The United Republic of Tanzania

MINISTRY OF FINANCE AND PLANNING

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

FINAL REPORT

September, 2022

Norwegian Embassy
Dar es Salaam

TANZANIA MAINLAND

Public Expenditure & Financial Accountability (PEFA) Performance Assessment Report

Repeat Assessment

Based on PEFA 2016 Framework

September 2022

Final Report

(Incorporating peer review comments and PEFA Check)

Andrew Lawson, Finn Hedvall and Wangari Muikia

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

Currency: Tanzanian Shilling (Tsh.)

US $ 1 = Tsh. 2,311 (February 2022)

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The United Republic of Tanzania

Public Expenditure and Financial Accountability (PEFA) Assessment of Tanzania

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

PEFA Secretariat,

September 16, 2022

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Acronyms and Abbreviations

ACGEN	Accountant General
AfDB	African Development Bank
AFROSAI-E	African branch of the International Organisation of Supreme Audit Institutions, English language subgroup
APER	Annual Performance Evaluation Reports (for Procurement)
BCG	Budgetary Central Government
BER	Budget Execution Report (Quarterly)
BoT	Bank of Tanzania
CAG	Controller & Auditor General
CASFAR	Country's Annual State of Financial Accountability Report (Wajibu)
CBA	Cost Benefit Analysis
CG	Central Government
CS-DRMS	Commonwealth Secretariat Debt Recording & Management System
CF	Consolidated Fund
COFOG	Classification of the Functions of Government
CPO	Central Payments Office
DART	Dar es Salaam Rapid Transit (bus system)
DSA	Debt Sustainability Analysis
ECA	Export Credit Agency
EFD	Electronic Fiscal Device
EIN	Exchequer Issue Notification
FY	Fiscal Year
FYDP (II)	(Second) Five Year Development Plan
GAMD	Government Asset Management Division
GAMIS	Government Asset Management Information System
GARI-ITS	Government Audit Recommendation Implementation - Information Tracking System
GDP	Gross Domestic Product
GePG	Government electronic Payment Gateway
GFSM	Government Finance Statistics Manual (of the IMF)
GLGGA	Government Loans Guarantees & Grants Act
GIZ	Deutsche Gesellschaft für Zusammenarbeit (German Agency for International Cooperation)
GoT	Government of Tanzania
HCMIS	Human Capital Management Information System
HRO	Human Resource Officer
IA	Internal Audit
IAG(D)	Internal Auditor General's Department
ICB	International Competitive Bidding

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

PBG	Plan & Budget Guidelines
PE	Personnel Emoluments
PE	Procuring Entities
PEFA	Public Expenditure & Financial Accountability
PER	Public Expenditure Review
PFM	Public Finance Management
PFMRP	Public Finance Management Reform Programme
PG	Paymaster General
PI	Performance Indicator (of the PEFA framework)
PIM	Public Investment Management
PIM-OM	Public Investment Management-Operational Manual
PO-PSM	President's Office – Public Service Management
PO-RALG	President's Office – Regional Administration & Local Government
PPAA	Public Procurement Appeals Authority
PPP	Public Private Partnerships
PPRA	Public Procurement Regulatory Authority
PS	Permanent Secretary
PSPF	Public Services Pension Fund
QA	Quality Assurance
RAS	Regional Administrative Secretariat
RTAC	(IMF) Regional Technical Assistance Centre
SAI	Supreme Audit Institution
SAI-PMF	Supreme Audit Institutions' Performance Measurement Framework
TADAT	Tax Administration Diagnostic Assessment Tool
TANePS	Tanzania electronic Procurement System
TANESCO	Tanzania Electricity Supply Company
TCCIA	Tanzania Chamber of Commerce, Industry & Agriculture
TRA	Tanzania Revenue Authority
TRIMS	Treasury Registrar Information Management System
URT	United Republic of Tanzania
VAT	Value Added Tax
WB	World Bank

Executive Summary

This Report presents an independent assessment of the status of public financial management (PFM) in Mainland Tanzania and an assessment of progress in the implementation of PFM reforms. It is based on the application of the PEFA methodology, as updated in 2016, and thus also provides a consistent basis of comparison with the 2017 PEFA assessment. The report has three objectives:

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

The sixth phase of the PFM reform programme (PFMRP VI, 2022 – 2027) begins from the start of fiscal year 2022/23. The design process has been taking place in parallel with the implementation of this PEFA assessment and the final programme draws closely on the findings of this Report.

The Government of Tanzania (GoT) has led the 2022 PEFA assessment through the Permanent Secretary of the Ministry of Finance & Planning (MoFP), with financial support and technical guidance from Norway. The Government appointed a Management & Oversight team to oversee the assessment, as well as a Task Force Secretariat to provide managerial and logistical support. The assessment has been undertaken by Fiscus – a UK based public finance consultancy company, working in conjunction with staff of United Efforts, Sweden and Expertise Global Consulting Ltd., Nairobi.

The assessment covers the Central Government of Mainland Tanzania, which is comprised of 67 ministries, departments and commissions, 26 Regional Administrative Secretariats and 215 autonomous or semi-autonomous agencies (extra-budgetary units). The assessment does not cover the 185 Local Government Associations (LGAs) which comprise a lower tier of Government, or the 4 social security funds or the 82 Public Corporations, which comprise part of General Government and the Public Sector, but not part of Central Government.

The assessment is based upon information from the three most recent completed financial years (2018/19, 2019/20 & 2020/21), and, where relevant, on information on the process of the formulation of the 2021/22 Budget. Field work was undertaken in November 2021 and the analysis in this report is based on data and reports available up to 31st, May 2022, the agreed deadline for receipt of comments and additional data from the authorities following the circulation of the first draft of the report to the Ministry of Finance & Planning and the 'PEFA Check' peer reviewers.

Table 0-1 presents an overview of the strengths, weaknesses, opportunities and threats identified through the 2022 assessment of the PFM system. A summary presentation of the 2022 scores against the 31 indicators of the 2016 PEFA Framework is presented in Table 0-2

Table 0-1 Tanzania PFM system in 2022: Strengths, Weaknesses, Opportunities & Threats

Strengths	Weaknesses
▪ **PI-6: Reporting on Central Government extra-budgetary operations** ▪ **PI-10: Fiscal Risk reporting** ▪ **PI-12: Public Asset Management** ▪ **PI-13: Debt Management** ▪ **PI- 15: Fiscal Strategy** ▪ **PI-17: Budget preparation process;** ▪ **PI-18: Legislative Scrutiny of Budgets** ▪ **PI- 19: Revenue Administration** ▪ **PI-20: Accounting for Revenue;** ▪ **PI-23: Payroll Controls** ▪ **PI- 24: Procurement Management** ▪ **PI-30: External Audit** <u>Emerging strengths/ areas improving</u>: ▪ PI- 27 Financial Data Integrity ▪ PI-29 Annual Financial Reports	▪ **PI- 1,2 & 3: Budget Credibility indicators** ▪ **PI-4 Budget Classification** ▪ **PI-5: Budget Documentation;** ▪ **PI-9: Public Access to Fiscal Information** ▪ **PI-11: Public Investment Management** ▪ **PI-16: Medium-term perspective in expenditure budgeting** ▪ **PI-21: Predictability of In-Year Resource Allocation;** ▪ **PI-22: Expenditure Arrears;** <u>Areas where reform progress is slowing:</u> ▪ PI-26 Internal Audit ▪ PI-31 Legislative Scrutiny of Audit Reports
Opportunities	**Threats**
✓ Good potential for further improvement in areas of strength to reach international best practice standards ✓ Consolidation of MUSE system should further improve financial data integrity ✓ Shift from IPSAS cash to IPSAS accruals presents an opportunity to strengthen consolidated financial statements, once new procedures are fully embedded ✓ Potential for "quick wins" on Budget documentation and Public access to Fiscal information, through careful attention to the format of reports & their timely publication. ✓ Public Investment Management Operational Manual (PIM-OM) and the related procedures offer sound basis for strengthening investment management, but significant work is needed to build capacity and establish improved processes. ✓ By re-thinking the approach to the MTEF so as to simplify formats and procedures and eliminate the activity-based focus, a re-designed MTEF could become an effective tool of strategic medium-term planning & budgeting.	➢ Continued discrepancies between Budgets and Actual Expenditures have undermined credibility of the Budget, reinforcing bad budgeting practices and a lack of confidence in the system at MDA level. ➢ An approach to cash management based on cash rationing rather than cash planning has undermined the system of commitment controls, resulting in expenditure arrears. ➢ These two problems undermine what is otherwise a strong PFM system and reduce its ability to promote the allocation of resources in line with strategic priorities and to facilitate efficient service delivery. ➢ High vacancy rates and staff turnover are slowing the pace of progress in Internal Audit. ➢ Website Publication of PAC reports is no longer regular and should be restored.

The overall picture emerging from the 2022 PEFA assessment is positive: there are several important areas of strength and quite a number of the weaknesses identified could be addressed without too much difficulty in the short to medium term. A reading of the strengths, weaknesses and opportunities identified in Table 0-1 confirms this conclusion.

Government has a strong set of procedures by which to monitor and control the major potential threats to aggregate fiscal discipline, based upon the processes relating to debt management, the reporting of Central Government extra-budgetary operations, and the monitoring of fiscal risk from the wider public sector. Legislative scrutiny of the Budget works well and improvements are being recorded in Internal and External Audit and in most aspects of accounting and financial reporting, as the Government progresses towards the full implementation of IPSAS accrual standards, and the consolidation of the new MUSE integrated financial management system. Payroll controls have been further tightened since 2017 and significant improvements have been recorded in procurement management. These systems provide the basic 'nuts and bolts' for efficient service delivery.

Several of the weaknesses identified in this PEFA assessment could be corrected relatively straightforwardly by dedicating attention to the shortcomings identified in this report. In particular, careful attention to the format of public reports and to their timely publication could generate 'quick wins' in relation to Budget documentation, Public access to Fiscal information, and In-Year Budget Reports. Strengthening Public Investment Management will be a longer term process, with extensive investment still required but the Public Investment Management Operational Manual (PIM-OM) and the related structures and procedures introduced since 2015 offer a sound basis for strengthening investment management, so long as a properly phased and resourced programme of capacity development and consolidation of systems can be implemented.

Strengthening of medium term expenditure budgeting will also be a medium term process but it will require a willingness to review the current, overly complex approach that has been adopted to the implementation of the MTEF. The peculiarly detailed format that has been chosen for the formulation of medium term projections on the basis of activity-based costings generates a heavy burden of work for MDAs and, in addition, complicates the process of adapting MTEF projections during the annual budget scrutiny process. This same observation was made in the 2017 PEFA assessment: a review of the approach to the MTEF is therefore overdue, with the basic objective of developing a framework for medium term budgeting that is simple and fit for purpose, starting from a careful reassessment of what should be the core objectives of such a system *in Tanzania*. However, a precondition for an effective medium term budget is a credible annual budget, which is not currently the case.

The lack of a reliable, credible annual budget remains the biggest threat to the Tanzania PFM system. The continuing weaknesses in core aspects of PFM – budget credibility, cash management, commitment control – threaten to undermine the value of the improvements achieved in other areas. High levels of expenditure arrears and weaknesses in the monitoring of arrears have been persistent problems in Tanzania, reported in the 2010 and 2013 PEFA assessments, as well as the 2017 assessment. Although there is evidence that procedures to control new arrears and clear past arrears have improved, the stock of payment arrears continues to hover at around 10 - 11% of total expenditure.

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

The cash rationing system has created a situation where the budget is not credible and arrears build up: aggregate fiscal discipline is maintained but the strategic allocation of resources is undermined and service delivery suffers. With a gradually improving economic situation as the global economy emerges from the Coronavirus pandemic, coupled with a strong financial management system based on MUSE, the time is ripe for substantial improvements, focused on more modern, and more flexible systems of cash planning and commitment control, which support the predictability of the budget, while controlling the fiscal deficit. Some steps have been taken in this direction, with salary payments and regular recurrent expenditures now being fully financed each month but development expenditures and non-regular ("lumpy") recurrent expenditures continue to be subject to monthly cash controls.

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

A comparison of the scores of the 2017 and 2022 assessments points to a significant aggregate improvement in PEFA scores over the period. Of the 31 indicators of the 2016 PEFA framework, it shows an improvement in 12 indicators, deterioration in 3 indicators and 16 with no changes. There is strong evidence of positive changes in a wide range of areas, with 4 of the 7 pillars of the PEFA framework showing net improvements. In most cases, this reflects the results of steady and continuous improvements, introduced across various phases of the PFM reform programme. These improvements have included reforms in legislation and regulations, the building of human resource capability, as well as modernisation and greater integration of IT systems – notably with the introduction of the Government electronic Payment Gateway (GePG), and the shift to MUSE. Systemic improvements in PFM take a long time to implement - particularly in a large country like Tanzania with a substantial public sector – but the signs are that the fruits of past investment in PFM improvement are now being reaped. The challenge for PFMRP VI is to ensure that the remaining weaknesses are comprehensively addressed, while continuing to maintain the high standards already being attained in other aspects of the PFM system.

Table 0-2: Summary of 2022 PEFA Scores for Tanzania Central Government

PFM Performance Indicator (2016 PEFA Framework)		Scoring Method	Dimension Scores 2022				2022 Score	2017 Score
			i.	ii.	iii.	iv.		
	Pillar I. Budget reliability							
PI-1	Aggregate expenditure outturn	M1	D				D	C
PI-2	Expenditure composition outturn	M1	D	C	A		D+	D+
PI-3	Revenue outturn	M2	D	C			D+	D+
	II. Transparency of public finances							
PI-4	Budget classification	M1	D				D	C
PI-5	Budget documentation	M1	D				D	D
PI-6	CG operations outside financial reports	M2	A	A	B		A	B
PI-7	Transfers to subnational Governments	M2	D	A			C+	C+
PI-8	Performance information for service delivery	M2	B	C	D	C	C	C
PI-9	Public access to fiscal information	M1	D				D	D
	III. Management of assets and liabilities							
PI-10	Fiscal risk reporting.	M2	C	A	B		B	B
PI-11	Public investment management	M2	C	C	D	D	D+	D+
PI-12	Public asset management	M2	A	C	A		B+	B
PI-13	Debt management	M2	B	B	C		B	B
	IV. Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	A	C	D		C+	C+
PI-15	Fiscal strategy	M2	C	A	B		B	D+
PI-16	Medium-term Perspective in expenditure budgeting	M2	D	D	C	D	D	D
PI-17	Budget preparation process	M2	A	A	A		A	A
PI-18	Legislative scrutiny of budgets	M1	A	A	A	A	A	B+
	V. Predictability and control in budget execution							
PI-19	Revenue administration	M2	A	A	C	C	B	C+
PI-20	Accounting for revenue	M1	A	A	A		A	B+
PI-21	Predictability of in-year resource allocation	M2	C	C	D	C	C	D+
PI-22	Expenditure arrears	M1	D	D			D	D
PI-23	Payroll controls	M1	A	B	B	B	B+	B+
PI-24	Procurement management	M2	C	A	C	A	B	C
PI-25	Internal controls on non-salary exp.	M2	B	C	C		C+	D+
PI-26	Internal audit	M1	B	C	C	C	C+	C+
	VI. Accounting and reporting							
PI-27	Financial data integrity	M2	B	na	D	B	C+	C
PI-28	In-year budget reports	M1	C	C	C		C	D
PI-29	Annual financial reports	M1	C	B	B		C+	C+
	VII. External scrutiny and audit							
PI-30	External audit	M1	B	B	B	B	B	C+
PI-31	Legislative scrutiny of audit reports	M2	C	A	B	D	C+	B

1. Introduction

1.1 Rationale and Purpose

1. **The purpose of this study is to present an independent assessment of the status of public financial management (PFM) in Tanzania and an assessment of progress in the implementation of PFM reforms**. This assessment is based on the application of the PEFA methodology, as updated in 2016 – the objective being to provide a point of comparison with the 2017 assessment, which was the first PEFA assessment to apply the 2016 methodology in Tanzania. The comparison of the two assessments thus provides a robust basis for measuring progress in the Government's efforts to strengthen the PFM system through the ongoing PFM reform programme, which has completed its fifth phase (2017-2022).

2. This document comprises the final draft of the Report. Corrections and additions have been made to the report in the light of the comments made by the Tanzanian authorities, by the PEFA Secretariat and by the other peer reviewers who have undertaken the PEFA Check process (See Box 1-1).

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

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

4. **The sixth phase of the PFM reform programme (PFMRP VI, 2022 – 2027) will commence from the start of fiscal year 2022/23.** The design process has taken place in parallel with the implementation of the PEFA assessment and it has drawn closely on the findings of this Report. The timing of this assessment was scheduled, on the one hand, so as to feed into that exercise and, on the other hand, to ensure the availability of a maximum number of financial reports and other information for fiscal year 2020/21.

5. A number of PEFA assessments have been undertaken in Tanzania, all of which may be found on the website of the PEFA Secretariat. Four assessments have been conducted for the Central Government of Mainland Tanzania in 2006, 2009, 2013 and 2017. Subnational PEFA assessments in Local Government Authorities (LGAs) were conducted in 2006 and 2016, and two in Zanzibar in 2010 and 2018. A new assessment for Zanzibar is scheduled to take place later in 2022.

1.2 Assessment management and quality assurance

6. **The Government of Tanzania (GoT) has led the 2022 PEFA exercise through the Permanent Secretary of the Ministry of Finance & Planning (MoFP), with financial and technical support from Norway.** GoT appointed a Management & Oversight team to oversee the

assessment, as well as a Task Force Secretariat to provide managerial and logistical support[1]. (Box 1.1). The structure of the assignment has been based on a Concept Note prepared in July 2021, and reviewed as a draft and final document by the same peer reviewers who have checked the assessment report.

Management & Organisation of PEFA Assessment:

- Oversight Team:
  - Chair: Permanent Secretary, Treasury
  - Members: Deputy Permanent Secretary (PFM), MoFP
    Deputy Permanent Secretary (Economic Mgt.), MoFP
    Director of Planning, MoFP
    Commissioner for Budget
    Chief Accountant, Accountant General's Office
    Commissioner for Policy Analysis
    Trond Augdal, Country Economist, Royal Norwegian Embassy
    Milou Vanmulken, PFM/ Governance Advisor, European Union.
- Task Force Secretariat:
  - Moses Dulle, Director of Planning, MoFP
  - Denis Mihayo, PFMRP Programme Coordinator, MoFP
  - Simon Moshy, Coordinator PFM Development Partners Group.
  - PFMRP Secretariat, MoFP.
- Assessment Team:
  - Andrew Lawson, Director Fiscus, UK (Team Leader)
  - Finn Hedvall, United Efforts, Sweden (Accounting & Audit Specialist)
  - Wangari Muikia, Expertise Global Consulting Ltd, Nairobi (Tax & Budgeting Specialist)

Concept Note:

- Date of presentation of Draft Concept Note: July, 2021
- Date of Final Concept Note: 19th, August 2021

Review of Assessment Report:

- Date of presentation of Draft Assessment Report: 26th, April 2022
- Invited Reviewers:
  - Government of Tanzania
  - PEFA Secretariat
  - Trond Augdal, Country Economist, Royal Norwegian Embassy
  - Milou Vanmulken, PFM/ Governance Advisor, European Union.

Date of Final Assessment Report: August, 2022

Box 1-1: Assessment Management & Quality Assurance Arrangements

[1] The assessment team would like to place on record their gratitude for the excellent support which has been provided by the Task Force Secretariat, led by Moses Dulle, Director of Planning.

7. The assessment has been undertaken by Fiscus – a UK based public finance consultancy company, working in conjunction with staff of United Efforts, Sweden and Expertise Global Consulting Ltd, Nairobi. There has been close coordination with the Government of Tanzania (GoT) in the management and organisation of the assessment but the assessment and drafting work has been undertaken exclusively by the team led by Fiscus. As such, it is a fully independent assessment.

8. The initiative to undertake this PEFA assessment came from Norway, who have provided the necessary financing, as well as playing a leading role in the quality assurance process, as a peer reviewer for both the Concept Note and this assessment report. The EU have also participated as peer reviewers of both the Concept note and the assessment report. The PEFA assessment process forms part of the wider Public Finance Management Reform Programme, now completing its fifth phase (2017 – 2022). This enjoys strong financial and technical support from a wide range of Development Partners[2], and many of these have contributed to the exercise either as formal peer reviewers for the PEFA check process (Norway and the EU), or informally through the provision of comments and supporting technical reports. The assessment team has also benefitted from the information and guidance provided by two key civil society actors, namely the Tanzania Chamber of Commerce Industry & Agriculture (TCCIA) and the Wajibu Institute of Public Accountability. The assessment team would like to express its gratitude for the support and assistance of these donors and civil society partners.

1.3 Assessment methodology

9. **The assessment covers the Central Government of Mainland Tanzania,** which is comprised of 67 ministries, departments and commissions, 26 Regional Administrative Secretariats and 215 autonomous or semi-autonomous agencies and funds (extra-budgetary units) [3]. The assessment covers neither the 185 Local Government Associations (LGAs), which comprise a lower tier of Government, nor the 82 Public Corporations and 4 Social Security Funds, which comprise part of General Government and the Public Sector respectively, but not part of Central Government. On the other hand, the question of the obligations and liabilities (actual or contingent) of the Central Government in relation to these other parts of the public sector does, of course, comprise an important part of this PEFA assessment of Central Government[4].

10. **The assessment is based upon information from the three most recent completed financial years (2018/19, 2019/20 & 2020/21), and, where relevant, on information**

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2 The fifth phase has been supported financially by the African Development Bank, Canada, Denmark, European Union, Finland, GIZ, Irish Aid, JICA, Norway, Sweden, UK FCDO, USAID, and the World Bank. In addition, the IMF has provided technical support to the programme both from Washington DC and through the East Africa Regional Technical Assistance Centre (RTAC), which is coordinated from Dar es Salaam.

3 The data on numbers of MDAs and other institutions is taken from the list of 'reporting entities' in the financial statements for 2020/21.

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

regarding the process of the formulation of the 2021/22 Budget. Field work was undertaken in November 2021 and the analysis presented in this report is based on data and reports available up to 31st, May 2022, which was the deadline agreed for receipt of data and reports from the Government of Tanzania (GoT), following the circulation of a preliminary draft of the report.

11. **The principal source of information has been the Government of Tanzania, and in particular the Ministry of Finance & Planning (MoFP).** Extensive interviews were undertaken with the different divisions of MoFP, as well as the Controller & Auditor General (CAG), the Internal Auditor General (IAG), the Tanzania Revenue Authority (TRA), the Office of the Treasury Registrar (OTR) and the Public Procurement Regulatory Authority (PPRA).

12. Meetings were also held with the Public Accounts Committee of Parliament (PAC), as well as with the President's Office (Public Service Management, and Regional Administration & Local Government divisions), TANROADS, the Medical Stores Department (MSD), Dodoma Municipality, the Ministry of Works, Transport & Communications (MWTC) and the Ministry of Education, Science, Technology & Vocational Training (MESTVT). Lengthy interviews were also held with the Wajibu Institute of Public Accountability and the Tanzanian Chamber of Commerce, Industry & Agriculture (TCCIA). The assessment team would like to express its sincere gratitude for the time dedicated by all the persons interviewed and for the open and constructive spirit in which discussions were conducted.

13. The primary sources of documentary evidence for the report have been the planning, budgetary and accounting documents for financial years 2018/19, 2019/20 and 2020/21, as well as the corresponding external audit reports for those years prepared by the Controller & Auditor General (CAG) and the Internal Auditor General. The various annual reports of the other core PFM entities, notably OTR and PPRA, have also been consulted in addition to the relevant official websites.

14. Official sources of information have been complemented by reference to studies prepared by the IMF, the World Bank and other Development Partners and international organisations. Especially relevant have been the reports of the IMF, notably the annual Article IV reports and the various technical assistance reports on Tanzania produced by the East Africa Regional Technical Assistance Centre (RTAC). A listing of the sources of information consulted for each indicator is included in Annex III, *Sources of Information*, and these sources are also clearly described in Chapter 3, in the explanation of the assessment of each of the 31 indicators of the 2016 PEFA framework.

2. Country Background Information

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

16. **The United Republic of Tanzania (URT) was created on 26th, April 1964 - a union between the Mainland, formerly called Tanganyika, and the island of Zanzibar**, after their independence in 1961 and 1963 respectively. Zanzibar retains a high degree of autonomy, with its own Parliament and budget. Tanzania (URT) has a population of 59.7 million inhabitants as estimated in 2020. The demography reveals a youthful population with two thirds under the age of 25. Around 65 % of the population live in rural areas, but urbanization is steadily advancing.

17. Dodoma was instituted as the formal capital in 1996. However, most Government offices, except for the National Assembly, the President's Office and the Prime Minister's Office - resided in the largest city – Dar es Salaam – until a comprehensive move of Government offices to Dodoma was initiated by the late President John Magufuli. As of 2019, the majority of the offices of Central Government have been located in Dodoma.

18. **The President and the National Assembly are elected in general elections in the constituencies through majority vote.** The assembly has 357 seats, (239 elected by simple majority vote, 102 seats reserved for women by simple majority vote, 5 seats elected from Zanzibar, 10 appointed by the President and one reserved for the Attorney General). Members serve for a five-year term. The President also serves for a 5-year term, renewable once. The most recent election was held in November 2020, at which President John Magufuli was re-elected. Following his passing whilst in office, his Vice President, Samia Suluhu Hassan became Tanzania's new President in April 2021, the first woman to hold this position.

19. Regional and district administration in Tanzania is divided into 31 regions (*mikoa*), 26 on the Mainland and five in Zanzibar (three on Unguja, two on Pemba). Ninety-eight districts (*wilaya*) were established to increase local authority, each with at least one council, (but some with both a district and a municipality or town council). The district and town councils and municipalities are known collectively as Local Government Authorities (LGAs) and currently number in total 185. LGAs have important service delivery responsibilities related to health (primary health centres and district hospitals), education (primary and secondary schools), agriculture, water and local roads.

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

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

2.1 Country economic situation

21. **Tanzania's macroeconomic performance was strong over 2015-2019 but GDP growth was negatively affected by the Coronavirus pandemic and the related restrictions.** Over 2015-2019, GDP growth remained robust, averaging 6.7 per cent annual growth over the period, driven by mining & quarrying, construction, arts & entertainment, transport, communications and trade. However, the COVID-19 pandemic negatively impacted on Tanzania's macroeconomic outlook, as well as its population's health and well-being. Tourism collapsed in the face of travel restrictions and the economy decelerated to 4.9% growth in 2020/21 (IMF, July 2022). However, real GDP growth was higher than initially anticipated (by the Authorities and the IMF) and, overall, Tanzania weathered the economic impact of the pandemic relatively well due to its robust macro-economic situation at the outset of the pandemic, and its relatively diverse economic structure without excessive reliance on external trade. Although most travel restrictions have been lifted and the effects of the COVID-19 pandemic have receded, the impact of the Russia-Ukraine war on energy, fertilizer and food prices has continued to affect Tanzania during 2022, and the situation of economic uncertainty persists.

22. The external current account continues to show a deficit, but this has been substantially reduced in recent years, with the IMF staff projection anticipating a deficit of 4.5 % of GDP in 2021/22. Inflation as indicated by the consumer price index has gradually been reduced – from 5.3 % per annum in 2016/17 to 3.6 % for 2020/21, although upward revisions of inflation projections have been made in the light of more recent energy, and food price increases – with inflation now projected at 6.4% for 2021/22 (IMF, July 2022). Government's stock of debt as a percentage of GDP increased to 40 % in fiscal year 2016/17 and has remained broadly at that level, being projected to reach 42.2 % of GDP in 2021/22. This is low compared to many countries in the region and internationally (Table 2-1.) but it is notable that Tanzania has been downgraded by the IMF from low risk to moderate risk of debt distress.

Table 2-1: Selected Economic Indicators 2018/19 - 2020/21

	2018/19	2019/20	2020/21	2021/22 projection
GDP at current market prices, US $ m.	**58,755**	**62,607**	**67,356**	**73,800**
GDP at current market prices, Tsh. Trillion	**134.5**	**144.2**	**155.5**	**170.2**
GDP per capita (US$)	**1,058**	**1,095**	**1,144**	**1,217**
Real GDP growth (%)	**7.0 %**	**5.9%**	**4.9%**	**4.8 %**
Consumer Price Index (end of period, annual change)	**3.7 %**	**3.2 %**	**3.6%**	**6.4%**
Stock of Government debt (% of GDP)	**39.5 %**	**38.0 %**	**39.7 %**	**42.2 %**
External terms of trade (annual percentage change)	**-3.5 %**	**11.8 %**	**5.1%**	**-7.3 %**
Current account balance (% of GDP)	**-3.5%**	**-1.7 %**	**-1.9 %**	**-4.5 %**
Total external debt (% of GDP)	**28.6%**	**28.0%**	**28.2%**	**28.1 %**
Gross official reserves (months of imports)	**5.3**	**6.4**	**4.9**	**4.5**

Source: IMF, July 2022, *Request for a 40-month arrangement under the Extended Credit Facility*

23. **The development agenda has been driven by the first and second MKUKUTA – Tanzania National Strategy for Growth & Poverty Reduction,** and reflected in the 5-year development plans. The Government of President Magufuli, was elected in November 2015, incorporating the remaining agenda items from MKUKUTA II and the First Five Year Development Plan (2011/12 – 2016/17) into a new Five Year Development Plan for 2016/17-2020/21 and the National Development vision for 2025. These strategies continue to lay out the development vision of the current Government under President Samia Suluhu Hassan, with a continued commitment to major large scale public investment projects in energy, transport and infrastructure.

24. **In terms of UNDP's Human Development Index (HDI), Tanzania had a score of 0.529 in 2019, an improvement of nearly 43% from its score of 0.370 in 1990** but one which still left it in the low Human Development group. This HDI score places Tanzania 163 out of 189 countries and territories in the index. Unfortunately, the economic, social and health effects of the COVID-19 pandemic mean that the HDI performance is unlikely to have improved in subsequent years.

2.2 Fiscal and budgetary trends

25. The overall structure of the Budget is illustrated in Table 2-2, which summarises the Government of Tanzania's (GoT) actual and projected fiscal performance for the last four years, based upon official reports from the Authorities and IMF staff estimates.

