury Registrar Office was established as a Sole Corporation under the Treasury Registrar Ordinance Chapter 418 of 1959 and Treasury Registrar (Powers and Functions) Act Cap.370 of 2002 as amended in 2010. The Treasury Registrar is therefore responsible for holding all investments comprised of the paid up capital of Public and Statutory Corporations as well as private investments where the Government owns shares or interests in trust for the President of the United Republic of Tanzania.
The general mandates of the Treasury Registrar Office are in accordance with Treasury Registrar Ordinance Chapter 418 of 1959, Treasury Registrar (Powers and Functions) Act, CAP 370 as amended in 2010 and Public Corporation Act 1992 as amended in 1993 and 2010, Finance Act of 2008 as amended in 2013 together with Treasury Circular No. 8 of 2008. The latter requires the Corporations to contribute 10% of their gross Income/revenue to the Government coffer (Consolidated Fund). Currently, the Government is in the process of enacting the New TR Act which is expected to be finalized by June 2014.

This study is therefore, aimed at undertaking detailed analysis on non tax revenue potentials in Tanzania and making recommendations to improve non tax revenue collection for economic benefits maximization. The study will take into account the findings and recommendations made in the previous similar studies (PWC and Tanscot) and advise whether these findings are still relevant given the current environmental, economical and technological changes.

2. PURPOSE, OBJECTIVES AND SCOPE OF THE STUDY

2.1 Purpose

The purpose of the study is to improve non-tax revenues by estimating their potential and assessing the possibility to expand the non-tax revenue base on a sectoral basis whilst maximising the economic benefits.
2.2 Objectives

The main objectives of the study are:

i. To estimate non-tax revenue potential in natural resources and Public and Statutory Corporations; and

ii. To propose measures for increasing the collection of non-tax revenue in these two areas whilst maximising the economic benefits of non-tax revenues.

2.3 Scope

2.3.1 Estimation and Analysis of Non-Tax Revenue from Natural Resources in Tanzania

The study will examine the potential of non tax revenue in natural resources sector including deep sea fishing, hunting blocks forestry and Mining. To do this the consultants shall undertake both desk review and field work and be guided by the following specific assignment:

i. Map and assess the performance of non-tax revenue collected in these sectors in Tanzania over the past ten years;

ii. Review relevant studies on natural resources revenue base and identify key recommendations and gaps;

iii. Assess policy, legal, regulatory and institutional frameworks with the view to identifying areas of possible loopholes, and propose actions to be taken;

iv. Analyze the state of compliance of existing legal and regulatory frameworks and enforcement mechanisms;

v. Identify factors leading to late submission of natural resources revenues collected by outpost stations to banks and propose the solution to address this challenge;
vi. Estimate the natural resources non-tax revenue base;

vii. Provide best practice regarding collection of non-tax revenues from similar/comparator natural resource based economies. For example, by looking at case studies from two countries in the region who’ve successfully increased their natural resource base;

viii. Briefly examine the political economy of non-tax revenue administration in Tanzania;

ix. Examine the trade-off between maximising non-tax revenues whilst encouraging business investment;

tax. Make recommendations by sector on how to improve non-tax revenue collection. Recommendations should be specific to each non-tax revenue source/sector, and spell out possible needed changes to the legal and regulatory frameworks and/or administrative practices to enhance revenue collection; and

xi. Develop an action plan which builds on the BRN targets and Controller and Auditor General recommendations.

2.3.2 Estimation and Analysis of Resources from Public and Statutory Corporations (PSC) in Tanzania

This section will examine the potential of non-tax revenue in various Public and Statutory Corporations.

To do this the study will:

i. Assess the contribution of Public and Statutory Corporations to non-tax revenue for the past ten years;

ii. Estimate Public and Statutory Corporations non-tax revenue base;

iii. Assess the current revenue generation capacity of the Public and Statutory Corporations against the estimated potentials;

iv. Review the nature and type of Government interest in the Public and Statutory Corporations and its implications on revenue collection;

v. Analyse the costs and benefits of using the current retention schemes versus Government subvention approach;
vi. Examine the trade-off between maximising revenues whilst encouraging investment;

vii. Determine appropriate criteria for setting the ceiling or threshold of PSC contribution to the Government;

viii. Assess legal, regulatory and institutional frameworks that govern the contribution of PSC to the Government and how effectively they are currently implemented and monitored; and

ix. Examine the political economy of non tax revenue administration in PSC.

x. Make recommendations on how to improve revenues from Public and Statutory Corporations. Recommendations should be specific to each source/sector, and spell out possible needed changes to the legal and regulatory frameworks and/or administrative practices to enhance revenue collection; and

xi. Develop an action plan which builds on the BRN targets and Controller and Auditor General recommendations.

3. KEY DELIVERABLES

The consultant should deliver the following:

a) An inception report showing understanding of the TORs;

b) A draft report. This report will be discussed by stakeholders (including MOF, TRA, TRO, POPC, NAOT, MEM, NRT, PPSM, PMO, PMORALG, NSAs, DPs, Academia), at a technical meeting and comments will be incorporated as appropriate;

c) A final report incorporating stakeholders’ comments and policy brief version of the study findings.
4. QUALIFICATIONS

The study will be subject to a competitive tendering process. The consultant should have the following qualifications:

a) Senior-level expertise in taxation and Public Financial Management;
b) Detailed knowledge of public finance, natural resource economics and state-owned enterprises ideally from Tanzania and other African countries; and
c) Experienced in policy, planning and budgeting processes for socio-economic development in Tanzania.

5. TIMELINE

The consultant shall commence the study not later than the end of March, 2014. The submission of reports should meet the following time frame:

Inception Report – End of April, 2014;
Draft Report - End of June, 2014; and