26. **Efforts to increase revenue collection since 2015/16 have been partially successful and own revenues reached the level of 14.6 % of GDP in 2019/20 (IMF, July 2022).** Tax exemptions, poor compliance and poor tax administration had been major challenges for the Tanzanian Government, and the Government of President Magufuli declared that its aim was to improve revenue collection through fewer exemptions, improved systems, a widened tax base, VAT registration and control measures, including the increased use of Electronic Fiscal Devices (EFD). Fiscal data suggests that these efforts have been successful in raising collections but concerns remain over the narrowness of the tax base, the lack of stability in the tax policy environment, and the slow pace of implementation of measures to modernise tax administration. Moreover, the economic slowdown due to the pandemic is continuing to impact upon domestic revenue collections, which are now projected at 14.3 % of GDP for2021/22 (IMF, July 2022; as presented in Table 2.2).

Table 2-2: Aggregate Fiscal Data 2018/19 - 2021/22 (in percent of GDP)

	Actual	Actual	Estimated	Projected
% of GDP	2018/19	2019/20	2020/21	2021/22
Total Revenue	**14.1**	**15.2**	**13.7**	**15.0**
- own revenues	13.8	14.6	13.2	14.3
- grants	0.3	0.6	0.5	0.7
Recurrent expenditure	**10.8**	**10.3**	**10.0**	**10.6**
- non-interest	9.0	8.7	8.4	9.1
- interest	1.8	1.6	1.6	1.5
Development expenditure	**5.8**	**6.4**	**7.1**	**7.2**
Statistical discrepancy	-0.6	-0.4	0.5	0.0
Aggregate deficit (after grants)	**-3.1**	**-1.9**	**-3.9**	**-2.8**
Primary balance	-1.4	-0.3	-2.2	-1.3
Net financing	3.1	1.9	3.9	2.8
- external	0.9	1.6	1.7	1.8
- domestic	2.3	0.3	2.2	1.1
Debt Amortisation	1.2	1.4	1.6	1.7

Source: IMF, July 2022, *Request for a 40-month arrangement under the Extended Credit Facility.*

27. **Within the recurrent budget, interest costs rose steadily up to 2018/19 but have declined subsequently due in part to debt relief and other pandemic support, despite the growth**

of the public debt to over 40% of GDP (Table 2-1.). Interest constituted 1.8 % of GDP in 2018/19, but is estimated to fall to 1.5 % of GDP in 2021/22. Interest was 10.8 % of total expenditure in 2018/19, but is projected to decline to 8.4% of total expenditure in 2021/22.

28. **The growth of development expenditure has been a notable feature of the budget, rising from 5.8% of GDP in 2018/19 to a projected 7.2% in 2021/22.** The majority of this is domestically financed, with over three quarters of development expenditure being domestically financed in 2021/22, (5.5 % of GDP).

2.3 Legal and regulatory arrangements for PFM

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

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

PFM Area	Relevant legislation & Regulations
Statutory arrangements	- The Constitution of Tanzania 1997, amended 2005 - Standing Orders of the National Assembly, revised 2016
Budget preparation, execution, reporting accounting.	- The Budget Act of 2015 - Public Finance Act 2001, amended 2004 & 2011 - Accounting Procedures Manual 2016
Tax administration	- Tax Administration Act of 2015, regulation 2016 - VAT Act 2014, Regulations 2015 - Income Tax Act 2006, revised 2008, regulation 2014 - Electronic Fiscal Device Regulation 2012 - Excise Management and Tax Act 2006, revised 2008, regulations 2013 - Motor Vehicles Tax Act, rev 2006 - Tanzania Revenue Authority Act, rev 2006 - Tax Revenue Appeals Act, rev 2006, and planned 2016 - Other acts and regulations for specific taxes.
Public sector entities	- Treasury Registrar Act 1959, amended 2010 - Public Corporations Act (1992) amended 2002
Public Procurement	- The Public Procurement Act (2011), amended 2016.
Public Debt	- Government Loans, Guarantees and Grants Act (1974), amended 2004, Amended 2017
Development partners	- National framework for managing development cooperation
PPP- Public Private Partnerships	- PPP Act 2010 and regulation 2011
Parastatals	- Treasury Registrar Act 2002, amended 2010 - Multiple Parastatal Acts
Local Government Finances	- Local Government Finances Act 1982, amended 2016

Internal Audit	- Public Finance Act 2001, amended 2004 and 2011 - Internal Audit Manual - Audit Committee Guidelines
External Audit	- Public Audit Act 2008, amended 2011
Payments	- National Payment Systems Act, 2015
Internal control	- Tax Administration Act of 2015, regulation 2016 - Tanzania Revenue Authority Act, rev 2006 - Tax Revenue Appeals Act, rev 2006, and planned 2016 - The Public Procurement Act (2011), amended 2016. - Public Finance Act 2001, amended 2004 and 2011 - Internal Audit Manual - Audit Committee Guidelines - Public Audit Act 2008, amended 2011

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

- Unless otherwise specified, all revenue to be paid into one special fund, known as the Consolidated Fund (CF) of the Government of the United Republic of Tanzania. Revenue not paid into this has to be specified by law to be paid into another fund for a specified purpose. Money withdrawn from the CF can only be used to finance expenditure: (i) authorised to be charged directly on the CF; (ii) authorised under an Appropriation Act, as approved by Parliament; and (iii) authorised under other Acts.

- Article 137 provides for the preparation of estimates of revenues and expenditures for the next financial year. After the estimates are approved, an Appropriation Bill is introduced to the National Assembly for the purpose of authorising withdrawals from the CF for financing the expenditures contained in the estimates. If the amounts approved are insufficient for a certain purpose, or if funding is required for an activity not provided for in the Appropriation Act, or if money has been spent in excess of what is provided for in the budget, or is not provided in the budget at all, then a supplementary estimate/statement of excess shall be prepared and submitted to the Assembly for approval. If approved, a Supplementary Appropriation Bill is prepared for the purposes of authorising the issues of funds from the CF to meet the costs of the estimates or to pay for excess expenditures.

- No taxes shall be imposed unless provided for by law.

- If an Appropriation Bill has not been approved by Parliament by the beginning of the new financial year, then the President may authorise the issue of funds from the CF to meet the essential needs of Government for up to four months.

- Parliament may enact a law providing for a Contingencies Fund and authorising the President or a minister appointed by the President to borrow money from the Fund to meet the costs of an urgent and unforeseen need for which no funds had been provided. A supplementary estimate shall then be presented to Parliament for approval, and, if approved, a Supplementary Appropriations Bill shall be introduced to the Parliament to authorise the additional expenditure and thereby ensure that funds borrowed from the CF shall be reimbursed.
- Public debt shall be secured from the CF, including the interest charged on it.
- Chapter 7 establishes the Controller and Auditor General and outlines the responsibilities of the position.

31. **Major changes in legislation and regulations in recent years include:**

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

32. **The PFM Internal Control environment in Tanzania is well defined in laws and regulations.** The Constitution Part II sets the conditions to draw moneys from the consolidated fund and procedures for authorization of expenditure and rules for taxation as well as the role and mandate of

the Controller and Auditor General. The Public Finance Act defines roles and responsibilities of the Minister of Finance, and Treasury as well as the Permanent Secretary, Paymaster General and Accountant General. It also stipulates the responsibility of the Paymaster General to appoint accounting officers for all votes and specifies their duties. The Office of the Internal Auditor General is established in the Act which also provides for the key functions of the IAG. The Budget Act defines principles of fiscal policies and management and responsibilities for other key officers in PFM such as the Treasury Registrar, the Budget Commissioner and Accounting Officers. The legislation also defines the right to prepare subsidiary regulations as well as principles for management of revenue.

33. **Other key aspects of the legal framework for internal control include the following:**

- *The access to information Act* of 2016 gives the right to all citizens of the Union to access information under the control of information holders as well as the procedures to follow.
- *The Public Audit Act* defines the scope, responsibilities and duties of the Controller and Auditor General.
- The *Accounting Manual* in its chapter 2 describes the roles of key actors and also has a section for internal control and risk management that includes many of the internal control elements, such as authorization and organizational structures, segregation of duties, ICT related controls, etc. The manual has an elaborate description of payroll processes and management. In terms or risk management guidelines it is less prescriptive and more elaborate methods are to be found elsewhere, e.g. in manuals directly related to taxation, audit etc.
- The *Public Finance Regulation* 11 (2) requires Accounting Officers to establish and maintain an effective system of internal control over financial and related operations.

2.4 Institutional arrangements for PFM

Table 2-3: Structure of the Entities of the Tanzania Public Sector

General Government	**Central Government**	
	Budgetary	67 Ministries, Departments & Commissions 26 Regional Administrative Secretariats
	Extra-Budgetary	215 Executive Agencies, Funds & Boards (autonomous or semi-autonomous)
	Local Government	185 Local Government Authorities
	Social Security Funds	4 (National Health Insurance Fund, National Social Security Fund, Workman Compensation Fund, Public Service Social Security Fund)
Public Corporations	**Financial**	10 Financial Public Corporations (of which 8 commercial, including Bank of Tanzania)
	Non-Financial	72 Non-financial Public Corporations (of which 32 are commercial)

34. **The structure of the Tanzanian public sector is described in the table above.** As noted in Chapter 1, the focus of the assessment is on the Central Government, including the 67 ministries, departments and commissions and 26 Regional Administration Secretariats which comprise Budgetary Central Government and the 215 extra-budgetary units which are autonomous – being financially self-sufficient from their own internal revenues (fees, charges and levies) or semi-autonomous – also receiving subsidies or transfers from the Central Government via subventions budgeted by their parent ministries, falling within Budgetary Central Government.

35. The wider general government also includes 4 Social Security Funds and 185 Local Government Authorities, which are largely funded via transfers from Central Government but also receive 10-15% of their funding from own revenues[5], including property taxes collected on their behalf by the Tanzania Revenue Agency (TRA). The wider public sector also comprises 10 financial and 72 non-financial public corporations. The 72 non-financial public corporations include 40 River Basin and Water Supply & Sanitation Authorities, which are non-profit making as well as 32 commercial public corporations. Two of the financial public corporations (Deposit Insurance Board and the Tanzania Insurance Regulatory Authority) are non-commercial, while the other 8 are commercial.

36. **The Ministry of Finance & Planning is the principal regulatory and policy-making institution within the Tanzanian PFM system.** Its responsibilities include 'preparing the Central Government budget; developing tax policy and legislation; managing Government borrowings on financial markets; determining expenditure allocations to different Government institutions; transferring central grants to local governments; developing regulatory policy for the country's financial sector in cooperation with the Bank of Tanzania, and representing Tanzania within international financial institutions'.[6] The President's Office – Planning Commission (POPC) is responsible for developing 'the vision and guidelines for the national economy' and retains important functions with regard to economic policy, economic management and research, and national development planning. Nevertheless, since the transfer of responsibility for the Development Budget to the Ministry of Finance in the late 1990s, MoFP retains final responsibility for resource allocation and management of the whole national budget.

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5 This ballpark estimate was provided in discussions with the President's Office – Regional Administration & Local Government directorate that has an oversight role over the LGAs.

6 Role and functions of the Ministry of Finance & Planning, www.mof.go.tz

3. Assessment of PFM Performance

3.1 Overview

37. **This chapter presents on an indicator by indicator basis the assessment of the effectiveness of the PFM system of the Central Government of Mainland Tanzania, following the 2016 PEFA Framework**. For each of the 31 indicators of the 2016 Framework, it presents a score (A-D) by dimension and for the indicator as a whole, and explains the basis on which these scores have been reached, following the methodological guidance provided by the PEFA Secretariat in the PEFA Framework and the accompanying PEFA 2016 Handbook, Volume II, *PEFA Assessment Fieldguide,* as well as Volume III, *Preparing the PEFA Report* [7].

38. For each indicator, this chapter also reports on the progress made in developing and strengthening PFM systems and processes. Progress has been assessed on the basis of the information received and analysed in order to apply the 2016 Framework and, by comparing the indicator scores with those received in the 2017 PEFA assessment, which also applied the 2016 PEFA framework. The text boxes at the top of each indicator present the scores by dimension and for the indicator as a whole for 2017 and 2022, providing a summary explanation of the justification of the score and the reasons for changes. Annex I presents a table summarising the scores for all the 31 indicators against the 2016 Framework, comparing the 2017 and 2022 assessments.

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

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

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

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

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

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

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

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

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

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

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

41. This chapter is complemented by Chapter 4, which presents an integrated analysis of the overall PFM system, assessing how the performance of PFM systems is affecting the Government's ability to deliver the three high-level objectives of a good PFM system. The content of this chapter is also summarised in Annex I, which presents, in the form of a matrix, the scores for each of the 31 indicators and their component dimensions, together with a brief justification of the scores assigned. Annex 1 also summarises in tabular form the performance changes observed, indicator by indicator, between the 2017 PEFA assessment and this 2022 assessment.

3.2 Pillar I – Budget Reliability

42. The first pillar of the PEFA framework, comprising three indicators, assesses the overall reliability – and thus the credibility – of the national budget. It considers the extent to which the budget is realistic and is implemented as intended. This is measured by comparing actual revenues and expenditures (the immediate outcomes of the PFM system) with the original budget, approved by the Legislature. Details of the calculations developed to assess budget reliability are presented in Annex V.

PI-1: Aggregate Expenditure Out-turn

43. This indicator measures the out-turns of aggregate actual expenditure as compared with the amounts originally approved in the Budget by the Legislature. It includes all Central Government expenditures voted within the Budget, including development projects financed by grants or concessional loans as well as interest payments on debt. Actual expenditure out-turns may deviate from the originally approved budget for reasons related neither to the effectiveness of control in execution nor to the accuracy of budget forecasts – for example, because of the COVID pandemic from 2020, and the resultant sharp policy changes. The calibration of this indicator therefore accommodates one unusual or "outlier" year and assesses the extent of deviations from the approved budget occurring in the two best years out of the last three fiscal years.

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance Change and rationale
PI-1: Aggregate Expenditure Out-turn	C	D	Aggregate expenditure outturn was below 85% of the approved budget in two out of three of the last three fiscal years under this assessment (FY18/19=79% and FY19/20=84.1%).	Deterioration in score, because previously the expenditure outturn was between 85% & 115% of the approved budget in 2 of the previous 3 fiscal years.

Table 3-1 Aggregate Budgeted Expenditure vs/ Actual Expenditure 2018/19 – 2020/21

	FY 2018/19		FY 2019/20		FY 2020/21	
(Tsh Millions)	Budget	Actual	Budget	Actual	Budget	Actual
Allocated expenditure	22,462	17,450	23,344	18,480	24,392	30,520
Public Debt (including principals)	10,014	8,251	9,730	9,394	10,488	9,343
Contingency non-emergency	44	-	76	-	80	-
Total expenditure	32,520	25,700	33,149	27,874	34,960	39,863
Overall (PI-1) variance	79.0%		84.1%		114.0%	

Source: Budget Management Department, Ministry of Finance and Planning

44. This indicator has been assessed based on the data available from the Centralized Budget and Management System (CBMS) of the Budget Management Department (BMD) of the Ministry of Finance & Planning (MoFP) for the fiscal years 2018/19, 2019/20 and 2020/21. This source records budget allocations and budget expenditures on a cash basis; data on expenditures may therefore differ from

the information presented in the audited financial statements of the CAG, which are presented on an accrual basis.

45. As may be seen from Table 3-1, aggregate expenditures comprised 79 %, 84.1 % and 114% of the originally budgeted aggregate expenditure in 2018/19, 2019/20 and 2020/21 respectively. As aggregate expenditure out-turn was outside of the 85% -115% range of the approved budget in two out of the three fiscal years of this assessment, **this indicator scores a "D".**

Progress since last assessment and key reforms under implementation or planned

46. **The deviations of aggregate expenditure from the approved budget observed in the previous PEFA assessment are lower than those recorded in this evaluation.** In particular, within the current evaluation period, there were significant levels of under-expenditure against the approved budget in 2018/19 and 2019/20. As a result, the score against this indicator has declined from a "C" in 2017 to a "D" in 2017. This has shown a steady decline since the 2013 PEFA assessment where the score was a B.

47. In 2020/21, expenditures were higher than estimates by 14%. This was in large part due to unexpected and therefore unbudgeted expenditures supported by international financing inflows to counter the effects of the COVID-19 pandemic in the country, including US$ 14.3 million going to the Catastrophe Containment and Relief Trust from the IMF announced in June 2020. What is interesting is that, in terms of the PEFA criteria for budget reliability, this was the best of the last three fiscal years and performance would have scored a "C" if out-turns had been above 85% in either of the two preceding years.

PI-2 Expenditure composition outturn

48. This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. It examines whether the out-turns of aggregate actual expenditure by institution (or function) and by economic classification reflect the amounts originally approved in the Budget by the Legislature. As is the case for indicator PI-1, scores are based on the two better performing years of the last three completed fiscal years.

49. The measurement of indicator PI-2 requires a comparison of the expenditure executed in relation to the original budget, at a disaggregated level. When the composition of expenditure varies considerably in relation to the original budget, the budget is no longer a useful statement of intent with regard to Government policies. Moreover, frequent changes in the composition of the budget during the period of budget execution undermine the predictability of budgets and complicate the processes of programming and managing procurement, staff recruitment and service delivery.

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance Change and rationale
PI-2 Expenditure composition outturn	**D+**	**D+**	**M1 Scoring Method (WL)**	**No Change**
(i) Expenditure composition outturn by function (or by administrative classification)	D	D	Variance in expenditure composition by administrative classification was more than 15% in each of the last three years (25.3%, 33.1% and 48.8% in 2018/19, 2019/20 and 2020/21, respectively)	No Change
(ii) Expenditure composition outturn by economic classification	C	C	Variance in expenditure composition by economic classification was more than 10% but less than 15% in two of the three most recent fiscal years - FY18/19 (13.6%) and FY20/21 (12.4%)	No Change
(iii) Expenditure from contingency reserves.	A	A	Contingency allocations were transferred and spent within the budget line items in need. As a result, there were no direct expenditures against the contingency fund itself.	No Change

(i) Expenditure composition outturn by function or institution

50. The measurement of this dimension requires an empirical assessment at a disaggregated level of actual expenditure implemented against the original budget. This may be done either for functions or administrative institutions. The assessment here was done against the administrative classification represented by the ministerial votes.

Table 3-2: Expenditure Composition Variance by Institution (Vote), 2018/19 – 2020/21

Votes	2018/19	2019/2020	2020/21
Defence	33%	33%	18%
Ministry in charge of Works	34%	94%	16%
Ministry of Education, Science and Technology	10%	15%	19%
Ministry of Energy	19%	28%	22%
Ministry of Health, Community Development, Gender, Elderly and Children - Health	10%	20%	7%
Ministry of Home Affairs-Police Force	53%	39%	12%
Ministry of in charge of Transport	52%	44%	48%
Ministry of Water	16%	2%	57%
National Service	52%	127%	16%
President's Office - Regional Administration and Local Government Authorities	12%	14%	50%
President's Office and Cabinet Secretariat	32%	30%	37%
RAS Arusha	6%	1%	33%
RAS Dar es Salaam	36%	20%	47%
RAS Dodoma	56%	4%	32%
RAS Kagera			28%
RAS Kilimanjaro	9%	17%	
RAS Mbeya	4%	15%	21%
RAS Morogoro	1%	20%	28%
RAS Mwanza	6%	5%	32%
RAS Tanga	5%	13%	31%
The Treasury	63%	65%	61%
All other ministries	6%	18%	97%

Source: Ministry of Finance and Planning

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

Table 3-3: Variance from Budget in Expenditure composition outturn by institution

Fiscal Year	Composition variance by administrative classification. (PI-2)
2018/2019	25.3%
2019/2020	33.1%
2020/2021	48.8%

52. The three-year period 2018/19, 2019/20 and 2020/21 presents a considerable composition variance by administrative classification at 25.3%, 33.1% and 48.8%. **Thus, the score for this dimension is "D".**

53. Notably, the variations have increased across the board since the 2017 assessment and doubled for the last years of comparison (2015/16 and 202/21), although a significant part of the variation in 2020/21 can be attributed to budget enhancements within year to cater for the effects of COVID-19.

(ii) Expenditure composition outturn by economic classification

54. This dimension measures the difference between the original approved budget and end-of-year out-turn in expenditure composition by economic classification, including interest on debt but excluding contingency items. The government has adopted the GFS 2014 standards and the codes have been unified across government for recurrent and development expenditures. It is consistent at the four levels of GFS 2014.

Table 3-4: Variance from Budget in the expenditure composition outturn by economic classification, 2018/19 to 2020/21

	Variance by Economic Classification		
Economic head	**2018/19**	**2019/20**	**2020/21**
Compensation of employees	15.1%	20.4%	18.8%
Use of goods and services	29.0%	30.2%	26.2%
Consumption of fixed capital	0.0%	18377.8%	0.0%
Interest	24.2%	3.6%	0.2%
Subsidies	29.2%	43.7%	35.1%
Grants	4.8%	6.9%	4.4%
Social benefits	25.9%	4.3%	27.9%
Other expenses	33.9%	84.9%	50.9%
Variance	13.6%	15.2%	12.4%

Source: Ministry of Finance and Planning

55. Variance along economic classification performed slightly better than by administrative function in the last three years, and slightly better than performance from the assessment in 2017. As variance in expenditure composition by economic classification was less than 15% in FY18/19 (13.6%) and FY19/20 (12.4%), **this second dimension therefore scores a "C".**

(iii) Expenditure from contingency reserves

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

57. In Tanzania, the contingency item is identified as "Contingencies Non-Emergency" (code 290700). It is general practice to ensure that expenditure is not charged to this item but rather re-allocated to the votes/ items where additional expenditure is required. As a result, expenditure against this contingency item during the last three fiscal years was nil. In addition, as the contingency allocation is less than 3% of the approved budget in the last three years, **the score for dimension (iii) is an "A".**

Progress since last assessment and key reforms under implementation or planned

58. Variance in the budget makes credibility a challenge especially if what is approved cannot be viewed as stable by implementers and other stakeholders - including the public - as a useful statement of intent regarding spending programmes and policies (see Table 3-3). However, the compositional variance by administrative classification (i.e. by Vote) continues to demonstrate high variability similar to the last assessment – at 25.3%, 33.1%, and 48.8% in 2018/19, 2019/20 and 2020/21 respectively compared to 19.2%, 31.5% and 24.2% in 2013/14, 14/15 and 15/16, respectively. With regard to the compositional variance by economic classification, consumption of fixed capital was recorded in only two years (actual expenditures 2018/19 and approved estimates 2019/20) which is why the figures appear high. Interest, Subsidies and Other Expenses also show high variation.

59. **Comparing the 2017 and 2022 scores, there has been no apparent change in the period, scoring "D+" in both assessments**. The overall average composition variance for administrative composition has gone from 24.97% in the 2017 assessment to 35.7% in the 2022 assessment. Overall average composition variance for economic classification has not changed significantly from 13.3% in the 2017 assessment to 13.7% in the 2022 assessment. Thus the economic shares allocated in those years of assessment are similar, but the administrative allocations are varied, mostly due to variations in 2019/20 and 2020/21, each of which were affected by the Coronavirus pandemic.

PI-3 Revenue outturn

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

61. Revenue outturn can deviate from the originally approved budget for reasons unrelated to the accuracy of forecasts, such as a major macroeconomic shock like the COVID-19 pandemic. For this reason, the scoring calibration allows for one outlier year to be excluded. The focus is thus on the deviations from the forecast that occur in the two "best" years of the three years covered by the assessment.

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

63. The sources of data for this indicator for actual revenue in 2020/21 were not consistent and the figures demonstrated significant variation. While the revenue data for 2018/19 and 2019/20 were derived from the CBMS system, the actual revenues in 2020/21 were derived from the annual budget execution report of 2020/21. Because of this, the revenue line categories did not match up one to one with the budget as derived from the CBMS. Thus in order to disaggregate the data on revenue collections in line with the categories provided in the CBMS, revenue aggregates were divided according to the shares they represented within the budget estimates so as to derive actual revenues by category.

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance Change and rationale
PI-3 Revenue outturn	**D+**	**D+**	**Scoring Method M2 (AV)**	**No Change**
(i) Aggregate revenue outturn	D	D	Actual revenue was less than 92% of budgeted revenue in not only two, but all of the last three years (85.2%, 83.5% and 90% in FY18/19, FY 19/20 and FY 20/21, respectively)	No change
(ii) Revenue composition outturn	C	C	Variance in revenue composition in two of the last three years under review was less than 15%. (7.6%, and 11.6% and 53.3% in FY18/19, and FY 19/20, respectively)	No change

(i) Aggregate Revenue outturn

64. The data received from MoFP show that receipts of Government revenue in the period under review have been consistently below the targets forecast in the initially approved annual budget (See Annex IV, which presents the full details of the calculations for each year.)

65. In the last three fiscal years, collections averaged 87.5% of the total revenue budgeted. In 2020/21, deviation from the original budget was more satisfactory (90%) than the previous two years (85.2% and 87.3% in 18/19 and 19/20, respectively). However, this is largely due to the fact that the government received Tsh 1.7 trillion in excess of what was budgeted in the form of grants from foreign governments and international organizations, due to early COVID-19 support flowing into the country. However, **as actual revenue was less than 92% of budgeted revenue in all of the last three years, this dimension obtains a "D" rating.**

(ii) Revenue composition outturn

66. The second dimension seeks to capture the quality of forecasts and the ability of the Government to collect each category of revenues as intended. As may be seen from the detailed calculations presented in Annex V, variance in revenue composition was 7.6%, 11.6% and 53.3% in 2018/19, 2019/20 and 2020/21, respectively. Therefore, **variance in revenue composition was less than 15% in two of the last three years, which scores a "C" for this dimension.**

Progress since last assessment and key reforms under implementation or planned

67. **Revenue outcomes overall have deteriorated since the last assessment.** Aggregate revenue outturn in all three years was less than 92% whereas in the 2017 assessment at least one year performed better. Further, revenue composition variance in this assessment surpassed that of the 2017 assessment in all years except one (2018/19) when it performed at 7.6%. However, the effect of

COVID-19 on economic activity in part of 2019/20 and 2020/21 served to depress revenue collections, which may partly explain the poor performance.

68. **Over the three-year period, performance has been poor with regards to the consistency of domestic revenue collections with respect to budget forecasts.** Across the board, domestic revenue forecasts have underperformed compared to budget estimates on average by 22% in 2018/19, 27% in 2019/20 and 34% in 2020/21. Revenue forecasting should be strengthened in order to better deliver on planned activities as per the budget. We discuss in further detail the quality of revenue administration, the reforms underway and the challenges faced in relation to indicator PI- 19, *Revenue Administration.*

3.3 Pillar II – Transparency of Public Finances

69. The following indicators address questions relating to the transparency of public finances. Specifically, they consider the consistency and comprehensiveness of reporting, as well as the accessibility of such reports to the public. The pillar includes a new indicator (PI-8) which was introduced into the 2016 PEFA assessment framework, relating to the availability of information on service delivery performance.

PI-4 Budget Classification

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 score	Performance Change and rationale
PI-4 Budget Classification	**C**	**D**	An economic classification consistent with GFSM 2014 is applied to all revenues and recurrent expenditures but not to development projects, due to the difficulties of its application to externally funded projects. A framework for applying the COFOG functional codes and for applying programme codes is in place but it is not yet applied.	Apparent deterioration in the score but this is due to a mis-scoring in 2017. The factors constraining improvement in the score pertained then as now.

70. This indicator measures the extent to which the Government budget and accounts classification is consistent with international standards. A robust classification system allows transactions to be tracked through the budget formulation, execution and reporting cycle according to administrative units (votes and sub-votes), economic categories and either functions/ sub-function or programmes. The classifications should be embedded in the Government's chart of accounts to ensure that every transaction can be reported against each of the classifications and to help ensure that they are reliably and consistently applied.

71. The GoT Chart of Accounts and the related Budget classification system is explained in detail in the Accounting Procedures Manual, produced by the Accountant General's Department[8]. This provides the framework for an extensive classification system including the following components:

- Vote: the spending or collecting unit within central government.
- Sub-vote: the spending unit under the vote
- Agency/council: the implementing entity outside vote with its own organisational structure
- Cost centre: agencies, departments or divisions relating to a specific ministry to which costs can be allocated
- Geographical: the department or section within the cost centre
- Facility: the location where the fund will be utilized
- Sub-budget class: exchequer types including Other Charges (OC), Personnel Emoluments (PE), Development (DEV)
- Project: Project number for every project (found in the development budget Volume IV of the Budget Books)
- Service Output: The output produced by the service provider attached to budget
- Objective/Target/Activity: predefined objectives, targets and activities analysed by the MTEF module to fulfil visions and missions
- Budget/Fund Type: the nature of the fund - recurrent, development, deposit expenditure and revenue
- Functional classification: categorizing expenditure using the Classification of the Functions of Government (COFOG)
- Sources of Funds
- GFS-Input: revenues, expenditures, assets and liabilities using the GFS 2014 framework

72. Thus a coherent framework exists for comprehensive classification of revenues, expenditures, assets and liabilities, although not all of these classification systems are, as yet, utilized systematically. In relation to the four main types of classification addressed by this indicator, the degree of usage may be summarized as follows:

- **Budget Formulation**: The Government uses administrative classifications consistently across budget formulation in all four volumes of the Budget[9] and all financial reports. Economic classification is only used in the recurrent estimates and local government estimates and not in the Development Budget estimates. The economic classification is based on GFS coding and is used at the 5 digit level. Functional (programme) classification is not consistent across votes

8 Accountant General's Department (2021), Accounting Procedures Manual, pp. 19-22.

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

nor is it presented in the COFOG categories or subcategories as per the Accounting Procedures Manual for 2021.

- **Budget Execution**: The Government uses administrative and economic classifications consistently across all phases of budget execution for recurrent expenditures. It also uses a functional classification but it is not consistent with COFOG categorization, in particular at sub-function level.
- **Reporting:** The Budget Execution Reports are currently only reporting in Annex A (Revenues) by economic classification. Annexes B through E which provided a breakdown by classification (though not based on GFS) and by vote were not provided in the BERs of 2020/21. The CBMS system can also produce reports using the COFOG classification on request, but for its regular reporting it does not use reports using COFOG classification.
- **The economic classification** is fully consistent with GFSM 2014, and it is applied throughout the accounting system and to all revenues and recurrent expenditures. It is not applied to Development projects (as listed in Volume IV), which are classified by organizational classification (Vote/ sub-vote) , by project number and source of funds but without an itemized breakdown of expenditure, following the economic classification. This is because the majority of projects are externally funded and follow the itemized expenditure classifications of the funders, which are not consistent with the Tanzanian economic classification nor with GFSM 2014.

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

Progress since last assessment and key reforms under implementation or planned

74. **There has been no material change in this indicator since the 2017 assessment. The score would appear to have declined from a "C" to a "D" but a more careful analysis suggests that the 2017 assessment mis-scored this indicator.** The low score is attributable to two key factors: 1) the fact that the economic classification is not applied to the projects in the Development Budget; and 2) the fact that neither a comprehensive functional classification nor a comprehensive programme classification are yet in place. These factors pertained both in 2017 and in 2021/22.

75. The Accounting Procedures Manual was revised in 2021 and has an updated economic classification structure – with GFS now going up to five digits, but this has been implemented for recurrent expenditures but not yet for development expenditures. The functional coding outlined in the manual and aligned to COFOG has not yet been implemented in its formulation, execution and reporting structures.

76. **There is scope for providing training and supervision to finance officers to ensure that the functional classification is applied correctly in expenditure registration and thus in reporting**. The Budget Department also has plans to further develop the use of programme classifiers as part of reforms aimed at moving to a Programme Based Budget (PBB). However, they have not yet moved to the PBB framework as of 2021.

PI-5 Budget Documentation

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

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance Change and rationale
PI-5 Budget Documentation	**D**	**D**	Budget documentation is presented in the Budget Speech, the four Volumes of the Budget and the Plan & Budget Guidelines submitted in advance of the Budget. However, only 2 of the 4 basic elements of information are fulfilled, although 6 of the 8 additional elements are present.	No material change: coverage of additional elements has increased from 4 to 6 of the 8 listed but, as in 2017, only 2 of the 4 basic elements are fulfilled.

78. The scoring of this indicator has been based on an analysis of the budget documentation submitted by the Executive to the Legislature for the 2021/22 fiscal year. This documentation comprises the Budget Speech of the Minister for Finance & Planning and the 4 Volumes of the Budget: I) Revenue Estimates; II) Recurrent expenditure estimates for MDAs; III) Recurrent expenditure estimates for Regions and LGAs; IV) Development expenditure estimates.

79. In addition to the formal budget documentation, the Planning & Budgetary Guidelines (PBG) are typically presented to Parliament in February. The PBG includes a review of plan and budget implementation for the past fiscal year and the first half of the current year, a macro-economic outlook for the next budget year and over the medium term, and a Resource Envelope and Expenditure Framework for the three years of the MTEF. In effect, as well as instructions for budget and MTEF formulation, the PBG thus constitute a 'Budget Strategy Paper'. Given that they are presented to the Legislature shortly before the Executive's Budget Proposal (EBP), following the PEFA guidelines, the assessment team have also considered the PBG as part of the budget documentation.

80. Table 3-5 presents the team's assessment of whether the basic and additional elements categorized for this indicator are present in the budget documentation. As may be seen, the current budget documentation fulfils 6 of the 8 'additional elements' but only 2 of the 4 'basic elements'. **The score for this indicator is therefore a "D".**

Table 3-5: PI-5: Assessment of 2021/22 Budget documentation

Budget Documentation Elements	Available 2021/22	Notes
	Basic Elements	
1. Forecast of Fiscal Deficit/ Surplus	**Yes**	The budget speech indicates a fiscal deficit ceiling of 3% of GDP in line with EAC macroeconomic convergence criteria. As mentioned in the 2017 PEFA assessment, a GFS-consistent table showing its derivation is missing and would be desirable.
2. Previous FY budget out-turn in same format as EBP	**Yes**	Previous Budget Outturn for 20219/20 and current 2020/21 is shown in the same format as the budget proposal and the figures are comparable across years at the same aggregate level (Vote).
3. Current FY budget in same format as EBP	**No**	Volumes I – IV show only the approved estimates for the current year, <u>not</u> the revised budget nor the projected out-turn. The Budget Speech and the PBG present the likely outturn for the current year but only in aggregated form.
4. Aggregated budget data for Revenue & Expenditure for main classification heads, with breakdown	**No**	The aggregated data for revenue is in Volume I by Vote but with no further breakdown, and the aggregated data for expenditures are in Volumes II-IV by Vote. There is no presentation of revenue by categories nor of expenditure by the main heads of the economic classification. The Budget Speech presents only a highly aggregated summary.
	Additional Elements	
5. Deficit financing & anticipated composition	**No**	The Budget Speech does not provide a clear breakdown of deficit financing nor its anticipated composition. The budget frame shows the total resources expected by the Government, but does not elaborate what the specific financing for the deficit will be. The Budget Speech and the PBG in the 'budget frame' provide details of anticipated domestic borrowing and foreign non-concessional borrowing but they merge concessional loans and grants and hence total borrowing is not clear. Here, a GFS-consistent presentation would be useful.
6. Macroeconomic assumptions	**Yes**	The budget speech presents the macroeconomic assumptions for GDP growth and inflation, and the PBG additionally includes assumptions for interest rates and key exchange rates.
7. Debt Stock, including details for start of current FY	**Yes**	The Debt stock is provided in the Budget Speech as well as new domestic and external debt. The Debt Sustainability Analysis figures and ratios from the preceding November are also included. However, it is not provided in a GFS format.
8. Financial Assets, including details for start of current FY	**No**	No information on the stock of CG financial assets is provided in the Budget documentation, although it is contained in the audited CG financial statements.

Budget Documentation Elements	Available 2021/22	Notes
9. Information on Fiscal Risks, including contingent liabilities	**Yes**	Section IV of the Planning and Budgeting Guidelines describes fiscal risks arising out of guarantees and unexpected lawsuits, although it does not include documentation on the potential longer-term fiscal risks of Public-Private Partnerships (PPPs).
10. Budget implications of new policies	**Yes**	The Budget Speech includes a section detailing new revenue measures and their expected fiscal impact (including managing tax laws and improving ICT systems), although a summary table is not presented. Estimates of the anticipated savings from steps to control expenditure are not presented.
11. Documentation on medium term fiscal forecasts	**Yes**	The PBG provides fiscal estimates on revenues and expenditures in the medium term economic framework, alongside an explanation of the same.
12. Quantification of tax expenditures (exemptions)	**Yes**	The Budget Speech discusses planned exemptions and indicates a total expected reduction in revenue as a consequence.

Progress since last assessment and key reforms under implementation or planned

81. **The quality and comprehensiveness of the Budget documentation has improved modestly since the 2017 PEFA assessment.** In 2017, it was scored as a "D" because 2 of the basic elements, and 4 of the additional elements were available. In this assessment, the two same basic elements are achieved, and a further two of the additional elements are also achieved. While this is progress, the main determinant of change is compliance with what are considered the basic elements.

82. **The data necessary to improve the comprehensiveness of the information presented in the Budget documentation is readily available and relatively simple to incorporate.** For example, the budget and accounting systems produce regular reports based on the revised budget allocations for different Votes and expenditure items and it would not be complicated to include these data in the Budget documentation, instead of simply the approved budget estimates as at present. Similarly, the Policy Analysis Division (PAD) and the Budget Management Directorate (BMD) of MoFP produce in-year reports on revenue and expenditure according to the main heads of the economic classification, thus it should be a simple matter to include similar summary tables in the Budget documentation. Discussions between the authorities and the IMF normally centre on the review of CG fiscal operations based on a GFS-consistent table, which again could easily be included in the Budget documentation.

83. This guidance was provided in the 2017 PEFA assessment, but no improvements to date have been achieved. An update of the current presentation format of Budget documentation would be advisable because revisions could be introduced, without any apparent difficulty, which would serve to significantly improve the quality of information available to the Legislature and the general public.

PI-6 Central Government operations outside financial reports

84. This indicator measures the extent to which there are significant Central Government revenues and/or expenditures which are not captured in the financial reports of Central Government. Government financial reports should cover all budgetary and extra-budgetary activities of Central Government in order to allow for a complete picture of revenue and expenditure. This is essential for aggregate fiscal discipline and also to ensure that all the resources available to Government are used in line with given policies and priorities. Wherever the revenues and expenditures of extra-budgetary units are significant, it is therefore essential that these should be captured at least in the *ex post* financial reports of Central Government.

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation of 2022 Score	Performance Change and rationale
PI-6 Central Government operations outside financial reports	**B**	**A**	**Scoring Method M2 (AV)**	**Improvement**
(i) Expenditure outside financial reports	B	A	The historical sources of under-reporting of expenditures have been largely addressed. Although some under-reporting of expenditures from grant-financed projects may have continued, there is no audit or other evidence of its value. Assuming an under-reporting rate of 30% of the value of grant-financed project expenditures, the overall level of unreported expenditure is estimated to be 0.8 % of total expenditure for 2019/20.	Performance has improved due especially to the improved capture of expenditures from non-tax revenues, and to a lesser extent from the improved capture of expenditures from grant-financed projects, through the newly introduced "D-fund" system. These improvements reduced unreported expenditure from an estimated 4% in 2017 to 0.8% in 2019/20.
(ii) Revenue outside financial reports	C	A	Most revenue collection functions are centralised within TRA (see PI-19) and the non-tax revenues of MDAs are now controlled by being paid through the GePG. Unreported disbursements by grant-financed development projects comprise the main source of unreported revenues. These are estimated to comprise 0.87% of total revenue for 2019/20.	Performance has improved significantly due to the effective capture of non-tax revenues via the GePG, and the improved coverage of revenues from grant-financed projects, through the D-fund system. Uncaptured revenues fell from an estimated 5.7% of total revenue in 2017.
(iii) Financial reports of extra-budgetary units	B	B	All extra budgetary units submit annual financial reports to Government; not all of these submit within three months of the end of the fiscal year but most of them do submit within 6 months.	No change in this dimension.

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

a) Expenditures by the extra-budgetary units of Central Government, in particular those financed through internally generated revenues;

b) Expenditures by MDAs financed by Non-Tax Revenues (NTR); and

c) Development expenditures financed from external project grants, which do not use the Single Treasury Account.

86. The consolidated financial statements for 2019/20 include a listing of 215 extra budgetary units of Central Government. These comprise statutory bodies – such as Institutes, Boards, Commissions and Tribunals – and organisations that operate as executive agencies, such as the universities and teaching hospitals. All of these extra-budgetary units have operational autonomy and manage their expenditures directly. Their operations are funded by their own internally generated funds (fees, charges, etc.) and/ or by transfers which they receive from their 'parent ministries' in the form of subventions.

87. Transfers and subventions to extra-budgetary units are budgeted within the relevant Votes and Sub-Votes of the 'parent ministry', stating the beneficiaries and aggregate values of these transfers. However, the intended use of these funds (in terms of the division between items of the expenditure classification or across budget programmes) is not presented in the Budget. Similarly, the actual use of funds is not reported in in-year budget execution reports, although the value of transfers made and the beneficiary is presented.

88. On the other hand, all extra-budgetary units are required to submit consolidated financial statements to the Accountant General and to the CAG within three months of the close of the fiscal year. In interviews with the PEFA assessment team, both the ACGEN and CAG confirmed that the compliance with this requirement is complete, although it was reported that some of these units submit their financial statements later than the 3-month deadline, but always within 6 months. **Our analysis of the 2019/20 consolidated financial statements confirmed that accounts for all 215 units were included.**

89. The reports of the CAG on the consolidated financial statements of the extra-budgetary units should provide a reliable indicator of the extent of under-reporting[10].Although there is a common perception that these institutions under-report the revenues collected and the corresponding expenditures, there is no evidence to support this. The CAG's Annual General Report on Central Government included audits of 92 extra budgetary units in 2018/19. Although some of these received qualified or adverse

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

opinions, **none of these related to under-reporting of revenues or expenditures**. In summary, expenditure by the extra-budgetary units of Central Government appears to be comprehensively reported.

90. A significant proportion of non-tax revenue (NTR) is collected directly by MDAs, and in the past NTR collections constituted an important source of unreported revenues and expenditures. However, there have been two important changes in systems and procedures over the past five years that have meant this is no longer the case:

    - Firstly, the Minister of Finance in his Budget Speech for 2016/ 17 declared that the retention scheme – through which MDAs were previously entitled to retain a proportion of their NTR collections - would be suspended and that from July 2016 all revenues would have to be submitted directly to the Consolidated Fund, with subsequent disbursements to each Vote based on the approved budget. This new system has continued to be implemented up to now.
    - Secondly, the establishment of the Government Electronic Payment Gateway (GePG) from 2018/19 onwards, backed by the legal requirement for all public monies to be collected through this system[11], has meant that the majority of payments for government services of different kinds are now made electronically and are credited almost instantly to the Consolidated Fund. As of July, 2020, the GePG system had been implemented in 660 public institutions, integrated to the payment systems of 28 commercial banks and 6 mobile money operators[12].

91. As a result of these developments, the scope for retention of NTRs by MDAs, and therefore for using these revenues for unreported expenditures, is now very limited. The assessment team were unable to obtain precise figures on the proportion of NTRs still paid in cash but, with many public institutions no longer accepting cash payments, it is clear that this proportion is very low.

92. Development projects financed by external grants are another potential source of unreported Central Government revenues and expenditures. Many such projects are executed through commercial bank accounts and not through the Single Treasury Account. Although GoT finance regulations require expenditures of such projects made from commercial bank accounts to be regularised and reported within the IFMIS system through the use of "dummy vouchers", past PEFA assessments reported that compliance with these finance regulations was less than satisfactory. However, staff of the External Finance Department of MoFP and also a number of Development Partners advised the assessment

11 Section 6A of the Public Finance Act, 2001, as amended by Section 44 of the Finance Act, 2017 requires all public monies to be collected through the GePG.

12 Mtebe J. & Sausi J., (June, 2021), *Revolutionalisation of Revenue Collection with Government e-Payment Gateway System in Tanzania: A Public Value creation perspective,* East African Journal of Science Technology and Innovation.

team that this gap in reporting had been largely closed through the launch of the "D-Fund" system in 2020/21.

93. The D-Fund is a virtual account, in which all externally financed project disbursements are required to be reported by project implementing agencies, following the instructions of an MoFP Circular and the accompanying Business Process Manual. In line with these procedures, all requests for disbursement are required to be approved by the MoFP before disbursements are then made from overseas bank accounts (for most grant-financed projects) or from Bank of Tanzania Special Accounts (for concessional loan financed projects) either to pay invoices for service suppliers or to replenish project funds in commercial bank accounts, in which case an accompanying annual work plan and disbursement schedule is required. Both the CAG and the Internal Auditor General monitor compliance with these requirements and Development Partners are also supporting the use of the D-Fund system; hence there are good reasons to believe that the level of unreported disbursements (revenues) and expenditures from government-managed development projects would have fallen sharply[13].

(i) Expenditure outside financial reports

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

- The coverage of reporting of extra-budgetary units within the Consolidated Financial Statements is comprehensive and it therefore seems unlikely that these are a significant source of unreported expenditure.
- Expenditure from Non-tax Revenues collected by MDAs was historically under-reported but the changes in procedures, in particular the requirement for all payments of fees and charges to be made electronically through the GePG, mean that this loophole has been closed.
- Expenditure from grant financed development projects was historically under-reported but the introduction of the D-fund system is considered by the External Finance Department and by Development Partners to have largely addressed this problem. Given its recent introduction – in FY 2020/21, we would judge that some under-reporting of revenues and corresponding expenditures is still likely. However, even if we were to assume a high estimate of 30% for continued under-reporting from this source, with grant financed project expenditure comprising 0.6% of GDP in 2019/20, unreported expenditure on grant-financed projects would then comprise approximately 0.8 % of total expenditure[14].

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13 It is important to draw a distinction here between externally financed projects managed by GoT institutions, and externally financed projects managed directly by NGOs or private sector operators reporting to the external funding agencies. The latter are not defined as government revenues or expenditures.

14 Total expenditure in 2019/ 20 is reported to have been 23.5 % of GDP (IMF, August 2021). Grant financed project expenditure therefore comprises 2.6% of total expenditure and 30 % of that would be 0.78% of total expenditure.

- Overall we therefore conclude that the level of unreported expenditure is less than 1 % of total expenditure. **This dimension therefore scores an "A".**

(ii) Revenue outside financial reports

95. The second dimension measures the extent of unreported Central Government revenue. Given that most revenue collection functions are centralised within TRA (see PI-19), there are no evident sources of unreported revenue outside of those reported above relating to unreported expenditures, namely disbursements from development projects financed by external grants. The potential amounts estimated above under dimension (i) – 0.6 % of GDP comprise 0.87% of the total revenue for 2019/20 (Table 3-9). **Dimension (ii) therefore also scores an "A".**

(iii) Financial reports of extra-budgetary units

96. The third dimension assesses the comprehensiveness of financial reporting by the extra-budgetary units of Central Government. All extra-budgetary units of Central Government are required to submit consolidated financial statements to the Accountant General and to the CAG within three months of the close of the fiscal year. Both the ACGEN and CAG confirmed that the compliance with this requirement is complete, although it was reported that some of these units submit their financial statements within 6 months but later than the 3-month deadline. Our analysis of the 2019/20 consolidated financial statements confirmed that accounts for all extra budgetary units were included. However, not all of these submitted within three months of the end of the fiscal year although most of them submitted within 6 months. **This dimension therefore scores a "B", giving an overall score of "A" for the indicator.**

Progress since last assessment and key reforms under implementation or planned

97. **There has been a continuous improvement in the reporting of off-budget CG revenues and expenditures since the 2013 PEFA assessment.** This was rated a "D+" in 2013, due to the fact that the level of unreported extra-budgetary expenditure (other than donor-financed projects) was estimated to be greater than 10% of total expenditure. Applying the 2011PEFA framework in 2017, this indicator would have scored a "B". **Applying the 2016 PEFA Framework, we may see that the score has improved further from a "B" in 2017 to an "A" in 2021.**

98. **This is a consequence of three parallel improvements: (i) better financial reporting by the extra-budgetary units of Central Government, (ii) the adoption of electronic payments of Non-Tax Revenues through the GePG, and (iii) introduction of the D-Fund system for externally financed projects.** The quality of reporting of disbursements and expenditures by grant financed projects constitutes the "weakest link" in this area. Continued improvements in this should therefore remain a priority for the External Finance Department of MoFP and for Development Partners, working together on the consolidation and deepening of the D-Fund system.

PI-7 Transfers to subnational Governments

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation of 2022 Score	Performance Change and rationale
PI-7 Transfers to subnational Governments	**C+**	**C+**	**Scoring Method M2 (AV)**	**No Change**
(i) System for allocating transfers	D	D	Horizontal allocations have been transparent in the sense of being pre-announced and publicly discussed with the relevant stakeholders. However, they have been based not on formulae, which are legally or constitutionally defined, but on administratively determined norms.	No Change
(ii) Timeliness of information on transfers	A	A	The process by which LGAs receive information on their annual transfers is managed through the regular budget calendar, which is generally adhered to and provides sufficiently detailed information to allow at least 6 weeks for the budget formulation process at LGA level.	No Change

99. Indicator PI-7 assesses the transparency and timeliness of transfers from Central Government to subnational Governments. It considers the basis for deciding on the value of inter-Governmental transfers and their horizontal allocation between subnational Governments and whether subnational Governments receive information on their allocations in time to facilitate good budget formulation and planning.

100. There are 185 Local Government Authorities (LGAs) in Tanzania, comprising city councils, municipalities, town councils and rural district councils. 80% or more of their funding derives from transfers from Central Government, with the balance coming from own revenues, primarily property tax[15].

101. **There is no clear legal or constitutional basis for the horizontal allocation of grants between LGAs**. Under the Local Government Finance Act, the Minister for Local Government is entitled to establish individual ceilings for the transfers to each LGA based upon an aggregate ceiling agreed with the Minister of Finance for all transfers to LGAs. However, there are no formulae nor formally established rules defining how this should be done. In practise allocations have been decided through a mixture of historical allocations for staff and salaries, and norm-based allocations for non-salary recurrent allocations.

15 Although for reasons of administrative efficiency, local government property tax is collected centrally by the Tanzania Revenue Authority, it is credited back to the accounts of the respective LGAs, as a source of finance for their annual budgets.

102. On the other hand, ceilings for transfers to LGAs in the forthcoming fiscal year are transparent, and communicated to the LGAs in December or January, well in advance of the period for budget formulation. The team were advised of this by PO-RALG (President's Office – Regional Administration & Local Government), the entity responsible for local government, as well as by MoFP and the Finance Director of Dodoma Municipality. The 2017 PEFA assessment indicated that the ceilings were detailed in the PBG but this has not been the case currently. Neither the ceilings for the year of assessment (2021/22) nor for forward years have been detailed in the PBG or other budget documents available.

(i) System for allocating transfers

103. The first dimension measures the extent to which the horizontal allocation of Central Government grants between LGAs is transparent and rules-based. Horizontal allocations have been transparent in the sense of being pre-announced and publicly discussed with the relevant stakeholders. However, they have been based not on formulae, which are legally or constitutionally defined, but rather on administratively determined norms. **A "D" score is therefore assigned to this dimension**.

(ii) Timeliness of information on transfers

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

105. In Tanzania, the ceilings for the transfers to LGAs are issued by MoFP after discussion with PO-RALG, and based in turn on aggregate ceilings approved at Cabinet level. Discussions with the PO-RALG indicated that the ceilings were communicated between December and January, providing well over 6 weeks for the formulation of their budgets during March and April. These ceilings were then confirmed in the Budget approved by the National Parliament in June, prior to the start of the LGA's fiscal year (1st, July).

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

Progress since last assessment and key reforms under implementation or planned

107. Performance against this indicator has remained the same as in the 2017 PEFA assessment. There are no significant changes against this indicator.

108. **The 2017 PEFA report anticipated that transfers would become rules-based. This has yet to materialize.** Nevertheless, PO-RALG are satisfied with the communications that they receive from the Central Government concerning their ceilings, and feel that they and the LGAs have sufficient time to develop their budgets.

PI-8 Performance information for service delivery

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

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

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

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance Change and rationale
PI-8 Performance information for service delivery	**C**	**C**	**Scoring Method M2 (AV)**	**No Change**
(i) Performance plans for service delivery	B	B	All ministries publish annually, within the MTEF, information on the activities to be performed through their projects and recurrent spending, the anticipated outputs and the objectives. However, the MTEF does not include a clear presentation of outcomes, nor is it disaggregated by budget programme.	No Change
(ii) Performance achieved for service delivery	C	C	Information is published annually within the MTEF by all ministries on the outputs produced through the Development budget but, for the Recurrent Budget, reporting is at the level of activities.	No Change
(iii) Resources received by service delivery units	D	D	Information on resources received by front-line service delivery units is not systematically collected and reported on an annual basis by any sector ministry. There has been no survey in the last three years estimating resources so received.	No Change
(iv) Performance evaluation for service delivery	C	C	Through the 39 performance audits of NAOT and the Health Sector PER conducted with the World Bank in 2020, evaluations of the efficiency or effectiveness of service delivery have been carried out at least once within the last three years in ministries comprising more than 25% of public spending.	No Change

(i) Performance plans for service delivery

112. The key document, in which performance plans are presented, is the Medium Term Expenditure Framework (MTEF), which has been produced by all the ministries of central Government (CG) for over 15 years. Sectoral MTEF documents are produced annually by all CG ministries, as well as the Regional Administrative Secretariats (which are also part of Central Government) and some Local Government Agencies (not part of CG), and normally issued in February or March of each year as a pre-cursor to the tabling of the Executive's Budget Proposal (EBP). Although they do not formally form part of the Budget documentation, sector MTEFs are generally made available, and sometimes formally presented, to the sectoral committees of Parliament in advance of the submission of the EBP. Many Ministries now make their MTEFs available on their respective websites, and they are also printed in relatively large numbers. The assessment team was able to view 12 MTEFs, made available by sector ministries and by the Budget Management Directorate of MoFP[16].

[16] The assessment team were able to analyse in detail the 2021/22 – 2023/24 MTEF documents of the Ministry of Works, Transport & Communications (MWTC) and the Ministry of Education, Science, Technology & Vocational

113. The "*Medium Term Strategic Planning & Budgeting Manual*" (MTSPBM), issued by the Ministry of Finance in 2005 and subsequently updated, provides the conceptual and procedural framework to link the presentation of medium term (3-year) expenditure projections to strategic objectives, targets and activities. At present, these objectives, targets and activities are presented in the sector MTEF for the ministry or entity as a whole and are not as yet linked to specific budget programmes, although plans are in place to move to a formal Programme Based Budget (PBB), in which this will be done. In principle – and as described in the MTSPBM - activities produce outputs ('targets'), which in turn lead to outcomes ('objectives'). In practice, the formulation of the MTEFs is undertaken at a very micro level, meaning that there is a very large number of activities, many of which would be better described as "tasks", with many targets better described as sub-outputs. As a consequence, and in contradiction of the guidance in the MTSPBM, the objectives presented do not in most cases represent outcomes – in the sense of a targeted improvement for the beneficiaries or users of Government services – but, rather, a presentation of the outputs to be produced by the ministry concerned.

114. Thus, <u>all</u> ministries of Central Government publish annually, within the MTEF, information on the activities to be performed through their projects and their recurrent spending, the anticipated outputs and the objectives, although this information is not organised in the form of budget programmes. However, the MTEF does not, as yet, include a clear presentation of <u>outcomes</u>. **Dimension (i) therefore scores a "B".**

(ii) Performance achieved for service delivery

115. In addition to projected activities and outputs for the forthcoming medium term period, the sector MTEF documents include summaries of achievements against planned targets for the previous fiscal year, and a mid-term (6-month) report for the current fiscal year. They do not include any quantified assessment of progress towards strategic objectives. The presentation of progress – in the same way as the presentation of future objectives, targets and activities – is divided between activities supported by the recurrent budget and those supported by the development budget, without integrating the two into budget programmes. The reporting of achievement against targets in the Development Budget is generally presented at the output level and is clearly quantified, whereas the progress report for the Recurrent Budget is at the activity level and less clearly quantified.

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

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training (MESTVT), and to view 10 other MTEFs to confirm the similarity of their structures. By value, the 12 MTEFs which were examined constituted by value more than 90% of the expenditure of Central Government.

(iii) Resources received by service delivery units

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

118. However, this dimension focuses in particular on "front-line" service delivery units, such as schools and health centres. In Tanzania, it is LGAs who have the responsibility for delivering primary education, secondary education and primary health services and they receive transfers from Central Government to finance the bulk of the associated costs. However, there are a variety of reasons why it is not possible to receive information on the resources received at this level:

- Firstly, health centres and aid posts do not in most cases comprise a cost code within the accounting system and in most cases only receive resources in kind (health staff, medicines, etc.)
- The majority of primary and secondary schools manage their own bank accounts and do, as such, comprise cost codes but the resources they receive in these accounts are limited almost exclusively to the capitation grants for Other Charges. The bulk of their budgets are thus received in kind – teachers (whose salaries are managed at district HQ level), text-books (purchased and distributed by the district) and examination costs (also managed by the district). It is therefore difficult to report in a consolidated manner on resources received, and primary and secondary schools do not do this.
- An additional complication arises from the fact that resources from development projects transferred to front-line service delivery units will tend to use a variety of funding channels, such as transfers from commercial bank accounts run for externally financed projects, resources in-kind, etc. They are therefore exceedingly difficult to integrate with reports on GoT resources, and again no such consolidated report exists.

119. Public Expenditure Tracking Surveys (PETS) were undertaken in the past in order to analyse data on the resources received by primary and secondary schools and health centres. However, the assessment team were unable to identify any recently completed PETS and were informed that no such survey had been undertaken since 2010.

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

(iv) Performance evaluation for service delivery

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

122. Up to December 2015, Tanzania had a formally structured Public Expenditure Review (PER) process through which 3-4 sectoral expenditure analyses would be undertaken each year through a collaborative process involving representatives from the Government, Development Partners, academia, and civil society. The process went into abeyance after 2015 but in 2020, the World Bank in collaboration with Government undertook a Public Expenditure Review in the Health sector[17].

Table 3-6: Performance Audits published by NAOT in 2019/20

Performance report	Ministry/ Agency
Prevention and Control Of Livestock Diseases	The Ministry of Livestock & Fisheries and President's Office - Regional Administration & Local Government
Access To Quality Vocational Education And Training	The Ministry of Education, Science & Technology and Vocational Education & Training Authority (VETA)
Management of Immunization And Vaccination Project Activities	Ministry of Health, Community Development, Gender, Elderly & Children and President's Office- Regional Administration And Local Government
Monitoring & Enforcement of Public Procurement Activities	Ministry of Finance & Planning, and Public Procurement Regulatory Authority
Implementation of National Initiatives to Combat Money Laundering	Ministry of Finance & Planning through the National Multi-Disciplinary Committee On Anti-Money Laundering, and The Financial Intelligence Unit
Quality of Executed Bitumen Surfaced Road Works In Urban Areas	Tanzania Rural & Urban Roads Agency (TARURA) under the President's Office - Regional Administration and Local Government
Supervision of Construction of Warehouses And Storage Silo Complex	The Ministry of Agriculture, and National Food Reserve Agency (NFRA)
Management of the Provision of Capacity Building to In-Service Teachers	Ministry of Education, Science & Technology, and President's Office – Regional Administration & Local Government
Revenue Collection from Own Sources In Local Government Authorities	The President's Office - Regional Administration & Local Government
Management of Accessibility & Reliability of Electricity Supply Services	TANESCO, EWURA and The Ministry of Energy
Management of Revenue Collection From Telecommunication Service Providers	Tanzania Communication Regulatory Authority, Tanzania Revenue Authority, and Ministry of Works, Transport & Communications
Follow Up Report on Recommendations for the Five Performance Audit Reports Issued and Tabled Before Parliament In April 2016	Covers: Management of Environmental Impact Assessment Process in Development Projects; Construction Contract Management of Urban Water Projects; Hygiene Control in Meat Production; Strategies for Managing Agricultural Crop Pests and Disease Outbreaks; and System for Quality Control of Education Programmes.

17 Piatti-Funfkirchen, M. & M. Ally, (April 2020), Tanzania Health Sector Public Expenditure Review, World Bank, Washington D.C.

123. The NAOT has built up its capacity to undertake performance audits, publishing between 9 and 15 such audits every year since 2017. In 2018/19, 2019/20 and 2020/21, 39 performance audits were undertaken by the NAOT (12, 12 and 15 respectively). The focus of these performance audits has been on the efficiency and effectiveness of specific Government services and programmes, such as access to quality vocational education and training, or prevention and control of livestock diseases. (See Table 3-6).

124. The coverage of performance audits is broad, including services provided by local governments and public sector corporations and also covers services of a cross-sectoral nature. It is not straightforward to assess precisely what proportion of the services of ministries, departments and agencies of Central Government is covered annually but the coverage is extensive and in a 3-year cycle would certainly comprise a sample of expenditures equivalent to at least 25%. For example, the 12 performance audits published in 2019-20 covered 11 sectors – agriculture, education, energy, environment, health, livestock, local government, rural and urban roads, telecommunications, vocational training, and water, and, in each of the last three years, coverage has been similarly broad.

125. **39 performance audits have been undertaken by the NAOT in the last three years and one Health sector PER was conducted in 2019-20 in collaboration with the World Bank.** Through these mechanisms, independent evaluations of the efficiency and/ or effectiveness of service delivery have been carried out at least once within the last three years in <u>some</u> ministries, comprising over all at least 25% of public spending. **This dimension therefore scores a "C".**

Progress since last assessment and key reforms under implementation or planned

126. **Just as in 2017, the Tanzania PFM system is rated a "C" against this indicator of performance information for service delivery.** There has been progress in increasing the numbers of performance audits undertaken annually, and the assessment team were informed in meetings with the CAG that there has been significant training in this area. However, there does not appear to have been any change in the approach to the design and implementation of the MTEF, and without certain conceptual and design changes, the MTEF will not fulfil the requirements to achieve higher scores in dimensions (i) and (ii) of this indicator.

127. **In particular, there continues to be a need to refine and develop the definition of objectives, targets and activities within the MTEF, so as to focus at a higher, more strategic level (less micro) and to move towards a more precise definition of outcomes**. Once the definition of outcomes is clarified and they come into regular use by MDAs, then it will become easier to define indicators by which to measure and monitor progress towards the outcome targets of the MDAs. At present, the information in the MTEF is too detailed and too disaggregated to be easily utilised in decision-making: once there has been a shift towards a more strategic approach based upon outcomes and key outputs, then this information will become more useful for decision-

making. This same comment was made in the 2017 PEFA and we would urge the authorities to make provision for such work under Phase VI of the PFMRP.

128. A related question, also raised in the 2017 PEFA assessment, is the issue of how to incorporate the findings of performance audits and sector PERs more systematically into the design of service delivery and the formulation of the budget. Consideration should be given to finding ways of linking NAOT performance audit results and PER findings (where available) to the annual MTEF and budget formulation process, and subsequently to policy and procedural decisions on service delivery.

PI-9 Public access to fiscal information

129. This indicator assesses the scope and comprehensiveness of public access to fiscal information. Fiscal transparency depends on the extent to which information on Government fiscal and budgetary strategy and performance is available to the general public. The range of information available to the public affects their ability to engage with Government and to understand how public resources are being used.

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation of 2022 Score	Performance Change and rationale
PI-9 Public access to information	**D**	**D**	Only 3 of the 5 basic elements are made available to the public on a timely basis. Key budget documents and Quarterly Budget Execution reports are not published regularly and were not available for the year under review. However, three of the four 'additional elements' were made available on time.	**No Change**

130. This indicator is assessed through an evaluation of the public's access to those items of information which are considered critical to an effective understanding of the budget. Public access is defined as availability without restriction, within defined time limits (consistent with international good practice), without requirement to register, and free of charge. The assessment includes five basic elements of fiscal information that are considered the most important to enable the public to understand the fiscal position, and four additional elements that are considered good practice. Our assessment covered a review of the most recent available information – 2021/22.

Table 3-7: PI-9: Assessment of Public Access to Fiscal Information

Key Elements of Fiscal information	Available 2021/22	Notes
	Basic Elements	
1. Annual Executive Budget Proposal documentation	**No**	Volumes II, III and IV of the 21/22 budget as submitted to the Legislature are available on the website of the MoFP. However, Volume I is not published, and it is not clear if the

		other Volumes were made available within 1 week of submission to the Legislature as required.
2. Enacted Budget (as approved by Parliament)	**Yes**	The 21/22 enacted budget was made available on the MoFP website, within 2 weeks of the passing of the Budget Law. Printed copies of both 20/21 and 21/22 enacted budget (Volumes I-IV) are available from the Government Printer for a modest price.
3. In-year Budget Execution Reports	**No**	The latest Budget Execution Reports (BER) are available on the website for 2020/21 but not for 2021/22. The last BER on the website is from June 2021 and it is unclear when it was uploaded. The BER for First Quarter 21/22 had not been uploaded two months into Q2 (i.e. as of November, 2021) indicating that the reports are not uploaded regularly within a month of quarter end[18].
4. Annual Budget Execution Report	**Yes**	The 20/21 annual budget execution report is on the website and available for public consumption. The team were informed that it was uploaded within 6 months of the fiscal year end, in line with MoFP's established practice.
5. Audited annual financial statements with CAG report	**Yes**	The 2019/20 audited annual financial report is on the MoFP website, but does not incorporate the external auditor's report, which is however available on the NAOT website. These reports were made available on 26/05/21, eleven months after the end of the fiscal year, thus within 12 months as required by this criterion.
	Additional Elements	
6. Pre-Budget Statement	**Yes**	The Planning & Budget Guidelines (PBG) - which contain the broad parameters of the executive budget proposal regarding expenditure, planned revenue, and debt - are generally made available in December/January - 6-7 months ahead of the start of the fiscal year. They are also made available on the MoFP website – sometimes in both Kiswahili and English. The PBGs from 2018/19 to 2021/22 can be found on the website.
7. Other External Audit Reports	**Yes**	A comprehensive set of non-confidential central government consolidated operations audit reports is made available on the NAOT website within 6 months of their submission to Parliament.
8. Summary of the Budget Proposal ("Citizens' Budget")	**No**	The Citizen's budget has been made available in the national languages - English and Kiswahili. Citizen's budgets from 2011/12 to 2021/22 are on the website. However, for 2020/21, the Citizen's budget was uploaded on 25/03/21, 9 months after budget approval, rather than within one month as required by this criterion.

18 The BERs for Q1 and Q2 of 2021/22 have been uploaded to the MoFP website in early 2022, but at the time of field work, the Q1 report was not available, thus falling short of the timeliness requirements for this indicator.

9. Macroeconomic forecasts	**Yes**	Macroeconomic forecasts are included in the PBG, which is tabled in Parliament and made available on the MoFP website within one week of their endorsement by Parliament.

131. **3 of the 5 basic elements are made available to the public regularly, and in line with the time limits specified in the 2016 PEFA methodology.** There are challenges with the consistency and timeliness of the publication of the other two basic elements. In 2020/21 Volume I of the Budget (the Revenue Estimates) was not made available. And while quarterly budget reports were made available in 20/21, the 1st Quarter BER for 2021/22 had not been uploaded at the time of the PEFA assessment mission, two months after the Quarter end. Three of the four additional elements are also available. **However, with less than 4 basic elements made available within the time limits specified in the PEFA methodology, this indicator is scored a "D".**

Progress since last assessment and key reforms under implementation or planned

132. **This indicator scores poorly as a result of the failure to publish key documents which are typically internally available on time and are within the scope of the MoFP to release to the public.** Volume I of the Budget, and the in-year Quarterly Budget Execution Reports are documents that are generated and utilized within MoFP; uploading them would be relatively simple. If these basic elements of information can be made available to the public and on time, then this indicator would be scored an "A" in future PEFA assessments.

133. **The score remains unchanged, in relation to the 2017 PEFA assessment where it also scored a D.** The last assessment also highlighted the challenges with the availability of the quarterly budget reports, but this performance has further deteriorated as now only an incomplete set of budget documents has been made available on the website and the Citizen's Budget is uploaded well into its implementation, undermining its effectiveness as a public engagement tool.

3.4 Pillar III – Management of Assets & Liabilities

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

135. Indicator PI-10 measures the extent to which fiscal risks to Central Government are monitored and reported. Fiscal risks arise when adverse circumstances – due to natural disasters, macroeconomic crises, or other causes – create unforeseen liabilities for the Central Government. They may arise from losses in other parts of the public sector - public corporations, social security funds or sub-national Governments, where the Central Government may be compelled to accept responsibility for such losses. They may also arise from unexpected losses or unplanned expenditures by the Central Government itself, notably from the extra-budgetary units. These unexpected obligations can have a

significant impact on the Budget and thus on fiscal discipline and the allocation of resources. Hence, fiscal risks need to be closely monitored, reported and where possible quantified, so that risk mitigation measures may be taken and provision made where necessary.

PI-10 Fiscal risk reporting

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance Change and rationale
PI-10 Fiscal risk reporting	**B**	**B**	**Scoring Method M2 (AV)**	**No Change**
(i) Monitoring of public corporations	D	C	For 2019/20, most of the Public Corporations (76 out of 82) submitted audited annual financial reports within 9 months of fiscal year end. In addition, a consolidated report on the financial performance of the public corporation sector is published annually by central government, specifically by the Office of the Treasury Registrar (OTR).	The score on this dimension has improved as a result of the improved reporting by the Public Corporations, with most now submitting audited annual statements within 9 months, as opposed to just over 50% in 2017.
(ii) Monitoring of sub-national Government (SNG)	A	A	Audited financial statements are published for all LGAs within nine months of the end of the fiscal year. Moreover, consolidated reports on the net fiscal position of the majority of LGAs are produced by PO-RALG on a quarterly basis, and the MoFP also include a consolidated report on the financial position of all LGAs in the audited annual financial statements.	No change: monitoring of LGAs remains strong.
(iii) Contingent liabilities and other fiscal risks	B	B	Most significant contingent liabilities of Central Government are identified and quantified in the annual consolidated financial statements of the MoFP. Potential liabilities from loan guarantees are analysed in the annual financial reports of the ORT and in annual Debt Sustainability Analyses. However, potential contingent liabilities from PPPs do not appear to be comprehensively covered.	No change: while there have been improvements in the monitoring of contingent liabilities, it is not yet the case that all contingent liabilities are comprehensively and systematically reported.

(i) Monitoring of Public corporations

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

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

138. The OTR oversees the performance of 237 PSCs, including all of the 40 commercial Public Corporations, as well as 197 non-commercial statutory bodies. It also oversees the 40 private companies in which the state has a minority shareholding, and 10 off-shore investments. The OTR's Annual Operations Report for 2019/20 includes a list of the 237 PSCs, categorised according to their status (public corporations, non-commercial statutory bodies, etc.). However, the definition of Public & Statutory Corporations, as used by OTR, is broader than the definition of Public Corporations provided for in GFS 2014, and further detailed in the PEFA Handbook Volume II. The audited consolidated financial statements for 2019/20 submitted by the MoFP include a listing of all of the entities falling within the categorisation of General Government, consistent with GFS 2014; within the category of Public Corporations listed there are included 10 financial Public Corporations and 72 non-financial, thus 82 in total.

139. The PSCs are required to report quarterly to OTR on financial and physical performance. In turn, OTR produce annual statements for investment, revenue and status of loans guaranteed, reporting the consolidated position of the PSCs in relation to each of these aspects. OTR's annual statement for 2019/ 20 comprises a consolidated statement on government investments in PSCs, Minority Interest holdings and off-shore holdings, reporting an aggregated valuation of Government investment, annual receipts of non-tax revenue and status of loans guaranteed.

140. Under Section 31 of the Public Audit Act, all Public Authorities and Other Bodies (PA&OBs) are required to produce annual financial statements within 3 months of the close of the financial year, and to submit these to OTR and to the Controller & Auditor General (CAG), a minority of these are also published and made publicly available. Under Article 143 of the Constitution and Section 34 of the Public Audit Act (2008) the CAG is mandated to audit the annual financial statements within 6 months. Thus, if compliance was 100%, all PA&OBs would submit audited financial statements within 9 months of the close of the financial year.

141. The CAG submitted on 28th, March 2021 his Annual General Report on Public Authorities & Other Bodies for 2019/ 20. This included coverage of 176 entities, of which 166 were audited (receiving unqualified audits in 162 cases), with a further 10 which had not submitted financial statements by 1st, March 2021. Six of the entities that did not submit financial statements by this date comprised Public

Corporations[19] but the remaining 76 Public Corporations had submitted audited financial statements within 9 months of the close of the financial year. This continues a positive trend in the expansion of coverage of the CAG's audit of Public Authorities & Other Bodies since 2016/17. (Table 3-8).

Table 3-8: Trend in Annual Audits of Public Authorities & Other Bodies, 2016/17 – 2019/20

Audit Results	2016/17	2017/18	2018/19	2019/20
Unqualified Opinion	101	121	147	162
Qualified Opinion	4	1	0	3
Adverse Opinion	0	0	0	1
Disclaimer	0	0	0	0
Total Audits:	105	122	148	166

Source: Controller & Auditor General, (March, 2021), Annual General Report on PA&OBs for 2019/20

142. Therefore, a consolidated report on the financial performance of the public corporation sector is published annually by central government, specifically by the Office of the Treasury Registrar. In addition, most of the 82 Public Corporations (76 out of 82) submit audited annual reports within 9 months of the close of the fiscal year. **Dimension (i) therefore scores a "C".**

(ii) Monitoring of subnational Governments

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

144. LGAs report quarterly on their budget execution to PO-RALG (President's Office – Regional Administration & Local Government), to whom they also submit annual financial statements. PO-RALG produces consolidated quarterly reports from the data received and maintains a comprehensive data-base for all LGAs. The coverage of the reporting is comprehensive as a result of the incorporation into the IFMIS system of the majority of LGAs. PO-RALG reported to the assessment team that the shift

[19] The six in question were the Tanzania Electricity Supply Company (TANESCO), the Tanzania Fertilizer Company, the Tanzania Posts Corporation, Tanzania Railways Corporation, Tanzania Standard Newspapers and Tanzania Telecommunication Company Ltd (TTCL). OTR report that these Public Corporations did, however, submit audited financial statements within 12 months.

from Epicor to the MUSE system had not disrupted reporting to any significant extent, and that in 2020/21 they continued to receive quarterly financial reports from the majority of LGAs.

145. The annual financial statements of the LGAs are audited annually by the CAG, in line with Article 143 of the Constitution and Section 34 of the Public Audit Act (2008). For 2019/20, the CAG submitted his Annual General Report on LGAs on 28th, March 2021. This covered all 185 LGAs, which were in existence in 2019/20[20], of which 124 (67%) received unqualified audit opinions, 53 (29%) received qualified audit opinions and 8 (4%) received an adverse opinion. As may be seen from Table 3-9 below, the CAG's annual report on LGAs, published in March of each year, has included coverage of all 185 LGAs since 2016/17.

Table 3-9: Annual Audits of Local Government Authorities, 2016/17 – 2019/20

Audit Results	2016/17	2017/18	2018/19	2019/20
Unqualified Opinion	166	176	176	124
Qualified Opinion	16	7	9	53
Adverse Opinion	3	1	0	8
Disclaimer	0	1	0	0
Total Audits:	185	185	185	185

Source: Controller & Auditor General, (March, 2021), Annual General Report on LGAs for 2019/20

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

(iii) Monitoring of Contingent liabilities and other fiscal risks

147. **The annual consolidated financial statements, issued by MoFP, present an extensive analysis and quantification of contingent liabilities and other fiscal risks**. With the move to accrual accounting and the full adoption of IPSAS standards, the coverage of these issues has improved substantially since the 2017 PEFA assessment. In the consolidated financial statements for 2019/20, published in March 2021, contingent liabilities and fiscal risks are addressed in the Notes to the Financial Statements, notably Notes 104 to 122, as presented below in Table 3-10. However, one gap in the coverage relates to Private-Public Partnerships (PPPs), which fall under Note 122, *Commitments*, but are not covered in comprehensive detail.

148. In addition to the presentation in the financial statements, the OTR produces an annual statement on the performance of PA&OBs in relation to loans guaranteed by Central Government. The potential

20 16 additional LGAs came into existence in FY 2016/17, since when the total number (185) has remained unchanged.

liabilities from guaranteed loans are also analysed as part of the Debt Sustainability Analysis conducted annually by the Policy Analysis Division of MoFP, the most recent of which was completed in November 2021.

Table 3-10: Reporting of Contingent Liabilities and Other Fiscal Risks in Annual Consolidated Financial Statements for 2019/20

Note Number	Issues Addressed
104	Other Financial Liabilities *(Items in course of settlement, and other financial liabilities)*
105	Pension Funds' Actuarial Liabilities
106	Employee's Benefit Liabilities *(Accrued pay, annual leave, etc.)*
107	Retirement Benefit Obligations
108	Statement of Provisions
111	Statement of Guarantees
112	Funds operated by MDAs *(National Relief Fund, Women's Development Fund, Youth Development Fund, etc)*
113	Contingent Liabilities and Assets *(including those related to civil and judicial cases)*
114	Statement of Losses
115	Credit Risk
116	Liquidity Risk
119	Tax Commitments and Contingencies *(including Contingent Assets arising from court cases, goods held in Customs warehouses, etc.)*
120	Tax Exemption and Relief
122	Commitments *(Capital commitments, non-cancellable operating leases and other non-cancellable commitments)*

149. Thus, most significant contingent liabilities and other fiscal risks of Central Government are identified and quantified in the annual consolidated financial statements of the ACGEN. Potential liabilities arising from loan guarantees are further analysed in the annual financial reports of the ORT and in the annual Debt Sustainability Analyses conducted by the Policy Analysis Division. However, it is not clear that all significant contingent liabilities are covered. These are defined in the 2016 PEFA methodology as contingent liabilities with a potential cost in excess of 0.5% of Central Government expenditure; Public-Private Partnerships (PPPs) are a particular source of contingent liabilities of this scale, which do not appear to be comprehensively covered in the existing reporting framework. **This dimension therefore scores a "B", giving an overall score for the indicator of "B".**

Progress since last assessment and key reforms under implementation or planned

150. **Improvements have been made since the 2017 PEFA assessment, building on the progress achieved since the 2013 PEFA assessment**. This has been driven in particular by improvements in the accounting and financial reporting of the Government due to the adoption of IPSAS standards and accrual accounting, as well as by continued expansion of the audit coverage achieved by the NAOT regarding the Public Authorities & Other Bodies. These improvements have resulted in a better score against Dimension (i), which has improved from a "D" to a "C" but the improvements in the monitoring

of contingent liabilities are not yet considered sufficient to qualify for an "A", and as such the overall score for this indicator remains a "B".

151. **Financial reporting by Public Authorities & Other Bodies remains weak, which hampers the work both of the NAOT and of the Office of the Treasury Registrar (OTR).** Although there is a clear and improving trend, in relation to the accounts for 2019/20 there were 11 PA&OBs which failed to publish their audited financial statements within 9 months of the close of the fiscal year, including a number of large Public Corporations, such as TANESCO and TTCL. Moreover, amongst the 165 that did submit their annual financial statements to CAG within the 3-month limit, the CAG reported that there were 44 miss-stated financial statements, where PA&OBs only submitted on time at the expense of correctness and completeness, requiring significant rectifications by the NAOT. Continued support is therefore needed to improve financial reporting by PA&OBs.

152. **The OTR has strengthened its capabilities since 2017, and this is notable both in the expanded scope of its work and the improved analytical quality of its annual reports; yet further improvements would still be desirable.** The OTR's consolidated annual statement on the public corporation sector covers revenues, investments and performance of guaranteed loans but these reports fall short of presenting a comprehensive assessment of key fiscal risks. One potential way to strengthen this focus would be to take advantage of the extensive observations included in the CAG's report on PA&OBs, which relate to sources of fiscal risk. For example, the CAG's report for the 2019/ 20 fiscal year identifies 28 entities reporting losses, 7 with more debt than equity and 9 with negative working capital, and also makes note of the entities facing pending public litigations. The OTR could analyse in more depth the scope and significance of these shortcomings, as potential sources of fiscal risk to the Central Government. This might be done either by delaying the issue of the OTR's annual report so as to draw on this information – given that both reports are currently issued simultaneously in March of each year – or alternatively, it might produce an "addendum" to its annual report at a later stage.

153. Through the PFMRP, there have been significant efforts to strengthen the OTR through capacity building and training, and through support to the computerisation of their information system via the creation of the TRIMS (Treasury Registrar Information Management System.) These efforts have had a noticeable impact and yet there continues to be a question mark over the adequacy of OTR's operational capacity in relation to its extensive and challenging mandate. Further capacity building may help to address this but, arguably, there is an imbalance between the responsibilities of OTR and its supervisory and operational capacity. One potential way forward might be to reduce its responsibilities in relation to statutory institutions and agencies – most of which are not financially significant - so as to focus OTR work more closely (or even exclusively), on public corporations and on Government holdings in private sector commercial enterprises, while leaving statutory institutions and agencies to report to their parent ministries and to the CAG.

PI-11 Public investment management

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

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

156. The PIM-OM introduced three defined project 'types': Type I – projects with total estimated costs greater than Tsh 50 billion; Type II – Tsh. 5-50 billion; and Type III – Less than Tsh. 5 billion[21]. The Directorate of National Planning (DNP) has responsibility for appraising all projects of Type I and II, submitting them for approval by the Joint Public Investment Management Committee (JPIMC), coordinating their financing and implementation and undertaking monitoring and evaluation. Type III projects are managed in a decentralised manner by MDAs, in line with the guidance provided by the DNP and the ceilings for Development spending established in the Plan & Budget Guidelines. (PBG).

[21] Tsh 5 billion is approximately USD 2.16 million, and Tsh 50 billion is approximately USD 21.6 million.

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance Change and rationale
PI-11 Public investment management	**D+**	**D+**	**Scoring Method M2 (AV)**	**No Change**
(i) Economic analysis of investment proposals	C	C	Economic analyses are conducted for some major investment projects (more than 25% of the total number). Some of these analyses were published but they were not reviewed on a systematic basis by any central entity other than the sponsoring MDA.	No Change
(ii) Investment project selection	C	C	Through the process of budget scrutiny, some, indeed a majority, of the major investment projects were prioritised by the NDP and BMD prior to inclusion in the Budget. The criteria for this process were stated in the Plan and Budget Guidelines, which were publicly available.	No Change
(iii) Investment project costing	D	D	The Budget documentation does not include a presentation of the total cost of major investment projects nor of their anticipated recurrent costs, in addition to the presentation of capital costs for the coming budget year.	No Change
(iv) Investment project monitoring	D	D	Major projects are monitored by the implementing MDA; some of this information is reported in the sector MTEF. Cumulative information on total cost to date, projected costs to completion, and total progress against completion targets is not publicly reported for all major projects.	No Change

(i) Economic analysis of investment proposals

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

158. The PIM-OM requires firstly that all Type I and Type II projects, i.e. projects with a total cost in excess of Tsh. 5 billion, should be subject to detailed feasibility studies and secondly that those studies '*should include satisfactory cost-benefit or cost-effectiveness analysis*' (PIM-OM, p.31). In addition, the PIM-OM

requires that all Type I and II projects with their feasibility studies should be evaluated by an independent evaluator '*from an independent expert team/ organisation or from academia*.'

159. The definition of Type I projects applied in the PIM-OM, (projects with a total lifetime cost greater than Tsh. 50 billion) comprises the government definition of "major investment projects" and is, in turn, consistent with the definition in the PEFA 2016 methodology. The PEFA assessment team were unable to obtain a comprehensive listing of approved and/or ongoing Type I projects, with information on the extent of application of CBA analysis to these projects. Nor was the team able to see a sample of examples of Type I projects with completed CBA analysis. However, staff from the DNP and from TANROADS (as the implementer of Type I road projects) were able to confirm that the primary method for evaluating major investment proposals up to and including FY 2020/21 has been under the auspices of externally financed project formulation processes, where the completion of feasibility and (depending on project scale) pre-feasibility studies applying cost benefit analysis (CBA) is a standard requirement. In Tanzania, all projects above $10 million financed by the African Development Bank, the European Investment Bank or the World Bank are subject to cost-benefit analysis. Interviewees from NPD and from TANROADS agreed - independently - that those projects subject to cost-benefit analysis by external agencies would have comprised at least 25% of all Type I projects; indeed, DNP staff were of the opinion that they would have comprised substantially more than this.

160. The DNP advised that as of 2021/22 all new Type I and Type II projects would be required to be screened by DNP. However, in earlier years the screening process was less clear and would consequently be shared between DNP or the former Planning Commission and the relevant sponsoring MDA. Thus, some of the CBA analyses undertaken by external financing agencies would have been reviewed by DNP or the Planning Commission but it did not until 2021/22 have a formal responsibility for screening all CBA analyses of Type I and Type II projects. In many cases, this would therefore have remained the responsibility of the sponsoring MDA only.

161. Thus, in the absence of a comprehensive listing of Type I projects and their appraisal status but with the benefit of the verbal evidence obtained independently from DNP and from TANROADs, we conclude that, in relation to the Type I projects either approved or ongoing in 2020/21, economic analysis was conducted through external financing for <u>some</u> of the major investment projects (more than 25% of the total number). Some of these analyses were published but they were not reviewed on a systematic basis by any central entity other than the sponsoring MDA. **Dimension (i) therefore scores a "C".**

(ii) Investment project selection

162. The second dimension measures the extent to which the project selection process prioritises investment projects against clearly defined – and publicly available - criteria to ensure that selected projects are aligned with Government priorities. The dimension requires that institutions are in place

to guide the project selection process, including a centralised review of major project proposals before projects are included in budget submissions to the Legislature.

163. There is a detailed set of project selection criteria presented in the PIM-OM, which makes provision for a two-phased process of selection: firstly, '*absolute assessment*' through which the inherent viability and desirability of projects is assessed, and secondly, '*comparative assessment*' in which the viable projects are compared to assess which should be prioritised and therefore included in the forthcoming budget. However, the assessment team was advised that this selection process was only expected to be fully functional from 2021/22.

164. Up to the close of FY 2020/21, all projects submitted by MDAs for inclusion in the budget have been jointly reviewed by the DNP and the Budget Management Directorate (BMD) of MoFP prior to their consolidation and presentation to the Inter-Ministerial Technical Committee (of Permanent Secretaries) and then to Cabinet for the finalisation of the Executive's Budget Proposal. In each year, the Plan & Budget Guidelines (PBG) present a set of standard criteria for all MDAs to follow in the submission of Development projects, and also draw attention to the strategic priorities in the National Five Year Development Plan which guide the process of project selection.[22]

165. There is a question mark over how effective this process is as a method of prioritisation *across* MDAs and not purely *within* MDAs. This is because the process of budget scrutiny is undertaken on a ministry by ministry basis, taking account of their respective ceilings, as well as their adherence to the stated project selection criteria. Thus, the framework makes it difficult for one ministry's project to be prioritised over that of a different ministry. The project data-base, which it is proposed to establish as part of the implementation of the PIM-OM - the National Project Management Information System (NPMIS) - would allow for projects to be compared across ministries and sectors prior to their inclusion in the data-base, with the data-base then being used as the starting point for the inclusion of investment projects in the budget submissions of MDAs. However, up to FY 2020 /21, neither the NPMIS nor the proposed new selection process specified in the PIM-OM were fully functional and therefore the project selection process happened exclusively through the budget scrutiny process.

166. Some projects would also have escaped this prioritisation process by virtue of having already obtained external financing. The PBG make clear that for 'Donor-funded programmes and projects, MDAs are required to prepare their development budget based on confirmed foreign resources, and ensure that counterpart funds for new and ongoing projects are available and all donor projects are reflected in the budget estimates'. (PBG, December 2018.) Externally financed projects have consistently represented more than 25% of the Development Budget over the last three years.

22 In the PBG issued in December 2018 for the 2019/20 Budget, these criteria were presented in section 3.4 of the document. The reference document at that time was FYDP II (2016/17 – 2022/21). A new FYDP was issued in June 2021 to cover the period 2021/22 – 2025/26.

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

(iii) Investment project costing

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

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

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

(iv) Investment project monitoring

171. The final dimension assesses the extent to which prudent project monitoring and reporting arrangements are in place to ensure value for money. The monitoring system should maintain records on both physical and financial progress, and should produce periodic project monitoring reports, in particular for major products. The system should also identify deviations from plans and allow for identification of appropriate actions in response.

172. Project monitoring in Tanzania is the responsibility of the sponsoring MDAs, who are required to report quarterly to the DNP and to the BMD on the physical and financial progress of projects. However, the assessment team were unable to access any quarterly project monitoring reports and it is not clear that these requirements are currently being fulfilled.

173. In addition, the sector MTEF documents – normally submitted to MoFP in March of each year, prior to the finalisation of the Executive's Budget Proposal - include summaries of achievements against planned targets for the previous fiscal year, and a mid-term (6-month) report for the current fiscal year. Within these MTEF documents, achievement against targets in the Development Budget is reported on a project by project basis at the output level, alongside information on expenditure to date. These MTEF documents are made public, and a number of them were reviewed by the assessment

team. However, reports are presented on a year by year basis: thus, cumulative progress against the total estimated cost of major projects and against overall targets for project completion are not presented. Moreover, the information on major projects (e.g., Type I and Type II projects) is not separated out and presented in a clear report.

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

Progress since last assessment and key reforms under implementation or planned

175. **There remain significant weaknesses in the process of public investment management and the assessment shows an unchanged score of "D+" between 2017 and 2022.** There are important reforms being put in place through the introduction of the PIM-OM and the related structures and procedures, including the development of the NPMIS. However, the roll-out of this process has been slower than planned. This is not surprising – the development of a modern, comprehensive Public Investment Management (PIM) system is a major undertaking for any country. However, it will be important for the Government to re-energise the process so as to avoid stagnation. It may be that a more phased approach would facilitate greater progress. Such a process might, for example, focus initially on creating strong systems for Type I projects, and then building a wider coverage over time.

PI-12 Public asset management

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

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance Change and rationale
PI-12 Public asset management	**B**	**B+**	**Scoring Method M2 (AV)**	**Improvement**
(i) Financial asset monitoring	B	A	Government maintains a record of its holdings in all categories of financial assets, recognised at fair or market value in line with international accounting standards. Information on performance of the financial assets is presented within the consolidated financial statements and in the OTR's annual report which includes a consolidated report on the performance of the portfolio of financial assets.	Score improved from "B" to "A" because of the introduction of an annually published report (by ORT) comprising a consolidated report on the overall performance of the portfolio of financial assets.
(ii) Nonfinancial asset monitoring	C	C	Within GAMIS, the Government maintains a register of its holdings of non-financial assets, including information on their usage, and remaining economic life. However, GAMIS does not yet include a register of sub-soil assets.	No change
(iii) Transparency of asset disposal	B	A	Clear procedures & rules for the transfer/ disposal of non-financial and financial assets are established in legislation and regulations. Comprehensive information on transfers/ disposals of non-financial assets is presented in the GAMD annual report, and for financial assets in the ORT Annual Report. Summary information on both is presented in the annual consolidated financial statements, which are tabled before Parliament and the Public Accounts Committee.	Score improved from "B" to "A" due to the improved reporting on the transfer/ disposal of financial assets through the ORT in the form of its annual report. The level of detail on asset acquisition/disposal and transfer in the ACGEN consolidated annual statements has also improved.

(i) Financial asset monitoring

177. The first dimension assesses the nature of financial asset monitoring. As noted above (under PI-10), the OTR oversees the performance of 237 PSCs, including all of the 40 commercial Public Corporations, as well as 197 non-commercial statutory bodies. It also oversees the 40 private companies in which the state has a minority shareholding, and 10 off-shore investments. These entities are required to report at least annually to OTR (joint ventures/ associate companies report annually; PSCs quarterly), and on this basis OTR produces an annual report on investment, revenue and status of loans guaranteed, reporting the consolidated position of the PSCs in relation to each of these aspects[23]. OTR's annual statement for 2019/ 20 comprises a consolidated statement on government

[23] The assessment team received and studied the OTR's Annual Operations Report for 2019/20.

investments in PSCs, Minority Interest holdings and off-shore holdings, reporting an aggregated valuation of Government investment. The OTR's annual report thus comprises a report on the performance of the financial assets as a portfolio.

178. The Accountant General consolidates the information received from OTR with other data in order to produce detailed information on all financial assets within the consolidated statement on the financial position, following international accounting standards. The assessment team examined the consolidated statements for 2019/20, which included details of GoT holdings in all categories of financial assets. Some of these, such as investment properties, are recognised at fair value and others, such as investments in associates and joint ventures, at equity (market) value, in line with international accounting standards.

179. Thus, the Government maintains a record of its holdings in all categories of financial assets, recognised at fair or market value in line with international accounting standards. Information on the performance of the financial assets is included both within the GoT consolidated financial statements and in the annual report of the OTR, which presents, amongst other things, a consolidated report on the overall performance of the portfolio of financial assets. **Dimension (i) therefore scores an "A".**

(ii) Nonfinancial asset monitoring

180. The second dimension examines the processes and procedures for non-financial asset monitoring for the Budgetary Central Government (BCG). The Government Asset Management Division (GAMD) of MoFP has the responsibility to manage the non-financial assets of Government through monitoring the way they are acquired and maintained up to disposal, in a way that maximises the value of the assets. The "*Public Assets Management Guideline*" (Revised edition, 2019) provides the basis for acquisition, allocation, maintenance, disposal and accounting for GoT's non-financial assets, the aim being to ensure that assets are systematically administered through documented management systems in order to control and safeguard their use in an efficient and effective manner. The centralised Government Assets Management Information System (GAMIS), which is managed by GAMD provides the basis for consolidating and managing asset registries. GAMD has offices in all the regional headquarters, from which it undertakes monitoring, inspection and training services.

181. Prior to 2008/09, the Government did not have an integrated, consolidated asset register: different MDAs kept their own registers of assets, which were not regularly monitored. Under the PFMRP, continuous efforts have been made to update and integrate asset registers within the centralised GAMIS system. At the end of FY 2020/21, 426 out of 495 public sector entities had completed their asset registers and uploaded them within the GAMIS system. This includes the registration of 32 classes of assets, following IPSAS classifications, covering in particular(i) vehicles & plant, (ii) office equipment & machinery, (iii) buildings and (iv) land. The incorporation of these registers has included a process of codification, assessment of the condition of assets, and valuation, which has been supervised by GAMD. The responsibility for annual updating rests with MDAs, under the guidance of GAMD. As a result, the

Central Government has a register of its holdings of fixed assets, which covers most MDAs and is updated annually, with information on the usage, age and remaining economic life of assets. The register, itself, is not published, although it is easily accessible to all authorised users through the GAMIS portal[24]. The register includes land but it does not yet include sub-soil assets, which are relevant in Tanzania, given its mineral resources.

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

(iii) Transparency of asset disposal

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

184. The disposal of assets is governed by the Public Finance Act and the related Regulations (254-257), with disposal by tender also subject to the Public Procurement Act. There are also specific regulations and legislation relevant in particular cases, notably Police General Order 304 in relation to the disposal of unclaimed or confiscated assets, TFDA (Tanzania Food & Drugs Agency) guidelines with regard to the disposal of unwanted food or drugs, and the Wildlife Conservation Act in relation to the disposal of wildlife. The "*Public Assets Management Guideline*" (Revised edition, 2019) also provides operational guidance on the procedures for financial and non-financial asset disposal.

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

186. Clear procedures and rules for the transfer or disposal of financial and non-financial assets are established in legislation and regulations. Comprehensive information on transfers and disposals is presented in the GAMD annual report and summary information is presented in the consolidated financial statements, tabled before Parliament and reviewed by the Public Accounts Committee. **This dimension therefore scores an "A", giving a "B+" for the indicator as a whole.**

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24 The assessment team were allowed to view the GAMIS portal together with staff of GAMD.

Progress since last assessment and key reforms under implementation or planned

187. **Tanzania's systems for the management of financial and non-financial assets have shown continuous improvement, raising the score for this indicator from "B" in 2017 to "B+" in 2022**. Through the PFMRP, significant efforts have been made to strengthen the functions of OTR and GAMD – notably through the establishment and continuous updating and expansion of GAMIS. Further improvements in the scope of reporting of non-financial assets as well as in the public access to the GAMIS asset register would help to consolidate the gains made to date**.** In particular, it would be desirable to include a register of sub-soil assets and to provide an appropriate mechanism for public access to GAMIS.

PI-13 Debt management

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance Change and rationale
PI-13 Debt management	**B**	**B**	**Scoring Method M2 (AV)**	**No Change**
(i) Recording and reporting of debt and guarantees	B	B	Records on domestic and foreign debt and guaranteed debt are complete, accurate and updated quarterly. Most information is reconciled quarterly. Comprehensive management and statistical reports are produced annually.	No Change
(ii) Approval of debt and guarantees	B	B	The GLGGA grants the Minister of Finance exclusive responsibility to borrow, issue new debt and issue loan guarantees on behalf of the CG. GLGGA regulations provide guidance for undertaking borrowing, issuance of loan guarantees and for other debt-related transactions. All such transactions are reported by the ACGEN and monitored on a quarterly basis by the NDMC. The annual borrowing plan is approved by Cabinet. However, establishment of the Debt Management Directorate (DMD) as the single debt management entity is not yet complete.	No Change
(iii) Debt management strategy	C	C	The MTDS is publicly available and comprises a 5-year strategy for existing and projected Government debt. It indicates the preferred evolution of interest rate, refinancing and foreign currency risks but it does not explicitly lay down target ranges for these indicators. The annual borrowing plan is broadly consistent with the strategy but it is difficult to compare directly.	No Change

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

189. The Government Loans, Guarantees and Grants Act (GLGGA) Cap 134 of 1974 (revised 2004) and its regulations provide the legal basis for public debt management in Tanzania. The Act empowers the Accountant General (ACGEN) to compile and issue statements of amounts outstanding each year and empowers the Minister of Finance to raise foreign and local loans respectively on behalf of GoT. A National Debt Management Committee (article 16 of GLGGA) advises the Minister of Finance on the contracting of external and domestic debt based on an evaluation against set criteria, including viability and sustainability. It also advises on the issuance of Government guarantees for loans by Public Corporations and LGAs and on the acceptance of grants on behalf of Government.

190. The overall debt strategy is laid down in the 2019/20 – 2023/24 Medium Term Debt Strategy (MTDS), published in March 2019. This is in turn supported by Debt Sustainability Analyses (DSAs), undertaken every two years, the most recent having been issued in September 2021. Within this framework, and taking account of the cash flow projections consolidated by MoFP, annual borrowing plans are issued each year. The implementation of these, and of the underlying debt strategy, are monitored on a quarterly basis by the National Debt Management Committee (NDMC).

(i) Recording and reporting

191. The first dimension assesses the integrity and comprehensiveness of the recording and reporting of domestic, foreign and guaranteed debt. In Tanzania, these processes fall under the responsibility of the recently established Debt Management Directorate (DMD) of the MoFP. As of 2021/22, the DMD is in process of establishment; it is intended that it should centralise all "front", "middle" and "back" office management functions for public debt but, during 2020/21 the "back office" functions remained with the ACGEN. Thus, DMD has responsibility for coordinating all the debt service obligations of the Central Government concerning external and domestic debt but not for the "back office" functions of executing and reconciling payments. It has taken on board all "middle office" functions, including responsibility for recording and reporting of debt and also for policy and strategy, as well as chairing the Technical Debt Management Committee, which reports quarterly to the NDMC. In addition, it shares the "front office" functions with the External Finance Department of MoFP, which continues to take lead responsibility for negotiations with creditors (as stipulated in the GLGGA regulations.)

192. The CS-DRMS – Commonwealth Secretariat Debt Recording and Management System – has been utilised for many years in Tanzania to record all debt transactions (payments, drawdowns, rescheduling, revaluations, etc.), and the DMD was continuing to use CS-DRMS version 2.2 during fiscal year 2020/21. In 2019, the Commonwealth Secretariat released the Meridian debt management system, which

constitutes a major upgrade on the CS-DRMS system[25]. The Secretariat is providing support to all CS-DRMS users to manage the migration to Meridian. For Tanzania, this will mean first a migration to CS-DRMS version 2.3 during 2021/22, and then a migration to Meridian probably in the subsequent fiscal year.

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

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

(ii) Approval of debt and guarantees

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

196. The GLGGA regulations provide guidance for undertaking borrowing, issuance of loan guarantees and for other debt-related transactions. All such transactions are reported by the public debt section of the ACGEN and monitored on a quarterly basis by the NDMC.

197. Thus, the GLGGA grants the Minister of Finance exclusive responsibility to borrow, issue new debt and issue loan guarantees on behalf of the Central Government. GLGGA regulations provide guidance for undertaking borrowing, issuance of loan guarantees and for other debt-related transactions. All such transactions are reported by the public debt section of the ACGEN and monitored on a quarterly

[25] The Meridian system is based on the latest technology, is fully web-based and runs in a browser. In addition, it has the following advantages over CS-DRMS: (i) it is based on the IMF/ World Bank Public Sector Debt Guide, ensuring that debt instruments are captured and reported in line with recommended statistical methods; (ii) it caters for a wider range of debt instruments, including those creating contingent liabilities (e.g., loan guarantees); and (iii) it is data flow driven, and can thus be customized to match the institutional set-up of debt management offices. (https://www.development-finance.org/en/topics-of-work/debt-recording-and-management/faq-cs-drms-and-meridian)

basis by the NDMC. The annual borrowing plan is approved by the Cabinet. However, pending the full establishment of the Debt Management Directorate (DMD), not all debt-related transactions are centralised within a single debt management agency. **Therefore, dimension (ii) scores a "B".**

(iii) Debt management strategy

198. The third dimension assesses the existence and quality of the Government's debt management strategy. The MTDS presents GoT's debt strategy for the 5-year period 2019/20 – 2023/24, covering existing and projected debt. This is a public report, as are the annual debt reports produced by MoFP, reporting against the strategy.

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

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

Progress since last assessment and key reforms under implementation or planned

201. **The Tanzania debt management system is robust and largely consistent with international good practice, and has thus again scored a "B" just as it did in 2017.** The reforms currently being implemented should further strengthen debt management capacity. In particular, the establishment of the DMD as the single debt management entity of Government, bringing together "front", "middle" and "back" office functions should serve to strengthen control over debt and guarantees (potentially raising the score on dimension (ii) of this indicator to an "A".) In addition, the migration to the Commonwealth Secretariat's Meridian system should facilitate further improvements in the recording and reporting of debt and guarantees, including the systematisation of monthly reconciliations (potentially also raising the score on dimension (i) to an "A".)

202. The regular development and updating of a Medium Term Debt Strategy (MTDS) has been an important step forward in laying out a clear debt strategy for the medium term. The next step in its development should be to include in the strategy explicit target ranges for risk indicators relating to refinancing, interest rates and foreign exchange rates. Measures should also be taken to refine the presentation of the annual borrowing plan so as to simplify its direct comparison with the MTDS. These measures would help to strengthen the effectiveness of the national debt management strategy, potentially improving the score under dimension (iii) of this indicator.

3.5 Pillar IV – Policy-based Fiscal Strategy and Budgeting

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

PI-14 Macroeconomic and fiscal forecasting

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance Change and rationale
PI-14 Macroeconomic and fiscal forecasting	**C+**	**C+**	**Scoring Method M2 (AV)**	**No Change**
(i) Macroeconomic forecasts	A	A	Macroeconomic forecasts are prepared annually for the budget year and the subsequent 4 years.. They are presented in the Plan & Budget Guidelines (PBG). Forecasts include estimates of GDP growth, inflation, interest rates and the exchange rate. A narrative explanation of the underlying assumptions is included in the PBG and also presented in summary form within the Budget Speech. Forecasts incorporated are reviewed and approved by a committee including BoT, TRA and NBS in addition to MoFP.	No Change
(ii) Fiscal forecasts	C	C	The Government prepares forecasts of revenue, expenditure and the budget balance for the budget year and the two following fiscal years. However, the documentation on these forecasts presented to the Legislature, through the PBG and the Budget Speech, lacks a presentation of the revenue breakdown for the 2 years consecutive to the budget year and also lacks explanation of the differences from the forecasts made in the previous year's budget.	No Change
(iii) Macro-fiscal sensitivity analysis	D	D	The macro-fiscal forecasts prepared by the Government do not include a qualitative assessment of the impact of alternative macroeconomic assumptions. Budget documentation does not include any discussion of forecast sensitivities.	No Change

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

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

(i) Macroeconomic forecasts

206. The Policy Analysis Division (PAD) of the Ministry of Finance has the responsibility for preparing macroeconomic forecasts for the Government. These are prepared for the budget year and the subsequent 4 years, based on the use of the MACMOD forecasting model. They are updated annually and presented as part of the Plan & Budget Guidelines (PBG)[26]

207. These forecasts include estimates of GDP growth, inflation, interest rates and the exchange rate. A narrative explanation of the underlying assumptions for these estimates is included in the PBG and also presented in summary form within the Budget Speech. The lead entity managing the preparation process is PAD but the MACMOD forecasts incorporated in the budget and the fiscal strategy are reviewed and approved by a committee including the Bank of Tanzania (BoT), the Tanzania Revenue Authority (TRA) and the National Bureau of Statistics (NBS) in addition to MoFP. **On this basis, dimension (i) scores an "A".**

(ii) Fiscal forecasts

208. On the basis of the macroeconomic forecasts generated by MACMOD and the Government's adopted fiscal strategy, the PAD develop forecasts for revenue, expenditure and the budget balance for the budget year and the two following fiscal years. These are prepared in some detail within internal documentation and also in the documentation which is shared with the IMF programme monitoring missions and Article IV teams.

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[26] The forecasts and related fiscal ceilings are first presented to Cabinet for approval in November of each year. They are then revised and updated for inclusion in the Planning & Budget Guidelines (PBG), which are tabled before Parliament in January or February.

209. However, the documentation submitted to the Legislature as the 'budget frame' for the 2021/22 budget incorporated within the PBG of February 2021 and also summarised in the Budget Speech of 10th, June 2021 is more limited in its scope and in its degree of detail[27]:

- The Budget Speech presents the projected revenues, expenditures and the budget balance for the budget year only, not for the subsequent two fiscal years. Moreover, although the anticipated budget deficit is presented as a percentage of GDP, its derivation is not presented because the budget frame is structured in line with an "accounting format", in which all sources of financing are grouped - including loans - and all expenditures are grouped including loan amortisation (Table No.2, p.111). In other words, a GFS-consistent table showing the derivation of the fiscal deficit is not included in the Budget Speech. The Budget Speech does include a detailed breakdown of the projected domestic revenue for the budget year, and of the past trends in revenues broken down by tax/ revenue type (Annex 1, p.129.) but this detailed revenue analysis is not included for the two forward years.
- The PBG shows the estimated revenues, expenditures and budget balance for the budget year and the two subsequent fiscal years and this is presented in a GFS-consistent set of tables (Tables 3.1 & 3.2). The PBG also include a presentation of the assumptions underlying the budget forecasts. On the other hand, revenues are presented in an aggregated way, showing domestic revenue, LGA's own sources, external loans and grants, and domestic and external non-concessional borrowing. For domestic revenue, the only distinction is between tax and non-tax, with no breakdown into major tax types (income tax, VAT, customs duties, etc.)

210. Thus, the Government prepares forecasts of revenue, expenditure and the budget balance for the budget year and the two following fiscal years. Internal documentation on these matters is comprehensive. However, the forecasts presented to the Legislature through the PBG and the Budget Speech lack a detailed presentation of the revenue forecasts, broken down by revenue type. This documentation also lacks an analysis and explanation of the main differences from the forecasts made in the previous year's budget. **Due to the shortcomings in the quality and content of the fiscal forecasts presented to the Legislature, dimension (ii) scores a "C".**

(iii) Macro-fiscal sensitivity analysis

211. Ideally, the presentation of forecasts to Cabinet, as well as the Legislature and the public, should include a presentation of alternative fiscal scenarios based on plausible changes in macro-economic conditions which might have a potential impact on revenue, expenditure and debt. There should also be an analysis

27 The assessment team also examined the equivalent documentation for the 2020/21 budget and found that the presentation format was exactly the same.

and a discussion of the sensitivity of the adopted projections to different outcomes with respect to key macroeconomic variables. A presentation of different scenarios and of the sensitivities to different outcomes allows decision-makers to have a sense of the degree of risk implicit in the adopted fiscal strategy. If economic growth was one percentage point slower would this imply a large and potentially unsustainable rise in the fiscal deficit? Or conversely, if growth was one percentage point higher, would that open up significant space for greater capital investment? By addressing such questions, it becomes possible to fine-tune the fiscal strategy so as to optimise the use of the available fiscal space, while avoiding excessive risks.

212. However, although documentation does include a discussion of fiscal risks, the macro-fiscal forecasts prepared by the Government do not include a qualitative assessment of the impact of alternative macroeconomic assumptions. Budget documentation does not include any discussion of forecast sensitivities. **Dimension (iii) therefore scores a "D", giving a "C+" for the indicator as a whole.**

Progress since last assessment and key reforms under implementation or planned

213. **There has been no change in the scoring of this indicator, being accorded a "C+" score both in 2017 and 2022.** On the other hand, in the judgement of the assessment team, there has been an improvement since 2017 in the quality of the internal documentation and analysis produced from macroeconomic and fiscal forecasting work. The PAD team also spoke of the improved training and the build-up of capabilities since 2017. It therefore seems reasonable to consider that there is the internal capability to address the shortcomings identified by this indicator through a structured effort: a) to improve the coverage, cohesiveness and "user-friendliness" of the presentation to the Legislature of the macroeconomic and fiscal framework, as incorporated in the PBG and the Budget Speech, and b) to incorporate sensitivity analysis into the forecasting process.

PI-15 Fiscal strategy

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

215. A fiscal strategy enables Government to articulate to the institutions of central Government, to the Legislature and to the public its fiscal policy objectives. It provides the benchmarks against which the fiscal impact of revenue and expenditure proposals can be assessed during the budget preparation process. In this way, it is the fiscal strategy and the related targets that drive the budget, rather than the fiscal outcomes being the unplanned consequence of poor budgetary decisions.

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 score	Performance Change and rationale
PI-15 Fiscal strategy	**D+**	**B**	**Scoring Method M2 (AV)**	**Significant Improvement**
(i) Fiscal impact of policy proposals	D	C	Government prepares and presents in the Budget Speech and Budget Documents estimates of the fiscal impact in the budget year of all proposed changes in revenue and expenditure policies. Estimates of anticipated fiscal impacts for the subsequent two fiscal years are included only in the Planning and Budget Guidelines (PBG): these are at a highly aggregate level which cannot be related to specific tax or spending measures.	Improved score, due to the inclusion in the Budget Speech and Budget documents of the fiscal impact of expenditure measures. (Previously such estimates covered revenue policies only.)
(ii) Fiscal strategy adoption	C	A	Within the PBG, the Government has adopted, submitted to the Legislature and published a current fiscal strategy that includes explicit, time based quantitative fiscal targets, together with qualitative fiscal objectives for the budget year and the following two years. The FYDP III extends these projections for a further two years, based on macroeconomic and fiscal projections consistent with those in the PBG and the 2021/22 Budget.	Improved score, due to the inclusion in the PBG of explicit, time-based quantitative fiscal targets, including for the fiscal deficit.
(iii) Reporting on fiscal outcomes	C	B	The Budget Speech and the PBG, both of which are submitted to the Legislature each year, include reviews of performance against the fiscal targets for the previous FY. However, the explanation of the reasons for the main deviations from the targets is only occasionally accompanied by discussion of corrective actions.	Improved score due to inclusion in the budget documentation of a more comprehensive explanation of the divergences from previous fiscal targets.

(i) Fiscal Impact of Policy Proposals

216. The first dimension assesses the capacity of the Government to estimate the fiscal impact of the revenue and expenditure proposals developed during budget preparation. Such an assessment is critical to ensure that new policies and expenditure programmes are affordable and sustainable. This dimension specifically assesses the extent to which details of the costs and assumptions of revenue and expenditure policies are incorporated in the budget documentation which is submitted to the Legislature.

217. In Tanzania, such assessments are undertaken by MoFP and by the larger sector ministries, these issues are debated during the process of budget scrutiny by MoFP and incorporated in two sets of documents which are submitted to the Legislature. These are the Planning & Budget Guidelines (PBG), approved by Cabinet normally in November of each year, and tabled before the Legislature in December or

January, and the Budget documents themselves, including the Minister of Finance's Budget Speech. It is noteworthy that the Medium Term Expenditure Framework documents produced by each MDA, covering a 5-year period, including the budget year, are not tabled before the Legislature. Thus, although they do present multi-year estimates of the fiscal impact of expenditure programmes and policies, the MTEF documents do not fulfil the requirements assessed through this dimension of indicator PI-15.

218. The fiscal impact of revenue and expenditure proposals are captured in the PBG and the Budget Speech and related Budget documents as follows:

a) The Budget Speech presents in detail the anticipated impacts – positive and negative - of new tax measures, providing precise quantitative estimates of these impacts. These estimates are for the budget year only, and no estimates are presented for subsequent fiscal years.
b) The Budget Speech also includes a presentation of all new major expenditure initiatives, including both high profile projects, such as the Mwalimu Nyerere Hydropower Plant and the Standard Gauge Railway (SGR), as well as broader expenditure initiatives such as the introduction of universal health care insurance coverage, or increased spending on rural roads by the Tanzania Rural Roads Agency (TARURA) funded through increased fuel levies (Budget Speech of June 2021 for FY 2021/22). The Speech itself does not present detailed expenditure estimates for all of these policies but they can be found in the relevant volumes of the Budget documents themselves. As is the case for revenue policies, the details of the impact of expenditure policies cover the budget year only.
c) The PBG does present medium term (3 year) estimates of the impacts of revenue and expenditure measures but these are presented at an aggregate level showing tax and non-tax revenue, grants and loans on the revenue side and spending by high level economic and functional classification on the expenditure side. These medium term estimates cannot therefore be related to specific revenue or expenditure policy measures.

219. Thus, Government prepares and presents estimates of the fiscal impact in the budget year of all proposed changes in revenue and expenditure policies. However, the presentation of the anticipated fiscal impacts for the subsequent two fiscal years of revenue and expenditure policy measures are at a highly aggregate level and cannot be related to specific tax or spending measures. **Dimension (i) therefore scores a "C".**

(ii) Fiscal strategy adoption

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

statement or plan, as a set of targets in the annual budget documentation, or potentially as fiscal rules established through legislation.

221. The Tanzania Budget Act of 2015 lays out in its Article 4 a series of principles of fiscal responsibility. These include, for example, '*a borrowing policy that ensures that public debt is sustainable*', '*prioritisation of productive expenditures rather than expenditures geared towards present consumption*', and other such principles geared towards a sustainable, effective and efficient fiscal strategy. In addition, Tanzania has stated its commitment to the macroeconomic convergence criteria of the East African Community (EAC), which include a commitment to maintain the fiscal deficit after grants at a level no more than 3% of GDP[28].

222. FYDP III, the third national 5-year development plan covering 2021/22 – 2025/26 includes quantitative targets for its financing, clearly separating between public and private resources. A target of 36.6 % of the annual budget is projected to be allocated through the Development Budget to investment projects within FYDP III. The financing chapter of the Plan[29] includes a projection of the anticipated aggregate volume of budget spending and of the anticipated financing sources (domestic revenue, ODA flows, borrowing) over the FYDP III period. The projection is linked to the macroeconomic projections presented in the Plan, relating to GDP growth and inflation. The FYDP III thus fulfils many of the requirements of a medium term fiscal strategy, as specified above. It does not include an explicit presentation of the anticipated evolution of the fiscal deficit over the FYDP III period, although this can be calculated from the presentation of the resource envelope (Table No.3), which reveals a targeted fiscal deficit after grants of 1.83% GDP in 2021/22, falling to 0.96% GDP in 2025/26.

223. **The Government's Fiscal Strategy is presented in the Planning & Budget Guidelines (PBG) and in the Budget Speech of the Minister of Finance.** The latter re-iterates the Government's commitment to the EAC convergence criteria on the fiscal deficit after grants and presents the target fiscal deficit for 2021/22 as 1.8% GDP, consistent with the projections in the FYDP III. The PBG presents the medium term fiscal strategy, including 3-year targets for the key components of revenue, expenditure and financing as well as the fiscal deficit before and after grants. These targets are again consistent with FYDP III and with the EAC convergence targets[30]. In addition to these

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28 This is one of the EAC's macroeconomic convergence criteria for entry into monetary union. The other three key convergence criteria are: (i) Headline inflation of no more than 8%; (ii) Gross public debt of no more than 50% of GDP in net present value terms; and (iii) Maintenance of official foreign reserves of at least 4.5 months of imports. Tanzania committed to meet these criteria over the second phase of convergence over 2013 – 2020, and was successful in this endeavour. The Coronavirus pandemic and the related effects have since thrown performance off track but negotiations have been held within EAC to adopt temporary revisions to these criteria.

29 United Republic of Tanzania, (June, 2021), *National Five Year Development Plan 2021/22 – 2025/26, Financing Strategy*, Ministry of Finance & Planning, Dodoma.

30 The assessment team received the PBG for the 2021/22 Budget, issued in February 2021 in Ki-Swahili. These show targets for the fiscal deficit after grants of 1.8 %, 1.7% and 1.3% of GDP for 2021/22, 2022/23 and 2023/24 respectively. (Table 3.2.)

quantitative targets, the PBG also presents qualitative targets, relating amongst other things to the control of the accumulation of arrears and the accelerated use of ICT systems in government operations.

224. Thus, within the Planning & Budget Guidelines, the Government has adopted, submitted to the Legislature and published a current fiscal strategy that includes explicit, time based quantitative fiscal targets, together with qualitative fiscal objectives for the budget year and the following two years. The FYDP III extends these projections for a further two years (to 2025/26), based on macroeconomic and fiscal projections consistent with those in the PBG and the 2021/22 Budget. **Dimension (ii) therefore scores an "A".**

(iii) Reporting on fiscal outcomes

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

226. In each fiscal year, one of the first pieces of analytical work coordinated by the PAD (Policy Analysis Directorate of the MoFP) is the preparation of a review of macroeconomic and fiscal developments and an update of macro and fiscal projections for the current budget year and the subsequent three fiscal years. This is undertaken by the Financial Programming Working Group, which includes staff from MoFP, BoT, TRA and the National Bureau of Statistics (NBS). The document includes an assessment of progress made against the fiscal strategy, during the recently completed fiscal year[31]. This document is not submitted to the Legislature but it forms the basis of the initial chapter of the Planning & Budget Guidelines (PBG), which, as previously noted, are approved by Cabinet, submitted to the Legislature and subsequently published.

227. Both the Budget Speech and the Plan and Budget Guidelines (PBG), submitted to the Legislature in advance of the budget documentation, include reviews of performance against the fiscal targets established for the previous FY. There is also some explanation of the reasons for the main deviations from the targets set. However, the presentation of the reasons for deviations is not comprehensive and only a small number of the deviations identified include discussion of corrective actions.

228. Thus, the Government prepares an internal report on the progress made against its fiscal strategy. In addition, the Budget Speech and the PBG, both of which are submitted to the Legislature, include reviews of performance against the fiscal targets for the previous FY. However, the explanation of the

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31 United Republic of Tanzania, (August. 2021), *Report on Macroeconomic Developments and Projections*, Financial Programming Working Group, MoFP.

reasons for the main deviations is only occasionally accompanied by discussion of corrective actions. **This dimension therefore scores a "B", giving a "B" for the indicator as a whole.**

Progress since last assessment and key reforms under implementation or planned

229. **There has been a significant improvement in the scoring of this indicator from a "D+" in 2017 to a "B" in 2022.** This has been the result of building on existing practices and procedures, and formalising the processes of fiscal strategy formulation and reporting to the Legislature. Many of the underlying processes examined by this indicator have been in place for many years in Tanzania. In particular, the definition of a fiscal strategy has been the habitual starting point in the budget formulation process. Similarly, the practice of reporting on performance against the fiscal targets of the previous year is a well-established aspect of the Minister of Finance's annual Budget Speech. Progress has been made by giving more attention to the content and the formats used for presentation of information in the PBG. Specifically, the presentation of 3-year fiscal strategy targets has been made more explicit and the process of reporting performance against fiscal targets has been improved.

230. **Further progress could be made by introducing in the PBG more detailed multi-year estimates of the impacts of new revenue and expenditure policies, as well as a more comprehensive discussion of the reasons for past deviations from targets and the proposed corrective actions.** What would be required would be a careful assessment of existing documents against the criteria for this indicator and the previous one (PI-14), so as to develop a structured plan for their improvement.

231. The Government might also give consideration to the idea of separating the presentation of the Fiscal Strategy in the PBG from the guidelines for the preparation of Plans and Budgets. The former, which is Part One of the PBG, is of major significance to all Tanzanian citizens, investors, and Development Partners. The latter, Part Two, comprises internal guidelines to orient the process of formulation of plans and budgets, and is of primary interest to MDA staff. It is prudent to ensure both are approved by Cabinet and tabled before the Legislature, but their wider audiences are quite different. Whereas a "glossy" version in English of Part One would be a useful asset in negotiations with financing institutions and discussions with the private sector, the latter could follow a simpler format and need not necessarily be presented in English.

PI-16 Medium term perspective in expenditure budgeting

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation of 2022 Score	Performance Change and rationale
PI-16 Medium term perspective in expenditure budgeting	**D**	**D**	**Scoring Method M2 (AV)**	**No Change**
(i) Medium-term expenditure estimates	D	D	Each MDA produces a detailed 3-year MTEF as part of the budget formulation process but the MTEF is not included in the annual budget documentation, which is limited to estimates of the budget year itself. This may be attributable to the activity-based costing approach used to develop the sector MTEFs, which results in voluminous documents and worksheets that are exceedingly difficult to adapt and refine in the time available.	No Change
(ii) Medium-term expenditure ceilings	D	D	The aggregate “budget frame” included in the Plan & Budget Guidelines, includes indicative three-year targets for the overall fiscal strategy. However, the ceilings issued to MDAs are limited to the budget year only and do not include the subsequent two fiscal years.	No Change
(iii) Alignment of strategic plans and medium-term budgets	C	C	Medium-term strategic plans are prepared for the major sector ministries, which together comprise more than 25% by value of CG expenditure. Some expenditure proposals in the annual budget estimates align with these strategic plans.	No Change
(iv) Consistency of budgets with previous year’s medium term estimates	D	D	Budget documents do not provide an explanation of the changes to aggregate expenditure estimates between the second year of the most recent MTEF and the first year of the new MTEF.	No Change

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

(i) Medium-term expenditure estimates

233. The first dimension assesses the extent to which medium term estimates are prepared and updated as part of the annual budget process. In Tanzania, each of the major MDAs produces a Medium Term

Expenditure Framework (MTEF), as part of the budget preparation process. For the 2021/22 budget formulation process, draft MTEFs have been submitted by the MDAs in March 2021 for consideration by the MoFP[32].

234. The presentation of the MTEF for each MDA includes a projected breakdown by sub-vote of revenue, recurrent expenditure and development expenditure. The projections of revenue as well as the overall summary tables have a three-year perspective, covering the budget year and the two subsequent fiscal years. For expenditure, projections are also presented for a three-year time frame (2021/22 – 2023/24 in the MTEF documents tabled in March 2021). The expenditure projections are derived from an activity-based costing framework, based upon the identification, within each sub-vote, of a series of target objectives. For each target objective, activities are then identified to be undertaken over the 3-year period in pursuit of the stated objective and costings are developed for each of these activities, using the 5-digit GFS codes for the economic classification.

235. The resulting worksheets are voluminous and highly detailed, making their assessment and review by MoFP in the budget scrutiny process a very challenging task. In practice, it seems that the feedback provided by MoFP to MDAs is limited to general comments on the overall MTEF, with detailed comments and changes being focused on the proposals for the budget year. In the next stage of the budget formulation process, documentation covers the budget year only. There is no further updating of the MTEF or any attempt to produce a version approved by the Executive or the Legislature. The budget documentation submitted to the Legislature for consideration of the Executive's Budget Proposal does not include the MTEF and presents estimates only for the budget year itself.

236. Thus, although each MDA produces a detailed 3-year MTEF as part of the budget formulation process, the MTEF is not included in the annual budget documentation, which is limited to estimates of the budget year itself. In part, this may be attributable to the activity-based costing approach used by the MDAs to develop their MTEFs, which generates very detailed costings by sub-vote, resulting in voluminous documents and worksheets that are exceedingly difficult to adapt and refine in the time available. **This dimension therefore scores a "D".**

(ii) Medium-term expenditure ceilings

237. The second dimension assesses whether medium term expenditure ceilings are issued to MDAs in order to guide the preparation of the sector MTEFs and ensure that they are consistent with Government fiscal policy and budgetary objectives. The aggregate "budget frame" included in the Plan & Budget Guidelines, issued by MoFP to initiate the process of budget formulation, includes three-year targets for the overall fiscal strategy. However, the ceilings issued to MDAs are limited to the budget

32 The assessment team were able to analyse in detail the 2021/22 – 2023/24 MTEF documents of the Ministry of Works, Transport & Communications (MWTC) and the Ministry of Education, Science, Technology & Vocational training (MESTVT), and to view various other MTEFs to confirm the similarity of their structures.

year only and do not include the subsequent two fiscal years. **This dimension therefore scores a "D"**.

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

238. The third dimension assesses the extent to which the expenditure proposals approved in the budget are aligned with costed ministry strategic plans or sector strategies. The guiding framework for planning and strategic budgeting in Tanzania is provided by the Third Five Year Development Plan (FYDP III), covering the period 2021/22 – 2025/26, which amongst other things includes indicative costings for the Government's priority projects. These priority projects are then reflected in the sector strategies of the major ministries, notably for Works, Energy, Transport, Education, Health and Water, which together comprise substantially more than 25% of CG expenditure by value. The costings in these sector strategies are focused on development projects. However, some sector strategies – notably for education - do also include projections of recurrent expenditure. Foe these major ministries, which comprise more than 25% by value of CG expenditure, there is an alignment with the allocations foreseen in the annual budget.

239. Thus, medium-term strategic plans are prepared for the major sector ministries, which together comprise more than 25% by value of CG expenditure. Some expenditure proposals in the annual budget estimates align with these strategic plans. **Dimension (iii) therefore scores a "C".**

(iv) Consistency of budgets with previous year's medium term estimates

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

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

242. Budget documents do not provide an explanation of the changes to aggregate expenditure estimates between the second year of the most recent MTEF and the first year of the new MTEF. **This dimension therefore scores a "D", yielding also a "D" score for the indicator as a whole.**

Progress since last assessment and key reforms under implementation or planned

243. **The scoring of this indicator has remained unchanged, scoring a "D" in 2017 and in 2022.** Many of the same problems identified in 2017 continue to be present. In particular, the processes of elaboration and revision of the MTEFs for each MDA continue to suffer from the peculiarly detailed format that has been chosen, based upon the formulation of medium term projections on the basis of micro-level activity-based costing. Apart from the heavy burden of work that the preparation of such formats must represent, their length and complexity make them very difficult to adapt and change in the light of the budget scrutiny process. Successful international examples of effective MTEFs are normally structured to focus on high-level programmes and strategic policies and would not seek to build up expenditure estimates from the activity level.

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

PI-17 Budget preparation process

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance Change and rationale
PI-17 Budget preparation process	**A**	**A**	**Scoring Method M2 (AV)**	**No Change**
(i) Budget calendar	A	A	A clear budget calendar exists, supported by the Budget Act (2015) and Regulations. It is adhered to and allows MDAs over 6 weeks from receipt of the Budget Circular to complete their estimates on time.	No Change
(ii) Guidance on budget preparation	A	A	A comprehensive budget circular – the PBG - has been issued annually to MDAs covering total budget expenditure for the full fiscal year. This circular, and its accompanying aggregate, sectoral and, for 2022/23 ministerial ceilings, has been approved by Cabinet in advance of its circulation to MDAs. These ceilings have been reflected in the subsequently approved budgets.	No Change
(iii) Budget submission to the legislature	A	A	The Executive's Budget Proposal (EBP) has been submitted to Parliament in April in each of the last three fiscal years, in slightly more than two months before the end of the fiscal year on 30th, June.	No Change

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

(i) Budget calendar

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

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

Source: Budget Management Directorate, Ministry of Finance and Planning

247. For the 2021/22 budget formulation process, the Budget Management Directorate (BMD) of MoFP issued a slightly revised budget formulation calendar (Table 3-11). This followed the key dates established in the Budget Act (2015) but introduced an enhanced role for the Sectoral Parliamentary Standing Committees, specifically allowing them to review and comment upon sectoral plans and budgets during April, prior to their approval by Cabinet and formal submission to Parliament. The budget formulation calendar allows the MDAs substantially over 6 weeks (between November and March) to develop and submit their updated MTEFs and annual budget proposals to the MoFP.

248. Thus, as supported by Part IV of the Budget Act (2015) and Regulations, a clear budget calendar exists and is respected. Interviews with the BMD, *Bunge*, PO-RALG, as well as TANROADS and the Municipality of Dodoma confirmed that the calendar had been adhered to and that it allowed MDAs more than 6 weeks from receipt of the Budget Circular to complete their estimates on time. **The first dimension therefore scores an "A".**

Table 3-11: New Budget Formulation Calendar for 2021/22 Annual Budget

Figure 1:SUMMARY OF MAJOR EVENTS FOR NEW BUDGET CYCLE

DATE	MAIN ACTIVITIES
AUG-OCT	Starting of Plan and Budget Guidelines Preparation and Finalization
NOV	Approval of Plan and Budget Guidelines by Cabinet
	Circulation of Plan and Budget Guidelines to MDAs, RSs, LGAs and Public Institutions
NOV-FEB	Preparation of Plans and Budget by MDAs, RSs, LGAs and Public Institutions
MARCH	Detailed Scrutiny of Sectoral Plans and Budget Proposals by MOF & POPC together with MDAs, RSs, LGAs and Public Institutions and entering Budget Data into IFMS
APRIL	Detailed scrutiny and approval of Sectoral Plans and Budget Proposals by Sectoral Parliamentary Standing Committees
MAY	Approval of final Plans and Budget Estimates adjustments by Cabinet before preparation of Budget Books
MAY	Printing of Budget Books and submitting to Parliament for Debate
JUNE	Budget Authorization by Parliament
JULY	Presentation of Ministerial Policy Statements by Ministries to Parliament
1JULY- JUNE	Plans and Budget Execution

(ii) Guidance on Budget preparation

249. The Plan & Budget Guidelines (PBG) were established within the Budget Act of 2015. They provide a comprehensive framework for the preparation of budget and MTEF estimates, covering all budget expenditure (Development & Recurrent) for the budget year, and providing detailed formats and instructions. In the fiscal years here assessed, 2019/20 – 2021/22, the PBG have included a medium-term fiscal strategy and a related set of aggregate and sectoral ceilings for the budget year. These ceilings have been approved with the PBG by Cabinet prior to their distribution to MDAs, in November or December of each year. In February of each year, more detailed one-year ceilings have been approved by Cabinet and issued for each MDA divided between Development – internally funded and externally funded, Recurrent PE (Personal Emoluments) and Recurrent OC (Other Charges). These ceilings have been reflected in the subsequently approved budgets. The PBG of November 2021, guiding the formulation of the 2022/ 2023 budget provided both aggregate and ministerial ceilings, again approved by Cabinet prior to their circulation to MDAs.

250. Thus, a comprehensive budget circular – the PBG- has been issued annually to MDAs covering total budget expenditure for the full fiscal year. This circular, and its accompanying aggregate, sectoral and, most recently ministerial ceilings, has been approved by Cabinet in advance of its circulation to MDAs. **Dimension (ii) therefore scores an "A".**

(iii) Budget submission to the Legislature

251. According to information provided by the Clerk to the Parliament, and confirmed by the Budget Management Directorate of MoFP, the Executive's Budget Proposal (EBP) has been submitted to Parliament in April in each of the last three fiscal years, in other words slightly more than two months before the end of the fiscal year on 30^{th}, June. **Dimension (iii) therefore scores an "A", thus giving an "A" score for the indicator as a whole.**

Progress since last assessment and key reforms under implementation or planned

252. **The Budget Preparation process scored an "A" both in 2017 and 2022.** The process of budget formulation in Tanzania has always been orderly and well managed and the quality of the budget calendar and guidance on budget preparation has remained good. The key change registered is a further improvement in the timing of the submission of the Budget Proposal to the Legislature, which has been more than two months before the end of the fiscal year in each of the 3 most recent fiscal years, as compared with 2 of the 3 most recent fiscal years in 2017. The only point of concern, going forward, is to ensure that the process for communication of budget ceilings to MDAs is standardized and linked in an appropriate way to the budget formulation calendar.

PI-18 Legislative scrutiny of budgets

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

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance Change and rationale
PI-18 Legislative scrutiny of budgets	**B+**	**A**	**Scoring Method M1 (WL)**	**Improvement**
(i) Scope of budget scrutiny	B	A	Parliament reviews fiscal policies as contained in the PBG, as well as the details of planned revenue and expenditures presented in the Budget Documents. The PBG include medium term forecasts and priorities, and an aggregate budget frame, with details of the anticipated fiscal deficit and its planned financing. This process has been followed for the last three completed fiscal years and also for the approval of the 2022/23 Budget	Score has improved due to the improvement in the information presented to the Legislature in the PBG, specifically through the inclusion of greater information on medium term priorities.
(ii) Legislative procedures for budget scrutiny	A	A	The Legislature's procedures for scrutiny of budget proposals include specialised committees, public consultations and agreed negotiation processes. Procedures are approved in advance by the Legislature and respected. The Parliamentary Budget Committee coordinates the process with technical support from the Parliamentary Budget Office.	No Change
(iii) Timing of budget approval	B	A	The Legislature approved the annual budget in advance of the fiscal year in 2018, 2019 and 2020.	Improvement in timing of Budget approval
(iv) Rules for budget adjustments by the Executive	A	A	Clear rules exist in the Budget Act (2015) and Regulations for in-year budget amendments by the Executive. These are always adhered to.	No Change

(i) Scope of Budget scrutiny

254. The Parliament – guided by the Parliamentary Budget Committee - reviews fiscal policies as contained in the PBG, and the details of planned revenue and expenditures presented in the Budget Documents. The PBG present medium term macroeconomic and fiscal forecasts as well as medium-term priorities, and aggregate budget data in the form of a budget frame divided by revenues and expenditures, with details of the anticipated fiscal deficit and its planned financing. This process has been followed for the last three completed fiscal years and also for the approval of the 2022/23 Budget. **Dimension (i) therefore scores an "A".**

(ii) Legislative procedures for Budget scrutiny

255. The main coordinating committee for the review of the Executive's Budget Proposal (EBP) is the Parliamentary Budget Committee which has technical support from the Parliamentary Budget Office. The procedures for budget scrutiny are laid down in Parliamentary standing orders which are approved by the Legislature in advance of the budget hearings, and subsequently respected. They involve public participation structures and specialized committees, including sectoral committees. The Legislature's

procedures for scrutiny of budget proposals also include agreed negotiation processes. These have been followed for the last three completed fiscal years and also for the approval of the 2022/23 Budget. **Dimension (ii) therefore scores an "A".**

(iii) Timing of Budget approval

256. The Legislature approved the annual budget in advance of the 1st, July start of the new fiscal year in the three assessment years – 2018, 2019 and 2020**.** The Office of the Clerk to the Parliament report that the budget approval dates were as follows:

- 2018/19: 26th, June, 2018
- 2019/20: 25th, June, 2019
- 2020/21: 15th, June 2020.

257. The assessment team were also advised that the 2021/22 budget was approved on 24th, June 2021. **Dimension (iii) therefore scores a "A".**

(iv) Rules for Budget adjustments by the Executive

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

Progress since last assessment and key reforms under implementation or planned

259. **In general, the legislative processes around budget review and approval have proven to be robust and have continued to improve, with the score increasing from "B+" in 2017 to "A" in 2022.** The 2015 Budget Act and the related regulations have served to strengthen the process of Legislative scrutiny of the Budget. The procedures and expectations therein are well known within Parliament and among all relevant stakeholders. This allows sufficient time to apply clear systems and processes for budget review and approval.

3.6 Pillar V – Predictability and Control in Budget Execution

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

PI-19 Revenue administration

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

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation of 2022 Score	Performance Change and rationale
PI-19 Revenue administration	**C+**	**B**	**Scoring Method M2 (Av)**	**Improvement**
(i) Rights and obligations for revenue measures	C	A	TRA, which is responsible for most Government revenue collection (88%), uses multiple channels to provide tax-payers with easy access to comprehensive information on main revenue obligations and rights, including redress procedures.	The score has improved significantly, due to the improvement in the quality of information provided, especially through advance notice of tax changes.
(ii) Revenue risk management	C	A	TRA uses approaches that are well structured and systematic for assessing and prioritising compliance risks for all revenue streams, including large, medium and small taxpayers.	Score has improved due to the introduction of a structured and systematic process for assessing compliance risk.
(iii) Revenue audit and investigation	C	C	TRA, which is responsible for collecting most revenues, undertakes audits and fraud investigations as part of a compliance improvement plan and completes a majority (but not all) of its planned audit and fraud investigations.	No Change.
(iv) Revenue arrears monitoring	B	C	Based on data received from TRA the stock of arrears at end 2020/21 is 37.4% of the total revenue collections for the year, with the revenue arrears older than 12 months comprising less than 75% of total arrears.	Score has declined due to the expansion in the stock of arrears, which in 2017 comprised less than 20% of total revenue collection, and 37.4% in 2022.

262. The Tanzania Revenue Authority (TRA) was established through the Tanzania Revenue Authority Act, Cap. 399, as a semi-autonomous body, reporting to the Minister of Finance & Planning. It is charged with the responsibility of managing the assessment, collection and accounting of all Central

Government revenue. According to TRA documents submitted to the assessment team, 88% of Central Government revenue in 2020/21was collected by TRA. (See table 3-12).

Table 3-12: PI-19: Domestic revenue collections by TRA, by type (Tsh. billions), 2020/21

DEPARTMENT	TOTAL
Domestic Revenue	36,309
Customs and Excise	73,292
Large Taxpayers	68,798
TRA Non Tax	2,797
Total TRA collections	**181,197**
Total CG Revenue	205,620
% collections by TRA	88%

Source: Tanzania Revenue Authority.

263. Contributions to public sector pension and social security funds are collected by six autonomous public funds: the financial statements of these are included in the Consolidated General Government report amongst financial institutions. As these funds are administered independently and do not form part of the Central Government[33] they do not form part of the PEFA assessment for indicators 19 and 20.

(i) Rights and obligations for revenue measures

264. TRA has an established Taxpayer Charter which supports taxpayers' rights. The Charter is available on the website and on hardcopy distributed to taxpayers. TRA employs a multi-pronged approach to taxpayer education including seminars and programmes on television and radio. They also provide information through various media channels and prepare publications related to taxation which they disseminate on their website. There is an independent Tax Appeal Tribunal where taxpayers can seek redress over tax related grievances.

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

266. It has a call centre providing tax information by use of telephone, e-mail and social media. Direct information is also provided through seminars and presentations as well as through TRA's offices, which are situated in all 26 regions of the country. Thus, information on taxes and changes in taxes is comprehensive and provided through a variety of sources.

267. In summary, TRA, which is responsible for most Government revenue collection (88%), uses multiple channels to provide tax-payers with easy access to comprehensive and up-to-date information on main

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

revenue obligations and rights including redress procedures. The team's interview with the Tanzania Chamber of Commerce (TCCCIA) confirmed that tax-payer information was considered useful, comprehensive and up to date[34]. **The rating for dimension (i) is therefore an "A".**

(ii) Revenue risk management

268. TRA has a 3-year compliance risk strategy policy and framework which includes domestic trade risk and international trade risk. The pillars of this strategy include registration, filing, payment, reporting, revenue, and trade facilitation. They also have an annual compliance risk management plan for 2021/22. As an output of this plan, they have developed registers for all tax regions including departments, from which they receive information on a quarterly basis from their agents on the ground. Reports are submitted to a compliance council for review at the headquarters, headed by the Commissioner for Domestic Revenue. At the regional level they discuss the reports on a quarterly basis where they also discuss compliance. For domestic taxes they have segmented their taxpayers into large (dealt with by the Large Taxpayers Department), and medium and small taxpayers (dealt with by the Domestic Revenue Department) with risk categorized accordingly. For 20/21 they were able to cover 82% of the cases. **Dimension (ii) is therefore also rated an "A".**

(iii) Revenue audit and investigation

269. The Large Taxpayers Department (LTD) prepares their audit plans based on risk. Risk criteria for selection of cases for inclusion in the plan are reviewed annually, and once the plan is approved it is implemented. LTD administers 520 entities. In 21/22 they planned to audit 324 cases out of these 520 (62%). In 2020/21 the total number of LTD audit cases completed were 174. This number was low (about half of what they planned to do in 2021/22) because the number of audit teams in 202/21 was low - about 11 teams, in part due to staff shortages arising from the coronavirus pandemic. In 2021/22, they increased them to 18 with about 3-5 members depending on the complexity of the cases. The percentage completion rate for 20/21 was at 96% of the plan.

270. In the Domestic Revenue Department (DRD) - which deals with small and medium taxpayers - they have a national audit business plan which is approved at the national level for all regions based on set risk criteria, and implemented annually. Where there are no local offices, plan implementation is coordinated at the head office based on the approved plan. Medium taxpayers have an annual audit business plan which is risk based and implemented at regional levels, and cases are selected according to risk assessment. For small taxpayers they conduct desk audits, and which are selected according to risk. Of the medium taxpayers for 20/21, DRD planned to undertake 4188 cases; they achieved 82% of

34 The assessment team did not attempt to analyse survey data on taxpayers. This might be considered a useful source of evidence in future assessments.

this target (3426 cases). The reason they did not achieve the full target was because of shortage of personnel and, in some cases, deviation from the plan due to emerging issues in key cases.

271. For fraud, in 2020/21 they planned to address 167 civil cases and 26 criminal cases for a total of 183 cases. TRA were able to identify taxes amounting to Tsh 82 billion for the 167 cases and Tsh 23 billion for the 26 criminal cases. The completion rate for criminal cases was higher than target at 188% which included the accumulated cases from 2019/20 for a total of 49 criminal cases. For the 167 administrative cases they completed 118 cases (70% of target).

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

(iv) Revenue arrears monitoring

273. At the end of June 20/21 the stock of tax arrears was Tsh 7.4 trillion. Out of these, Tsh 3.3 trillion (45% of total arrears) are more than one year old. LTD had a total amount of Tsh 743 billion that was more than one year old, and Tsh 790 billion less than one year - for a total of Tsh 1.5 trillion. For the first 4 months of 2021/22, LTD have collected Tsh 700 billion and they have an outstanding balance of arrears of up to Tsh 820 billion. TRA have collected Tsh 17.8 trillion in form of actual collections in 2020/21 out of total central government collections of Tsh19.8 trillion. As such, the total stock of arrears is 37.4% based on actual collections. Arrears that are older than one year amount to 16.7% of total revenue in 2020/21. **On this basis, dimension (iv) is rated a "C", thus giving a "B" for the indicator as a whole.**

Progress since last assessment and key reforms under implementation or planned

274. **Performance on Revenue Administration has improved from a "C+" score in 2017 to "B" in 2022**. The key improvements have been in relation to tax-payer information and revenue risk management. Regarding the former, there has been an expansion in the range of channels and media used for tax-payer education, as well as an improvement in the timeliness of information, specifically in the timeliness of information updates so that advance notice is now provided to tax-payers regarding key legal or administrative changes. Regarding risk management, the process has become both more comprehensive and more systematic since 2017, although relatively strong systems were already in place in 2017.

275. **The TRA has prepared a good basis for an efficient tax administration but has some key areas on which to improve.** TRA has provided a sound base for revenue mobilization. In addition, taxpayers have access to information and are given clear advice on their rights, including the rights to redress. TRA has a sound, comprehensive and regularly updated revenue risk and compliance management framework. The two areas for further improvement relate to (i) improving its performance in terms of achieving its audit and fraud investigation targets, and (ii) increasing its rate of

recovery with regards to tax arrears. On the latter issue, there has been an increase in the relative level of arrears since 2017. While this is in part attributable to the effects of the coronavirus pandemic (both on businesses and on collection processes), it is a development that risks undermining confidence in the efficiency and fairness of revenue administration, whilst also complicating the achievement of a reliable and credible budget. **It is therefore of fundamental importance to improve the rate of recovery of revenue arrears.**

PI-20 Accounting for revenues

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation of 2022 Score	Performance Change and rationale
PI-20 Accounting for revenues	**B+**	**A**	**Scoring method: M1 (WL)**	**Improvement**
(i) Information on revenue collections	A	A	PAD obtains revenue data monthly from entities collecting all central Government revenue. The information is broken down by revenue type and consolidated into a monthly report.	No Change
(ii) Transfer of revenue collections	B	A	Through the GePG system, transfers to the BoT revenue account are made daily for most Government revenue.	Improvement, due to introduction of GePG.
(iii) Revenue accounts reconciliation	A	A	TRA, representing most central Government revenue, undertakes a complete reconciliation of its assessments, collections, arrears and transfers to BoT as frequently as needed, including daily, using the GePG.	No Change

276. Indicator PI-20 assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts. It covers both tax and nontax revenues collected by Central Government. It excludes the revenues collected by Local Government Authorities (LGAs) and the contributions made to the social security funds, each of which comprise part of General Government but not Central Government.

(i) Information on revenue collections

277. The assessment team were advised that the Policy Analysis Division (PAD) of MoFP receive data on a monthly basis from TRA on tax collections and the other revenues for which it is responsible, and from the Accountant General in respect of non-tax revenue. The PAD utilises this data as the basis of their monthly reports to the Resource & Expenditure Ceiling Committee, for the purposes of cash management and in-year control of expenditure authorisation. These monthly reports consolidate data on all central Government revenue, broken down by revenue type. With virtually all revenue collections now being made through the Government electronic Payment Gateway (GePG), there are now a number of in-built functionalities to undertake test checks and data reconciliations. (Box 3.1).

278. Thus, TRA, as a central agency responsible for revenue, produces monthly internal reports for the 88% of central Government revenue, for which it is responsible. At PAD, further data from non-tax revenue is added and a consolidated report is produced on a monthly basis, covering all central Government revenue broken down by revenue type. **The rating for this dimension is therefore an "A".**

Box 3-1: Introduction to the Government Electronic Payment Gateway (GEPG)

The Tanzania Government electronic Payment Gateway (GePG)

Tanzania's Government Electronic Payment Gateway (GePG) is an e-payment gateway platform that allows for on-line payment of all government revenues. The development of the system was driven by the Public Finance Act 2001 statutory requirements, and analysis that highlighted weaknesses in revenue collection systems. The amendment of the Financial Act 2017 directs accounting officers to ensure that all public funds are collected through the GePG system. Previous practice had different institutions collecting revenues independently with no standard procedures. As a result there were challenges such as high costs, complicated procedures, limited payment options, lack of real-time visibility of the revenue, difficulty in performing reconciliations, poor record keeping, and low quality of reports.

Over 660 government institutions are now using the GePG system. It has centralized payment of government dues by using a control number that is centrally generated. The control number is issued to a payer of government dues who needs to make payment to the government. The GePG system takes advantage of the existing integrated system of bank payments managed by the Bank of Tanzania, which includes the Central bank itself, the commercial banks, aggregators, and mobile money operators. This enables GePG control numbers to be settled in a wide range of payment outlets. Once the payment transaction is completed, the GePG system generates an electronic receipt sent to the taxpayer via Short Message Service (SMS).

To ensure an easy collection of revenue by government institutions, the system has been integrated with the institutions' billing systems. The exchange of information is done in real-time to increase control, monitoring, and revenue flow visibility. The system also makes provision for other important use cases, such as generating revenue reports, performing reconciliation, and the timely transfer of collections to the Central Government collection accounts at the Bank of Tanzania.

Source: *Author interviews; and "Revolutionization of Revenue Collection with Government E-Payment Gateway System in Tanzania: A Public Value Creation Perspective" (Mtebe and Sausi 2021)*

(ii) Transfer of revenue collections

279. Transfers are done on a daily basis using the Government electronic Payment Gateway (GePG). There are two principal modes of collection i) payments to commercial banks ii) at certain higher thresholds payments are to be made at the Central Bank. Payments made at commercial banks are mapped and monitored, and on a daily basis transfers are made from the TRA central bank account to the Paymaster

General (PMG) account at the Consolidated Fund. This is done on a daily basis for all levels of government.

280. The GePG has realised tremendous gains for Tanzania under this dimension. (See Box 3.1.)Transfers are registered instantaneously and are effected on a daily basis. **The rating for this dimension is therefore an "A".**

(iii) Revenue accounts reconciliation

281. For reconciliation, the process starts with the tax assessment, which is recorded instantaneously once determined within the GePG. Once the payment is made, the revenue collected is reconciled against the assessment made. Unpaid assessments can be identified from a report which can be run at any time through the GePG system. Where payments do not include the reference number, payments can be matched at the reconciliation point of a particular taxpayer, through their unique tax number.

282. In summary, entities collecting most central Government revenue undertake a complete reconciliation of assessments, collections, arrears, and transfers to BoT as frequently as needed, including daily, using the GePG system. **The dimension is therefore rated an "A", giving an "A" score for the indicator as a whole.**

Progress since last assessment and key reforms under implementation or planned

283. **The procedures for accounting for revenue were already strong in 2017, and have improved since, with the score improving from a "B+" to an "A"**. The key driver of this change has been the introduction of the GePG system which is a world class system allowing for collections and transfers in real time, as well as integrated reporting and reconciliation processes.

PI-21 Predictability of in-year resource allocation

284. This indicator assesses the extent to which the Ministry of Finance & Planning is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to the budgetary units responsible for service delivery. The assessment of this indicator has been based on the accounting procedure manual 2021, interviews with the Accountant General (ACGEN), the Financial Information Systems Management Division (FISM) of MoFP and selected MDAs.

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation of 2022 Score	Performance Change and rationale
PI-21: Predictability of in-year resource allocation	**D+**	**C**	**Scoring Method M2 (Av)**	**Improvement**
(i) Consolidation of cash balances	D	C	GoT operates a single treasury account (STA). Most bank accounts are connected to the STA. Cash balances are consolidated on a monthly basis.	Score has improved due to the expansion of the STA, which now accounts for over 75% of cash balances.
(ii) Cash forecasting and monitoring	C	C	Annual cash forecasts are prepared; monthly forecasts are produced based upon updated projections of cash outflows and inflows, but do not successively update the forecast for the remaining part of the year.	No Change
(iii) Information on commitment ceilings	D	D	For salaries and recurring payments predictable monthly releases take place in accordance with the budget. For other recurrent items and domestic development projects, exchequer releases are made each month subject to requests from budget entities and a negotiation procedure with MoFP. MDAs only receive final information on the releases for these items during the month of payment. Adjustments relative to the budget for these items have been significant, meaning that MDAs cannot be provided reliable information on spending limits one month in advance.	No Change
(iv) Significance of in-year budget adjustments	C	C	Significant in-year budget adjustments took place and were partially transparent.	No Change

(i) Consolidation of cash balances

285. Government operates a Single Treasury Account (STA) at the Bank of Tanzania for the expenditure of most government entities. The total number of bank accounts in operation linked to the Treasury Single Account (TSA) is 528 and these accounts are named as Sub TSA Accounts. 6 independent entities have their own bank accounts, which are also connected to the STA (The President's Office, CAG, The National Assembly, Judiciary, the Military and the Police force).

286. Foreign source revenues comprise Basket funds and General Budget Support – both of which are channelled through the Exchequer system and thus into the STA – as well as project funds which may be channelled through the Exchequer system or directly to beneficiaries (D-funds). The D-funds are held in separate bank accounts, managed directly by the relevant project managers or administrators, some of these are in commercial banks and some in BoT Special Accounts linked to the STA. Local

government entities sometimes keep own-source revenue in separate commercial bank accounts from which expenses are also paid directly.

287. For revenue payments the GePG system (Government Electronic Payment Gateway System) is used for payment of taxes and other revenues into BoT and commercial banks. For revenues, these commercial bank accounts are linked to the central holding account held at BOT, from which revenues are transferred to the STA as the need arises.

288. In accordance with the accounting procedure, manual reconciliation should be undertaken as a daily process and accounting officers should provide reconciliation of cash books against the central Payment Office's cash book on a monthly basis. The Accountant General's consolidation unit receives the various bank statements directly from banks and reconciles these statements with the cash book reports received from the MDAs and MUSE, and provides information to MDAs for clearance of discrepancies. The Accountant General's department is responsible for preparing the consolidated bank reconciliation statement to the CAG by the end of the financial year

289. **As <u>most</u> cash balances are consolidated on a monthly basis the resulting score for this dimension is a "C".**

(ii) Cash forecasting and monitoring

290. Cash flow forecasts for the year are prepared for all votes and submitted to MoFP by the MDAs when the budget is approved. They are updated monthly, but only for the up-coming month and not for the remaining months of the year. These updates are based on new data on payment and exchequer needs and availability of revenue.

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

292. **The dimension is rated a "C" as an annual cash forecast is prepared and monthly forecasts are produced based upon updated projections of cash outflows and inflows**. However, this monthly process does not involve successive updating of the forecast for the remaining part of the year. As such, the annual cash flow forecast for the fiscal year is not effectively updated.

(iii) Information on commitment ceilings

293. For salaries (Personal Emoluments) and other recurring payments under Other Charges (OC) predictable monthly releases take place in accordance with the budget. For "lumpy" recurrent OC items and domestic development projects the Resource and Expenditure Ceiling Committee (RECC) determines budget exchequer releases on a monthly basis. Exchequer requests are prepared 2 weeks in advance. The exchequer notifications are not communicated in advance but are based on the requests from budget entities and a subsequent negotiation procedure/dialogue between budget entities and the committee (RECC). The key requirement in this respect is that MDAs should

demonstrate that they have the necessary documentation and procedures in place to complete the requested payments within the month. In particular, Interim Payment Certificates (IPCs) must already have been submitted by contractors and approved by the receiving MDAs for any payments due for public works or supply of equipment or materials. MDAs receive final information on releases on the 15th of each month, with payments made by the end of the month through an Exchequer Notification.

294. The staff interviewed by the assessment team in the Ministry of Works, the Ministry of Education and TANROADS all concurred in stating that procedures for the payment of salaries and recurring OC payments made these processes predictable. In respect of development expenditures and "lumpy" Other Charges, the resources available for payment could not be known in advance - this did not prevent commitments being made in line with budgets but payments for completed work or completed deliveries could sometimes be delayed, although this had not been the case during FY 2021/22. Moreover, they considered the process for releasing payments for such expenditures to be transparent. There is therefore good evidence that the monthly process for issuing commitment and payment ceilings has become more predictable and more transparent in the most recent fiscal year.

295. Nevertheless, MDAs only receive final information about the releases for development expenditures and "lumpy" Other Charges during the month of payment. Moreover, the adjustments relative to the budget for these items have been significant, meaning that MDAs cannot be provided reliable information on spending limits one month in advance. **This dimension is therefore rated a "D".**

(iv) Significance of in-year budget adjustments

296. **Budget adjustments are frequent and significant, primarily due to the need to adapt the composition of expenditure to the limits imposed by the monthly exchequer releases.** As noted in indicator PI-1, actual expenditure has differed consistently from the approved budget in each of the last three completed fiscal years (14 % higher in 2020/21,15,9 % lower in 2019/20 and 21 % lower in 2018/19). However, at the level of institutions, the compositional variance has been still higher, as shown in indicator PI-2 (i), which shows compositional variance of 48,8 % in 2020/21, 33,1 % in 2019/20 and 25,3 % in 2018/19. These high variances between approved and actual budgets at the institutional level are found also with respect to budget items (i.e. the economic classification). To a degree, they reflect the Government's efforts to protect certain expenditures, such as salaries, debt servicing and certain capital investments, but they also suggest that many programmes and projects are delayed in their implementation as compared to the budget estimates approved by the Parliament.

297. These budget adjustments are made on a monthly basis. Evidence suggests that the correct procedures for virements and budget reallocations are followed in making the adjustments, with all such changes being duly communicated and recorded in the IFMIS system. There is therefore a degree of transparency but with in-year Budget Execution Reports not containing detailed comparisons with the budget, the scope of such re-allocations may not become clear to the Parliament or to other interested parties until the time of the publication of the annual financial statements. It is the distribution of

exchequer releases which is the factor driving the monthly budget adjustments. These may or may not differ from the original budget. As we have explained above, the final distribution of monthly exchequer releases is decided by the Resource and Expenditure Ceiling Committee after a dialogue with the relevant MDAs. We conclude that in-year adjustments to budget allocations are frequent and partially transparent.

298. Significant in-year budget adjustments took place during the last completed fiscal year (2020/21) and were partly transparent. **The rating is hence a "C" for this dimension, giving a "C" for the indicator as a whole.**

Progress since last assessment and key reforms under implementation or planned

299. **Performance under this indicator has improved from a "D+" in 2017 to a "C" in 2022**. Several reforms have been implemented leading to improvements in performance in predictability of in-year resource allocations as well as reduced borrowing costs and better liquidity. The introduction and use of the single treasury account has improved liquidity control and fund availability. Also the predictable monthly releases/warrants to cover salaries and regular office expenses is an important improvement. As the migration to accrual accounting has been finalized it should also be expected that data related to arrears and accounts payable might be integrated and be managed better and more timely. Among the planned reforms are the further integration and/or interfacing of the different financial management systems in operation which would further improve availability of data and thus the quality of cash forecasting.

300. **Nevertheless, monthly "cash rationing" continues to be practiced in relation to development expenditures and "lumpy" Other Charges within the recurrent budget.** The very constrained liquidity position which the Government has to manage demands such measures, and it is clear that the process for deciding upon and managing monthly releases has become both more transparent and more predictable. However, there is a need for steady progress towards a situation where commitments and payments can be made in line with a predictable schedule consistent with the approved budget. This will require greater precision in the formulation of the annual budget so as to ensure firstly that, as far as possible, all planned expenditures are captured in the original budget, and secondly that available resources are accurately projected and budgeted. Improvements in Public Investment Management (PIM) should have a significant impact on these processes, as indeed would improvements in the design and development of the Medium Term Expenditure Framework (MTEF).

PI-22 Expenditure arrears

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance Change and rationale
PI-22 Expenditure arrears	**D**	**D**	**Scoring Method M1 (WL)**	**No Change**
(i) Stock of expenditure arrears	D	D	The stock of expenditure arrears has exceeded 10 % in at least two of the last three completed fiscal years	No Change
(ii) Expenditure arrears monitoring	D	D	Given that there is no regular in-year reporting of expenditure arrears and that they are not reconciled with accounts payable and accruals in MUSE, nor with the consolidated annual financial statements, systematic reporting of arrears cannot be said to take place currently in Government's consolidated financial reporting. Dimension (ii) is therefore rated a "D".	No Change

301. This indicator measures the extent to which there is a stock of expenditure arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control. The assessment is based on information provided in CAG's annual reports for audit of financial statements of Central Government for 2017/18, 2018/19, and 2019/20 and the audited consolidated financial statements for the same years, as well as the Minister's Budget speech of June 2021 (for the 2021/22 Budget), and on information from interviews with CAG and selected MDAs.

(i) Stock of expenditure arrears

302. An expenditure arrear is an obligation that has been incurred by the government for which payment is overdue. For the majority of payments, an obligation unpaid after 30 days is considered overdue, although certain supply contracts may specify a 60 day period for payment. Arrears from MDAs are reported in their annual financial statements. A system for recording of arrears to suppliers - GAMIS – (Government Arrears Management Information System) has been introduced where CG entities record their arrears. The system can provide an age profile. It is however not connected to MUSE and the accounts payable module within MUSE, although clearly the entries that remain in the accounts payable by year's end should be captured within GAMIS. However, the figures are not reconciled systematically and there are substantial discrepancies.

303. In his annual reports the CAG has estimated the total arrears to suppliers. They constitute 11.2 % of the total expenditure for 2019/20 and 10.5 % for 2018/19, and 11.3 % for 2017/18[35]. (See table 3-13.) The arrears for 2019/20 were attributed to the Ministry of Defence and National Service (34%), Tanzania Police Force (20%), Tanzania Roads Agency (2 %), Ministry of Health (8%), and Other Government Entities (18%). Within the arrears total, there should also be considered arrears of interest payments, reported in the consolidated financial statements, as well as salary arrears and social benefit arrears, for which the assessment team were unable to obtain estimates, although they have been reported in CAG reports. Even without making provision for potential arrears in these items, data suggest that the stock of arrears has been above 10% in each of the last three fiscal years.

Table 3-13: Estimated Stock of Central Govt. Arrears, 2017/18 – 2019/20 (Tsh. Bn.)

TShs. billions	2017/18	2018/19	2019/20
Arrears to suppliers (CAG report)	3,109	2,687	3,126
Interest arrears	18	16	n.a.
Salary and personal emolument arrears	n.a.	n.a.	n.a.
Social benefit arrears	n.a.	n.a.	n.a.
Total suppliers and interest arrears	3,127	2,703	3,126
Total expenditure	27,695	25,700	27,874
Arrears as % of Total expenditure	11.3%	10.5%	11.2%

Source: Stock of arrears to suppliers as reported by CAG; interest arrears in Consolidated Financial Statements.

304. The composition of arrears in terms of detailed items has not been obtained. For the total consolidated financial statement for the year ended 30th June 2020 an age profile is provided for the TShs. 12 trillion "accounts payable and accruals". A segmented presentation is given showing that 3.6 out of the 12 trillion refers to Budgetary Central Government. However, the difference with regard to the Tsh. 3,1 trillion of arrears reported in the CAG report for 2019/20 has not been possible to explain. The age profile for the whole of "accounts payable and accruals" is illustrated in Table 3-14.

Table 3-14:Age profile of accounts payable and accruals at 30th June 2020

	Bn TShs	%
Over 5 years	62.8	1%
3-5 years	399.1	3%
1-3 years	4,340.0	35%
3-12 months	3,080.0	25%
1-3 months	2,023.9	16%
Up to 1 month	2,558.7	21%
Total end of 2019/20	12,464.5	100%

Source: The consolidated financial statements for the year ended 30th June 2020, for all central government, note 116 on liquidity risk.

35 The assessment team were advised that the level of arrears had fallen in 2020/21 but no formal report on the outturn of arrears had been made available as of April 2022.

305. The table illustrates that 39 % of the accounts payable and accruals are 12 months old or older, whereas 61 % have been accumulated over 2019/ 2020. (However, excluding the 21 % that are up to 1 month old, which should not be defined as arrears, those 12 months or older comprise 49% and those accumulated over 2019/20 comprise 51%.)

306. Payment of arrears is made only after individual scrutiny by the Internal Auditor General and a central approval process. A central allocation for payment of arrears is since 2020/21 budgeted under Vote 021 "The Treasury", where sub-vote 2001 "Government Budget Division" has two items that include arrears; reallocations are made from here to the appropriate votes when a payment of arrears has been approved. The first item reflects salary arrears; "21111 Basic Salaries – Pensionable posts" with an allocation in the approved budget for 2020/21 of Tsh. 246,8 bn. The second is "22032 "Other operating expenses" with an allocation of Tsh. 421,6 bn. For 2021/22, allocations of Tsh. 211,0 and Tsh. 411,7 bn respectively were estimated in the budget[36].

307. The total stock of expenditure arrears has exceeded 10 % in at least two of the last three completed fiscal years. **Therefore, the rating for dimension (i) is "D".**

(ii) Expenditure arrears monitoring

308. Dimension (ii) focuses on the extent to which the financial reporting system of the Central Government identifies and monitors expenditure arrears. At present, the module for accounts payable in the MUSE system can automatically generate reports of payables to suppliers. In addition, the Payroll system tracks arrears of salary-related payments. Interest arrears need to be monitored in other systems, but entered into the accounts payables in MUSE.

309. The GAMIS database is maintained and reports on the totality of earlier arrears to suppliers. It is also used to register new arrears that remain to be settled by the end of the year. It would however seem more feasible to develop and use the Accounts payable module in MUSE for the monitoring of arrears.

310. In the consolidated annual financial statements for Government, arrears feature as a portion of "accounts payable and accruals". Staff of ACGEN informed the assessment team that all invoices that have been registered in the MUSE system in the accounts payable module would be cleared before the end of the financial year. The remaining arrears in the MUSE system would then refer to unpaid invoices from earlier years, as well as accrued expenditure, i.e. orders placed and services and goods received, but not yet invoiced and paid. Such orders appear to be entered also into the GAMIS system and into the MUSE as accruals at the end of the year, thereby not being rejected due to the year's commitment control ceilings. As a result, the figures in the MUSE and GAMIS system ought to correspond, but there

[36] The Minister for Finance and Planning in his budget speech in June 2021 announced that TShs. 965,1 billion had been set aside for payment of arrears for public servants, suppliers, contractors and consultants. This would indicate that, in addition to the Vote 21 allocations, a further Tsh. 342.4 billion was appropriated in other ways for this purpose.

is currently a gap between the figures of some 16 %, and there is no central reconciliation between the two systems.

311. The assessment team were advised that currently data on the stock of arrears (and the corresponding debtors' lists) are submitted at the end of the fiscal year by MDAs to the Accountant General, for verification by the Internal Auditor General, and inclusion in the subsequent year's budget for payment. However, these reports have not been made available to the assessment team. On the other hand, some ministries provide a full presentation of their arrears according to type and age composition in their annual consolidated accounts. This source of information on arrears is maintained and monitored at MDA level and in the GAMIS system, which provides the basis for consolidated monitoring of arrears at the central level.

312. Notwithstanding the existing sources of information on arrears, the assessment team did not receive evidence of regular in-year reporting of expenditure arrears, nor of reconciliation of GAMIS data with accounts payable and accruals in MUSE and with the consolidated annual financial statements. Systematic reporting of arrears cannot therefore be said to take place currently in Government's financial reporting. **Dimension (ii) is therefore rated a "D", giving a "D" for the indicator.**

Progress since last assessment and key reforms under implementation or planned

313. **There has been no change in the scoring of this indicator between 2017 and 2022**. High levels of expenditure arrears and weaknesses in the identification and monitoring of arrears have been persistent problems in Tanzania, reported in the 2010, 2013 and 2017 PEFA assessments. The 2017 assessment pointed to a further deterioration in this area since 2013, with the stock of arrears hovering at around 10% of total expenditure. This level of 10-11% appears to continue, although data on arrears for 2020/21 has not been obtained and is said to be more favourable.

314. The primary obstacle to prudent arrears and accounts payable monitoring is the cash rationing system and the way EPICOR and MUSE are set up to restrict payments, as the system rejects any expenditure entries – including entries for commitments - that go above the monthly payment ceilings and exchequer releases. As a result, the commitment function in the systems is rendered effectively useless because it is only possible to make commitments for payments which will be paid in the same month, and which fall within the available payment ceiling/exchequer authorisation[37].

315. The assessment team were advised that in practice, many "informal" expenditure commitments are made outside of the IFMIS. When goods or services are delivered, an Interim Payment Certificate (IPC) is issued but no payment is made until resources are made available through the monthly expenditure ceilings/exchequer releases. At payment point, it seems that MDAs make the corresponding

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

commitment, the entry in accounts payable and the payment authorisation simultaneously or, at least, in quick succession. If there are insufficient resources within the monthly ceiling to complete this process, the outstanding obligation remains unrecorded until the end of the year. For the obligations which cannot be paid during the year, entries for accounts payable are made at year's end but not comprehensively, and not in concurrence with the budget.

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

317. A process of checking and authorising payment of old arrears has been introduced combined with a separate central budget line at MoFP to clear old arrears. The assessment team were informed that a number of old arrears have been found invalid and written off, whereas others have been cleared in the past year. This process is of course very useful but does not seem to have curbed the accumulation of new arrears.

318. Another improvement is the current plan to ease the restrictions on payments at year's end and to allow payments to be made until the 30th of June instead of the current deadline of 15th June.

PI-23 Payroll controls

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

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance Change and rationale
PI-23 Payroll controls	**B+**	**B+**	**Scoring Method M1 (WL)**	**No Change**
(i) Integration of payroll and personnel records	A	A	The approved staff list, personnel database and payroll for CG and LGAs are all integrated in the new HCMIS system and have an electronic interface with the MUSE system for processing of salary payments to ensure budget control, data consistency, and monthly reconciliation.	No Change
(ii) Management of payroll changes	A	B	Changes to the personnel and payroll system are updated monthly through the new HCMIS system, generally in time for the following month's payments. However, the number of retroactive adjustments as demonstrated by the figures for salary-related arrears is likely to have exceeded the 3 % needed for an A rating.	Deterioration in score, due to an increase in the number of retroactive salary adjustments.
(iii) Internal control of payroll	B	B	Authority to change personnel and payroll records is restricted and results in an audit trail. Although it has not yet been possible to ensure full integrity of data, evidence suggests that data integrity is high.	No Change
(iv) Payroll audit	B	B	Payroll audits are undertaken by Internal audit and CAG. Also PO-PSM checks on integrity of data and carries out site visits. Between these 3 entities, payroll audits covering all CG entities would have been conducted at least once in the last three completed fiscal years.	No Change

320. The overall civil service is estimated at 550, 000 staff comprising all MDAs, Autonomous Agencies, Local Government Authorities (LGAs) – including teachers, but excluding the Police Force, the Armed Forces, State House and the staff of Public Corporations. Out of the 550 000, 60 % or 330 000 are teachers working in Local Government.

321. The Public Service Act makes all public sector employers (i.e. MDAs, and LGAs) responsible for the management of their payroll under the overall oversight of the Public Service Management Division of the Office of the President (PO-PSM). The payroll for Central Government and for the LGAs is controlled through a computerised database known as the new Human Capital Management Information System (HCMIS) managed by PO-PSM in collaboration with the financial management

systems division in MoFP[38]. The new HCMIS includes all staff names and associated relevant data, both related to recruitment and retirement and payroll management (e.g. dates of birth, professional qualifications, positions held, salaries, and changes in employee circumstance, such as salary changes, promotions.) The system handles statutory deductions, taxes, insurance and pension payments as well as deductions for loans, but not travel allowances.

322. The payment of salaries for CG and the LGAs is now processed in the MUSE system, allowing monitoring of payments to the individual bank accounts of each employee. Data from HCMIS is captured into MUSE through an interface.

323. Payroll management was decentralised to the MDAs of Central Government and to the LGAs during 2011-12; MDAs and LGAs now access and enter changes in personnel records into HCMIS directly, after which the PO-PSM controls and authorizes the changes. There are currently 1, 560 users across 409 MDAs (including sub-branches and zonal offices) and 185 LGAs that can access the system, but with varying degree of user authority. Salary payments cannot take place outside the system. However, the Police and the Armed Forces have their own payroll systems which are confidential.

324. The Chief Secretary, as head of PO-PSM controls the establishment list in terms of the numbers and definitions of positions in the schemes of service. Any request by an MDA to fill a vacant position, terminate a staff member's employment, increase/decrease the number of positions or to make promotions and transfers, is validated and checked against the establishment list by PO-PSM and against the approved budget by the Budget Division and approved by the Chief Secretary.

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

326. Audit of the payroll is carried out by Internal and External Audit. The PO-PSM also has a unit and Director responsible for the integrity of the payroll. The unit carries out electronic controls and follows up in the field.

327. Ineligible salary payments have been a considerable problem in the past, but payroll cleansing exercises have resulted in a reduction. The annual report of the CAG for the year ended 30 June 2020 noted some anomalies related to HR management; notably delays in remittance of statutory deductions for social security funds (TSh 1,6 bn.), and unpaid staff claims consisting of salary and other allowance

[38] The previous personnel and payroll system was called Lawson and was originally introduced in 2001, and replaced by the new HCMIS in 2019.

arrears from 80 government institutions (TSh. 331,5 bn), The main claims emanated from the Defence Force (Tsh.174 bn), the Police force (Tsh.72 bn) and the Prison service (Tsh.26 bn).

328. The report from the Internal Auditor General for 2019/20 also noted anomalies related to salaries paid to non-qualified employees (TShs 139 m), arrears of annual leave (Tsh.31m), staff loans and salary advances not deducted (Tsh.253 m) and staff removed from loan list before completing repayment of loans (Tsh.64 m).

329. The existence of so called ghost workers has diminished. The CAG in the 2020 report had identified 22 employees who were paid despite no longer being in public service. At the time of the previous PEFA assessment (2017), payments to non-existing staff were identified for 260 persons.

(i) Integration of payroll and personnel records

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

331. **The dimension is rated an "A"** as the approved staff list, personnel database and payroll are all integrated in the new HCMIS system and have an electronic interface with the IFMIS system for processing of salary payments to ensure budget control, data consistency, and monthly reconciliation.

(ii) Management of payroll changes

332. The authority to change records and payroll is restricted and results in an audit trail. Access to HCMIS is restricted and passwords are linked to individuals and authority.

333. Changes to the payroll are processed on-line and are checked on a monthly basis. The approval process by PO-PSM normally allows such changes to be incorporated in the same month**.** The exception is in respect of approval of new recruits and promotions, where delays can reach 2 or 3 months as the process includes several approval steps, including by the employee himself/ herself. However, for Central Government ministries, the approval of new recruits and their entry onto the payroll can usually be processed within one month, so long as there is a budget provision and a vacancy within the establishment list. All changes to the payroll are processed through the HCMIS system and thus generate an audit trail, including all relevant approvals.

334. Retroactive changes to the payroll are occasionally necessary because confirmation of new employment, and of promotions takes longer than one month.

335. The consolidated audited financial statements for the year ended 30th June 2020 includes arrears and accounts payables and accruals, as GoT now uses accrual accounting. The Liabilities lists Tsh.9,2 trillion as Accounts Payables and accruals, whereof Tsh.600 bn relates to "Wages, salaries and employee benefits" mainly in the general government segment. Further down in the listing of liabilities is also an item labelled "Employee benefits liabilities" of which Tsh.309 bn corresponds to the general

government segment. In the PEFA methodology, neither wages for labour (which is not in the payroll system), nor local government employees are included in the assessment of payroll efficiency for central government. However, as the sum of around Tsh. 900 bn payables is a considerable proportion of the total salaries and wages for general government of Tsh. 10,4 trillion, we conclude that salary arrears exceed the threshold of 3 % retroactive adjustments needed for an "A" rating.

336. In summary, we note that changes to the personnel and payroll system are updated monthly through the new HCMIS system, generally in time for the following month's payments. However, the number of retroactive adjustments as demonstrated by the figures for salary-related arrears is likely to have exceeded the 3 % needed for an A rating. **This dimension is therefore rated "B".**

(iii) Internal control of payroll

337. The CAG annual report for 2019/2020 pointed to some problems with delays in remittance of statutory deductions for social security funds and unpaid staff claims consisting of salary and other allowance arrears.

338. PO-PSM have taken steps to improve control over "ghosts" both by increasing the number of their own audits and taking steps to remind Accounting Officers and HROs of the regulations of the Public Service Act, which place final responsibility on Accounting Officers.

339. Authority to change personnel and payroll records is restricted and results in an audit trail. The prevailing problems related to arrears for staff claims for salaries and allowances is substantial and points towards some remaining problems for data integrity and accuracy. **A "B" score is therefore accorded to this dimension.**

(iv) Payroll audit

340. Two entities conduct payroll audit – CAG and Internal audit. In addition, the Integrity Directorate at PO-PSM carries out controls through HCMIS, at times followed by field visits, For IAG and CAG, all payroll audits undertaken have included both system checks and physical checks/ site visits. In addition to verifying that payees exist and are receiving the correct pay, these audits have also examined the correctness of documentation of payees and, in particular, the correctness of their qualification certificates. The CAG has explained that payroll audits are consistently undertaken and are based on study of payment data from HCMIS and a risk assessment. An identified risk would be followed up in all entities.

341. The assessment team have not been able to access data on the precise institutional coverage over the last three fiscal years of the payroll audits undertaken by Internal Audit and CAG. However, we have reviewed the annual reports of IAG, which provide a partial but substantial sample of IA work undertaken each year. In addition, the team has studied the reports on payroll included in the CAG's annual reports for the last three completed fiscal years. Based on this documentation and interviews with these three parties and with MDAs, we conclude that payroll audits covering all CG entities would

have been conducted at least once in the last three completed fiscal years. **On this basis, dimension (iv) is rated a "B", giving a "B+" for the indicator as a whole.**

Progress since last assessment and key reforms under implementation or planned

342. **The overall score for this indicator score has remained unchanged since the 2017 assessment, being a "B+".** This was an improvement over earlier assessments and, overall the quality of payroll controls has remained strong. Since 2017, the problem with ghost workers has almost been eliminated. The interface with the MUSE system is also an important improvement.

343. **The key remaining problem is related to arrears for staff claims for salaries and allowances.** There has been an increase in such arrears since 2017, and a careful investigation of the reasons for the increase in arrears would be advisable in order to put in place corrective measures to address this problem.

344. Steps to further integrate the Payroll, MUSE and other systems are being discussed. Such integration can improve control, accounting and reporting quality. However, this type of integration is technically complicated and the selection of systems and the degree of integration needs to be reviewed carefully.

PI-24 Procurement

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

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance Change and rationale
PI-24 Procurement	**C**	**B**	**Scoring Method M2 (AV)**	**Improvement**
(i) Procurement monitoring	D	C	Records are maintained in TANePS for the whole public sector on what has been procured, the value of procurement and who has been awarded contracts. A majority (73%) of public sector procurements were managed and published through TANePS in 2020/21. The institutions of Budgetary Central Government in turn comprised a majority (54%) of the Procuring Entities publishing awards through TANePS. We thus estimate that a majority of BCG procurements were managed and published through TANePS.	The score has improved due to the introduction of TANePS and the success achieved in registering all 718 Procuring Entities (PE) of the public sector, and in ensuring that a majority of the procurements of BCG institutions were managed through the system.
(ii) Procurement methods	D	A	Proposed procurement methods must be stated in General Procurement Notices (GPNs) and methods cannot later be changed without a valid justification and formal approval by PPRA. The statement of planned procurement methods in GPNs is therefore a very good guide to the methods actually used. 93.5 % of procurements by value for the public sector were planned to be undertaken by competitive methods in 2020/21.	The score has improved significantly because there now exists comprehensive data on the planned procurement methods of the whole public sector, through the GPNs published in TANePS and reported by PPRA annually.
(iii) Public access to procurement information	C	C	Four of the six key procurement information elements (1,2,3 & 5) are complete and accurate for BCG entities representing a majority of BCG procurement operations, and are made available to the public on a timely basis.	No Change
(iv) Procurement complaints management	A	A	In 2020/21, the procurement complaints system met all six PEFA criteria for the effectiveness of an independent procurement complaint resolution mechanism.	No Change

346. Public procurement for the whole of the public sector is governed by the Public Procurement Act (PPA, No. 7 of 2011) as amended in July 2016. Public Procurement Regulations for the Act have been issued (No. 446 of December 2013) and these are in force. Amongst other things, the regulations require Procuring Entities to utilise the TANePS (Tanzania National electronic Procurement System) for the whole public procurement process, including the registration of Annual Procurement Plans (APPs), announcement and management of tender processes, and publication of tender awards. The Paymaster General's Circular No. 4 of 2019 further reiterates this legal requirement.

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

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

348. PPRA produces an annual performance evaluation report (APER), the production of which started in 2005. The latest report - the 15th APER - covers the financial year 2020/21 and was produced in September 2021. These reports cover performance reviews and statistics for both the PPRA and the Procuring Entities (PEs) of Government, including MDAs, Local Government Authorities, parastatal organisations, autonomous Government agencies, and water authorities, as well as Regional Secretariats (in total 718 entities for 2020/21, of which 568 PEs and 150 delegated PEs).

349. PPRA operates the TANePS system, which is accessible on-line. The system had registered all 718 designated Procuring Entities in 2020/21, as well as 21,194 registered economic operators (up from 509 and 17,270 respectively in 2019/20). A tender portal is used to publish data from the system, as well as legislation, guidelines, forms, supplier training videos, contact data, etc. (www.taneps.go.tz). Public Procurement Regulations require Procuring Entities to utilise TANePS for their procurement processes, and the system therefore records and publishes General Procurement Notices, current tenders, awarded contracts and opened bid details. Although all Procuring Entities are registered in the system, compliance with the use of the system is not yet 100% but it has been expanding rapidly and is coming close to that level.

(i) Procurement monitoring

350. The procurement process in Tanzania is decentralised, and hence MDAs – as well as Parastatal Enterprises and Local Government Authorities - are designated as Procuring Entities and have the responsibility for planning and managing their procurement processes in line with the Public Procurement Act and related Regulations. In line with this responsibility, they maintain their own data records on procurement, and also publish details of tenders and contract awards on their respective websites. Nevertheless, given that the Public Procurement Regulations of 2013 and the Paymaster General's Circular No. 4 of 2019 require Procuring Entities (PEs) to utilise TANePS, the assessment team have chosen to use TANePS data as the basis for assessing the quality of procurement monitoring.

351. All Procurement Entities (PE) were registered in TANePS in 2020/21: of these 718 PEs, 588 submitted Annual Procurement Plans; 574 of these were approved by PPRA and published with corresponding General Procurement Notices (GPNs), summarising the planned scope and nature of services to be procured as well as the procurement methods. In 2020/21, these comprised 47,637 planned tenders with an estimated value of Tsh 25.82 trillion, of which 58.6% corresponded to Budgetary Central Government, 37.3% to Public Corporations and 4.1% to Local Government Authorities. 64% of the

PEs with approved APPs/ GPNs undertook procurement through TANePS and 34% published their tender awards on TANePS.

Table 3-15: Summary of Public Sector Procurement data reported in TANePS, 2020/21

Procurement Entities, Annual Procurement Plans/ General Procurement Notices, Tender Awards	Number of PEs	% Total PEs registered	% PEs with approved APPs
Procurement Entities (PEs) registered in TANePS	718	100%	-
PEs with approved APPs and GPNs	574	80%	100%
Entities undertaking procurement through TANePS	366	51%	64%
Entities publishing Tender Awards on TANePS	**194**	**27%**	**34%**

NB. 47,637 tenders were planned, of which 4, 327 were cancelled and 31,423 tenders were processed through TANePS - 73% of the planned tenders actually undertaken.

Source: PPRA, Annual Performance Evaluation Report, 2020/21.

352. Notwithstanding the significant improvement in coverage of TANePS achieved from 2019/20 to 2020/21 – with all PEs now registered in the system, it is clear that the level of compliance in using the system for managing procurement and publishing tender awards is less than complete. In particular, less than half of PEs with approved GPNs publish their tender awards on TANePS. (See Table 3-15). However, in terms of actual numbers of tenders processed through the system, rather than number of PEs, performance is better with 73% of the tenders undertaken being managed through the system. Moreover, the institutions of Budgetary Central Government show a greater use of the system, comprising 54% of the 194 entities publishing tender awards through TANePS in 2020/21.

353. Records are maintained in TANePS on what has been procured, the value of procurement and who has been awarded contracts. The system falls short of providing accurate and complete consolidated data for the procurements of the public sector as a whole. However, a majority (73%) of public sector tenders were managed and published through TANePS in 2020/21 The institutions of Budgetary Central Government in turn comprised a majority (54%) of the Procuring Entities publishing tender awards through TANePS, and we thus estimate that a majority of BCG procurements were managed and published through TANePS in 2020/21. **Dimension (i) is therefore rated a "C".**

(ii) Procurement methods

354. In accordance with section 64 of the PPA (2011), a procuring entity engaging in the procurement of goods, works, services, non-consultancy services or disposal by tender shall apply competitive tendering. Section 149 of the Public Procurement Regulations also specifies that '*international competitive bidding and national competitive tendering shall be considered before other methods of tendering*'. Legislation thus gives clear preference to competitive processes, although there are provisions for urgent procurement and for single source procurement under specific conditions. Specific rules also apply for procurement under Public-Private-Partnerships.

355. The Annual Performance Evaluation Report (APER) for 2020/21 summarises the procurement methods planned to be utilised in that year in line with the General Procurement Notices issued by PEs and approved by the PPRA. As may be seen from Table 3-16, 93.5 % of tenders by value were planned to be undertaken by competitive methods, specifically through International Competitive Bidding (ICB), National Competitive Tendering (NCT) and competitive tendering for framework contracts for the provision of Common Use Items and Services (CUIS).

Table 3-16: Planned Procurement Methods for 2020/21 as reported in TANePS

Procurement Methods	Number of Tenders	Value of Tenders (Tsh. Bn)	% of total by value
International Competitive Bidding (ICB)	635	16,628.3	64.4%
National Competitive Tendering (NCT)	13,321	5443.3	21.1%
Framework Agreements for Common Use Items & Services (CUIS)	19,017	2,069.0	8.0%
Sub-total Competitive Methods		**24,140.6**	**93.5%**
Competitive Quotation (CQ)	11,235	562.7	2.2%
Single Source (SS)	2,944	1,088.4	4.2%
Individual Selection (IS)	458	23.4	0.1%
Total		**25, 815.1**	**100%**

Source: PPRA, Annual Performance Evaluation Report, 2020/21.

356. There is no formal report from PPRA on numbers of procurements actually awarded by type and value for past years. However, it is required that proposed tender methods should be stated in advance in General Procurement Notices and these methods cannot later be changed without a valid justification and formal approval by PPRA. The statement of planned procurement methods in General Procurement Notices is therefore a very good guide to the procurement methods actually used. **With 93.5 % of procurements by value for the public sector planned to be undertaken by competitive methods in 2020/21 dimension (ii) is rated an "A".**

(iii) Public access to procurement information

357. Procurement legislation and regulations are presented and available on PPRA's website. Government procurement plans, as well bidding opportunities and contract awards are easily accessible on the TANePS website but only for those Procuring Entities that utilise TANePS for undertaking procurement and publishing tender awards. As illustrated in Table 3-15 above, the use of the system, in particular for the publication of tender awards falls short of 100%. However, we note that the data relate to all public sector Procuring Entities, and that the PEs that comprise Budgetary Central Government, which this PEFA indicator covers, comprise the majority of the users of TANePS. Hence, the evidence suggests that a majority of BCG entities present annual procurement plans and bidding opportunities on TANePS and that a majority (more than 50%) also publish their contract awards on TANePS. The information available is comprehensive – including details on the purpose, contractor and value of awards - and timely.

Table 3-17: PI-24 - Public Access to Procurement information

Information Element Required	Information Availability	Completeness & Timeliness
1) Legal & Regulatory Framework for Procurement	Yes on PPRA website	Complete and timely
2) Government Procurement Plans	Yes, on TANePS site	80% of registered PEs; timely (See table 3-15)
3)Bidding Opportunities	Yes, on TANePS site	For 73% of all procurements, greater than 50% for BCG procurements; timely
4)Contract Awards (purpose, contractor and value)	Yes, on TANePS site	For some 30% of all tenders, but more than 50% BCG tenders; timely
5)Data on resolution of procurement complaints	Not published by first level complaints to MDAs or PPRA, but by PPAA for all cases.	Complete for all cases going to PPAA; timely
6)Annual Procurement Statistics	APER and TANePS provide data but neither cumulative statistics nor trend data over time	Available data is not complete and not structured to facilitate analysis

Source: Websites of PPRA, TANePS and PPAA.

358. The individual cases as well as complaints mechanisms are presented on the PPAA website: www.ppaa.go.tz. Information on resolution of complaints is presented for each case on the PPAA website, but not for the first level of complaints made to the procuring entity.

359. Some annual procurement data are presented in the APER, which is available both in print and on the PPRA website. However, the data are not presented in a cumulative form, thus it is not possible to analyse trends over time nor to compare the planned procurement activities and methods (as presented in Table 3-16) with the procurement activities actually undertaken, i.e., the procurement "out-turn". Within the TANePS web-site there is comprehensive information on contract awards, which can be sorted out by supplier name for example, but the statistics tab of the website is empty and there are no summary statistical tables from which to analyse historical trends. Hence, complete, comprehensive annual procurement statistics are not currently available to the public.

360. Four of the six key procurement information elements (1,2,3 & 5) are complete and reliable for Central Government entities representing a majority of the procurement operations of the BCG, and are made available to the public on a timely basis. (See Table 3-17). **Dimension (iii) therefore scores a "C".**

(iv) Procurement complaints management

361. Sections 96 and 97 of the Public Procurement Act (PPA) describe the mechanisms for complaints and appeals over procurement decisions for the whole public sector. Any complaints or disputes are in the first instance to be reviewed and decided by the Accounting Officer in the Procuring Entity. A tenderer

who is aggrieved by the decision of the Accounting Officer may refer the matter to the Public Procurement Appeals Authority (PPAA) for review and administrative decision. The fee charged for an appeal by the PPAA is Tsh.200,000 (US $ 86). The resolution and complaints process is clearly described in the PPAA website.

Table 3-18: PI-24 Assessment of Procurement complaints mechanism, 2020/21

Criteria: Complaints are reviewed by a body which:	**Criterion fulfilled? (yes/no) and Justification**
(1) Is not involved in any capacity in procurement transactions or in the process leading to contract ward decisions.	**Yes:** *although the Accounting Officer of the procuring entity is the first authority for review of a complaint, the matter can then be referred to the PPAA which is independent of the procurement transaction and process.*
(2) Does not charge fees that prohibit access by concerned parties.	**Yes:** *The PPAA charges a fee of 200,000 TZS (approx. US$ 86), which is not prohibitively high.*
(3) Follows processes for submission and resolution of complaints that are clearly defined and publicly available	**Yes**: *the PPAA is clear on the processes for resolution and complaints and the rules and procedures are described on the PPAA and PPRA websites and in brochures available to the public.*
(4) Exercises the authority to suspend the procurement process;	**Yes**: *both the Accounting Officer and the PPAA can suspend the procurement process (art 100 in Public Procurement Act).*
(5) Issues decisions within the timeframe specified in the rules/regulations;	**Yes:** *all cases are presented on PPAA's website, and the sample of cases analysed were all resolved within the timeframe.*
(6) Issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority).	**Yes:** *in accordance with section 97 of Public Procurement Act.*
Number of criteria met:	**6 out of 6 (for whole public sector)**

362. Table 3-18 summarises the different rating criteria for this dimension, and to which extent they are met. Six out of six criteria for the quality of the mechanism for review of procurement complaints for the public sector as a whole were fulfilled in 2020/21. **The rating of this dimension is therefore an "A", giving a "B" score for the indicator as a whole.**

Progress since last assessment and key reforms under implementation or planned

363. **There has been significant improvement in procurement practices, which is reflected in the indicator score rising from a "C" in 2017 to a "B" in 2021.** Annual Procurement Plans are now submitted by nearly all entities and checked by PPRA. The development of TANePS and the requirement for its compulsory use have been important advances. Its utilisation is not comprehensive but it is increasing fast; with the combination of training and facilitation to encourage its use and

disciplinary measures to correct Accounting Officers authorising procurements outside of the system, compliance with TANePS is steadily increasing. Efforts should be made to improve the procurement statistics presented in Annual Performance Evaluation Reports (APERs) but the TANePS system is generating an increasingly comprehensive set of data for such analysis.

364. **Within Procuring Entities, there remain important challenges to be met in order for Tanzania's decentralised model of procurement to reach standards consistent with the best international practice.** Challenges noted by PPRA include: weak contract management by Procuring Entities (PEs), inadequate procurement staffing in PEs and inadequate capacity to apply procurement regulations. In addition, the quarterly monitoring and reporting on procurement practices by the Internal Auditors of MDAs, as required by procurement regulations, is not yet an established practice. Improvements in each of these areas fall under the responsibility of the Accounting Officers of MDAs but continued monitoring and support from PPRA is needed, backed up by increased audit work on procurement by Internal and External Audit.

PI-25 Internal controls on non-salary expenditure

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

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance change and Rationale
PI-25 Internal controls on non-salary expenditure	**D+**	**C+**	**M2 Scoring Method (Av)**	**Improvement**
(i) Segregation of duties	C	B	Segregation of duties is prescribed throughout the expenditure process and responsibilities are clearly laid down for all key steps. However, the operationalisation of the segregation of duties relies critically on the controls established within the MUSE system. As MUSE is not yet fully implemented in all MDAs, some gaps in systems for segregation of duties may exist in the minority of the MDAs of BCG which continue to apply other financial management systems used with an interface to MUSE.	Score has improved due to the more extensive process of segregation of duties incorporated in the MUSE integrated financial management system, and the steady roll-out of MUSE since 2018 to most MDAs of Central Government.
(ii) Effectiveness of expenditure commitment controls	C	C	Commitment control procedures do exist, which are partially effective. The existence of extensive expenditure arrears in several types of expenditure (PI-22) demonstrates that the system of commitment control cannot be considered comprehensive, nor to effectively limit commitments to projected cash availability and approved budget allocations for most types of expenditure.	No Change
(iii) Compliance with payment rules and procedures	D	C	Most payments are compliant with regular payment procedures and the majority of exceptions are properly authorized and verified.	Score has improved due to MUSE implementation; CAG reports show clear improvement in compliance since 2017.

366. This indicator has been assessed based on the Accounting Manual[39], a review of the IFMIS system, the CAG's annual report of the financial statements for the financial year 2019/20 and the IAGD's annual QA reports for the financial year 2020/21, and interviews with MDAs' Chief Accountants. Reference is also made to evaluation of PI-6 and PI-22, and the evidence on which these scorings are based.

(i) Segregation of duties

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

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

369. The Central Payments Office (CPO) in MoFP has the responsibility for processing payments for all MDAs on a daily basis. Payment Vouchers originate from the Heads of Departments and are to be authorized by the Accounting Officer before submission to the Payment Office. The Chief Accountants, Regional Accountants and other heads of Accounts divisions are responsible for ensuring that reconciliation is done to ascertain the correctness and integrity of transactions carried out during the year. The reconciliation process is supported by the consolidation unit at ACGEN that receives all bank statements and has access to the IFMIS data.

370. The Accounting Manual states that following the approval of budgets, specimen signatures of officials who are permitted to authorize expenditure is sent to the Accounting Unit by each Warrant Holder. The schedule of specimen signatures clearly states the types of transactions that the person may authorize, the limits and the range of chart of account codes. In addition, each MDA has internal guidelines detailing the requirements and the specific authorities.

371. The audit of the financial statements and compliance with rules and regulations of entities in the Central Government is the responsibility of the CAG, as set down in the Constitution[40] and the Public Audit Act (2008). The CAG's annual report of the financial statements for the financial year 2019/20 does not indicate any significant problems or gaps in the application of the segregation of duties, although there are some deficiencies in compliance in a <u>few</u> transactions. [See dimension (iii) below,]

372. The MUSE system includes a triple authorization and check of payments, and both specimens of signatures as well as physical personal tokens to be used to access the parts of the system an individual is authorized to use. Usernames and passwords are also used to restrict a person's access to tasks and code ranges and to enable complete transaction logs. The System's Manager module in MUSE registers responsibilities and the application access, security rights, passwords etc. for different users. The PEFA team was shown the IFMIS system (MUSE) and the processing in practice of some functions and reports. The review by the assessment team indicated that the prescribed system for segregation of duties was followed in practice.

373. Thus, segregation of duties is prescribed throughout the expenditure process and responsibilities are clearly laid down for <u>all</u> key steps. However, the operationalisation of the segregation of duties relies critically on the controls established within the MUSE integrated financial management system. As MUSE is not yet fully implemented in all MDAs, some gaps in control systems for segregation of duties

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may exist in the minority of the MDAs of Central Government (less than 10% by value, the assessment team were informed), which continue to apply EPICOR or other financial management systems used with an interface to MUSE[41]. **Therefore, the rating accorded to dimension (i) is a B.**

(ii) Effectiveness of expenditure commitment controls

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

375. The Accounting Manual establishes the procedures for fund release and commitment control of expenditure. After approval of the expenditure ceiling, the Budget department allocates funds to MDAs based on their approved budget and cash flow forecast. The department forwards an allocation schedule for salaries and other recurring recurrent expenditure, and on a monthly basis releases warrants/exchequer notifications for development and other non-periodic recurrent expenditure, as well as requests to pay outstanding arrears.

376. Functions are established in MUSE to ensure that the exchequer notifications are registered and followed: the system conducts a commitment control to check funds committed are in line with exchequer notifications and the relevant line items in the Accounts Payable, General Ledger and Cash Management modules when a payment voucher, journal entry or manual transaction is recorded. If the requested funds are not available, the expenditure will not go through.

377. However, there are two factors that impede effective commitment control: a) the monthly exchequer release system that brings significant cash constraints to the MDAs, as it tends not to be consistent with monthly needs in terms of implementing approved action plans, including procurement plans; b) Limitations with MUSE, as the application of the cash control system means that it is not yet configured to accept project-related or other commitments with a horizon of longer than one month.

378. As a consequence of these two factors, for development expenditures and "lumpy", i.e. not regular, recurrent expenditures, MDAs routinely make informal commitments outside the control of MUSE/ IFMIS – requesting suppliers to supply goods or services or contractors to proceed with work. These informal commitments are later formalized through the issue of Interim Payment Certificates (IPCs), once goods are supplied or specific stages of public works are completed. When these IPCs are presented for payment and corresponding exchequer releases are granted, commitments, accounts payable and actual payments are registered and actioned in quick succession. However, this weakens the control environment and may give rise to the development of arrears, when Interim Payment

[41] The assessment team were informed that the different interfaces to MUSE, primarily from Epicor, work well and do not in themselves present problems: the issue is rather that the interface occurs after the MDA's approval of expenditures, thus limiting the scope of the MUSE controls to the payment and accounting stages.

Certificates are presented for payment and cash constraints prevent these from being paid straightaway. The situation is exacerbated if projects are implemented faster than planned, resulting in budgets being exceeded. In practice, what is entered into MUSE under the monthly cash limit system is only a portion of the actual commitments (particularly for project contracts).

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

(iii) Compliance with payment rules and procedures

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

381. Deficiencies prevail according to IAG and CAG reports for 2019/20 for central government. In particular, CAG reports inadequately supported payments and missing payment vouchers of TShs. 7,3 bn and unauthorized expenditure of 3,2 bn. In IAG's annual report on quality assurance for 2020/21, payments totalling of Tsh.47,7bn had errors, the most significant related to "Electronic Fiscal Device Receipts not issued" 15,0 bn, "Unsupported payments" 11,7 bn and "Missing Payment Vouchers" 8,4 bn. "Withholding Tax Deducted but not remitted amounted to Tsh.5,1bn, "Improperly vouched Expenditure" 3,3 bn. However, these are not substantial figures in relation to the total budget; moreover, the audited entities include all major MDAs of Central Government and, thus, these audits should have captured the main deficiencies in compliance.

382. Our assessment is that <u>most</u> payments – well over 75% - are compliant with regular payment procedures and that the <u>majority</u> of exceptions are properly authorized and verified. **Dimension (iii) therefore scores a "C", giving a "C+" for the indicator as a whole.**

Progress since last assessment and key reforms under implementation or planned

383. **Scoring against this indicator has improved from a "D+" in 2017 to a "C+" in 2022**. In comparison with the figures obtained for the previous PEFA assessment the amounts of the erroneous payments have decreased considerably. In 2015/16 the CAG report included payment anomalies of a total sum of Tsh. 136.6 billion for the Central Government. The use of MUSE, the deepening of the Single Treasury Account and the related consolidation are likely sources of an improved level of control.

384. **Strengthening commitment controls remains the key priority in this area**. As we noted in the discussion on predictability of in-year resource allocation (PI-21), this is likely to require actions not only on the control side but also in relation to budget formulation and the clearance of accumulated arrears.

PI-26 Internal audit effectiveness

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

386. The indicator has been assessed based upon: the annual reports for the financial years 2019/20 and 2020/21 of the Internal Auditor General Department's (IAGD) Quality Assurance Section; IAGD's Internal Audit Manuals, handbooks and guides; IAG's QA handbook; and IAGD's annual audit plan for 2021/22. The team also interviewed internal auditors in IAGD and project coordinators from the GIZ support project. The JICA project completion report from November 2020 has also been studied.

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance Change and Rationale
PI-26 Internal Audit	**C+**	**C+**	**M1 Scoring Method (WL)**	**No Change**
(i) Coverage of internal audit	B	B	The internal audit function is in place for central government entities representing most of total budgeted expenditure and for central government entities collecting all of government revenue. However, staff turnover and shortages puts the functionality and coverage of their audit in jeopardy.	No Change
(ii) Nature of audits and standards applied	C	C	Internal audit activities have a primary focus on financial compliance.	No Change
(iii) Implementation of internal audits and reporting	C	C	Annual audit programmes and plans exist and are submitted to IAGD. However only 77 % submitted annual reports in 2020/21. For audit committees the submission rate was 35 % We assess that the majority of programmed audits are completed.	No Change
(iv) Response to internal audits	C	C	Management provides a full response for the majority of CG entities audited. However, the implementation pace is slow for some entities and many recommendations are not implemented.	No Change

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

388. The IAG has overall responsibility for the internal audit function in the Ministries, Departments, Regional Administrative Secretariats and Executive Agencies of Central Government, as well as in Local Government Authorities, and for Donor Funded Projects in Central or Local Government. The IAG has the responsibility to:

a) Develop internal audit policies, standards, manuals and guidelines;
b) Develop and supervise implementation of the internal audit strategy and annual audit programme;
c) Manage and control the quality of operations of the audit units and audit committees;
d) Facilitate development of the audit cadre;

e) Liaise with the CAG, Accountant General and Accounting Officers; and
f) Make follow up of agreed audit recommendations.

(i) Coverage of internal audit

389. For Central Government, all audit entities except one are reported to be in place in the MDAs. However, the CAG has noted weaknesses in terms of shortage of staff and other resources and in the functioning of Audit Committees, several of which do not meet or submit annual reports and whose performance it has not been possible to evaluate.

390. At least one internal auditor is in place in all MDA entities. For the whole of government there are 2,409 staff positions for IA, of which 1,469 are filled. IAG in his annual QA report for 2020/21 has identified staff and resource shortages in IA units at MDAs. The JICA report as well as GIZ project co-ordinators mentioned staff turnover and shortages as a problem area for the proper functioning of the IA. From the annual IAG reports, the statistics in Table 3-19 reveal the planned and actual submission of annual audit reports for the three-year period.

Table 3-19: Planned & Actual Submission of Internal Audit Reports, 2018/19 – 2020/21

INSTITUTIONS	ANNUAL REPORTS SUPPOSED TO BE SUBMITTED			ANNUAL REPORTS SUBMITTED					
	2018/ 2019	2019/ 2020	2020/ 2021	2018/ 2019	%	2019/ 2020	%	2020/ 2021	%
Ministries	26	26	26	22	85	16	62	26	100
Departments	34	34	30	15	44	32	94	29	97
Agency	38	38	31	22	58	28	74	28	90
Regional Secretariat	26	26	26	15	58	13	50	9	35
Board	17	17	26	5	29	11	65	13	50
Other Governent Institutions	40	40	151	21	53	35	88	119	79
GRAND TOTAL	**181**	**181**	290	**100**	**55**	**135**	75	**224**	77

Source: IAGD Annual Reports

391. For 2020/21it can be noted that 77% of expected IA reports and 50% of IA committee reports had been submitted for CG entities. The submission rates have been increasing substantially over the period, especially for MDAs.

392. Based on the list of current staffing of Internal Audit Units, as well as the results from the CAG assessment, the statistics of submitted reports and interviews with IAGD, internal audit is considered operational for CG entities representing most – but not all - total budgeted expenditures, and entities collecting nearly all budgeted revenues. **Staff turnover and shortages put the functionality and coverage of audit in jeopardy but the dimension (i) is nevertheless rated a "B".**

(ii) Nature of audits and standards applied

393. The second dimension measures the nature of audits performed and the extent of adherence to professional standards. The IAG has developed internal audit manuals and guidance material that reflect

the important elements of the IPPF (International Professional Practices Framework) of the Institute of Internal Auditors (IIA). The internal audit manual has recently been updated and includes requirements and guidance on evaluation of adequacy and effectiveness of internal control as part of an audit. A risk-based approach has been introduced.

394. The IAG QA report for 2019/20 summarises findings from IA work in CG. Based upon the IA units' reporting, IA work is clearly focussed on issues of compliance relating to procurement and supplies management, expenditure and asset management, revenue management, implementation of development projects, and management of liabilities/debt and human resources. The central IAGD plans for 2021-2022 include several activities to evaluate internal controls and systems but the scope and reach of such activities is not sufficient to change the primary focus of IA work.

395. The IAGD's manual and guidance materials clearly reflect the IPPF of the Institute of Internal Auditors and its training, and centrally coordinated activities focus on internal controls and systems. Nevertheless, at the national level IA activities are primarily focused on financial compliance. **Hence, dimension (ii) is rated a "C".**

(iii) Implementation of internal audits and reporting

396. The third dimension assesses evidence of an effective internal audit function as shown by preparation of annual audit programmes and their actual implementation, and availability of internal audit reports. The rating is to be based on the annual audit report of the last completed fiscal year, i.e. 2020/21.

397. In line with the Public Finance Act as revised in 2010 and the Public Audit Act Section 15, each audit unit in the MDAs and RASs is required to report on findings from their audits to the Accounting Officer in their entity, and to submit a copy of quarterly internal audit reports to the Paymaster General (where it can be reviewed by IAG) and to the CAG. The IAG is required to scrutinize audit reports from audit units and prepare a summary of major audit observations and recommendations and submit this to the Paymaster General for further action. Audit recommendations are also to be registered and followed up in the GARI-ITS system

398. According to the 2020/21report, 91% of the CG entities have submitted internal audit plans to the IAG. However, only 77% also submitted annual audit reports. In the case of audit committees, 35% submitted annual reports to the IAG.

399. Annual audit programmes and plans exist and are submitted to IAGD. However only 77 % of the CG entities submitted annual reports in 2020/21. For audit committees the submission rate was 35 %. **We assess that the <u>majority</u> of programmed audits are completed; hence, the rating of this dimension is a "C."**

(iv) Response to internal audits

400. The Public Financial Regulations (2001) require the internal audit units in MDAs and RASs to review and report on the adequacy of actions taken by the management in implementing recommendations

made by internal auditors. It is the responsibility of the individual internal audit units to keep record of their recommendations and management's follow up. They are also required to register the recommendations and responses in the GARI-ITS system jointly with CAG. CAG makes a follow-up of responses in GARI-ITS on a quarterly basis. The Accounting Officers provide management responses, and CAG and IAGD follow up on the implementation. The 2021/21 report from IAGD noted that among the 1,853 long outstanding audit recommendations from both external and internal audit, 1,303 were still "under implementation" and 560 "not implemented". CAGs annual report reveals similar figures (See under Indicator 30.3.) For 2019/20 the total figure was 1,853 long outstanding issues. A deeper scrutiny of such recommendations reveal that the majority referred to "Other Government Institutions" not the central Ministries and Departments.

401. The evidence received from the MDAs interviewed on management responses to internal audit recommendations indicates that the practice of preparing management responses to IA recommendations is reasonably well established.

402. The assessment made is that management provides a full response for the majority of CG entities audited. However, the implementation pace is slow in some entities where many recommendations are not implemented. **The score for this dimension is therefore a "C", giving a "C+" for the indicator.**

Progress since last assessment and key reforms under implementation or planned

403. **The score against this indicator remains a "C+" in 2022 but our overall judgement is that there has been progress in the internal audit function since 2017**. Main achievements include introduction of a risk-based audit and related training, the registration and monitoring of audit recommendations in the GARI-ITS system, and programmes for capacity building and establishment of a championship entity of internal auditors. However, the sustainability of these results are impeded by staff turnover and high vacancy rates.

404. **Further progress in strengthening Internal Audit calls for efforts to improve recruitment and retention of staff.** The CAG has noted weaknesses in terms of shortage of staff and other resources and in the functioning of audit committees, and it would seem that new thinking is needed to find solutions to these ongoing problems.

405. The introduction of computer support for the audit function and additional training in the use of MUSE would assist the effectiveness of Internal Audit.

406. Notwithstanding the introduction of the GARI-ITS system, further efforts are needed to strengthen management actions in response to audit recommendations. Continued staff shortages in IA units make it difficult to ensure audit recommendations are effectively followed up.

3.7 Pillar VI – Accounting and Reporting

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

PI-27 Financial data integrity

408. This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. It should be read in conjunction with PI-21 and PI-22 on Predictability of in-year resource allocation and Expenditure Arrears, respectively. The assessment of this indicator is based on interviews with ACGEN, IAG and CAG staff, selected MDA staff members, as well as a review of the accounting manual and the audit reports from IAG and CAG.

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for the 2022 Score	Performance Change and Rationale
PI-27 Financial data integrity	**C**	**C+**	**Scoring Method M2 (AV)**	**Improvement**
(i) Bank account reconciliation	B	B	Bank reconciliation of all active central Government accounts takes place monthly, usually before 4 weeks from the end of each month	No Change
(ii) Suspense accounts	D	N/A	The absence of a suspense account facility or of any alternative organised procedure to keep track of pending postings (receipts or expenditure) is a deviation from best practice. We remain of the opinion that dimension (ii) should be rated "D", but to allow for comparisons with other PEFA assessments and to follow the guideline the rating given is N/A (Not Applicable).	In the absence of a suspense account facility or any equivalent procedure, this dimension has been rated 'not applicable'. As a result of excluding this dimension, the aggregate score has improved from a C to a C+.
(iii) Advance accounts	D	D	A complete reconciliation of advances and imprest accounts only takes place annually within the deadline for submission of the annual financial statements from MDAs, namely three months after year's end.	No Change
(iv) Financial data integrity processes	B	B	Access to records is restricted and all changes recorded, resulting in an audit trail. There is no specific unit in charge of verifying and checking data integrity.	No Change

(i) Bank account reconciliation

409. In accordance with the accounting procedure, manual reconciliation should be undertaken as a daily process and accounting officers should provide reconciliation of cash books against the Central

Payment Office's cash book on a monthly basis. The Accountant General's department is responsible for preparing the consolidated bank reconciliation statement to the CAG by the end of the financial year. ACGEN receives bank statements directly from BOT for the STA and subaccounts and other accounts held at BoT and commercial banks. These are reconciled with MUSE reports and reports from entities using other systems. This is done on a daily basis, but is reported in a monthly report. MDAs get feed-back of the results and are tasked to clear their unused accounts and investigate erroneous entries.

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

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

(ii) Suspense accounts

412. A suspense account is an account in the books of an organization in which items are entered temporarily before allocation to the correct or final account. GoT does not operate suspense accounts. Any transaction pending registration due to lack of information and in need of investigation is therefore not posted in MUSE, EPICOR or other systems, but rather kept aside awaiting investigation.

413. The absence of a suspense account facility or of any alternative organised procedure to keep track of pending postings (receipts or expenditure) is a deviation from best practice. **We remain of the opinion that dimension (ii) should be rated "D", but to allow for comparisons with other PEFA assessments and to follow the guidelines of the PEFA Secretariat the rating given is N/A (Not Applicable)**.

(iii) Advance accounts

414. Standing imprest accounts and travel imprests can be paid in accordance with the Public Finance Regulations of 2001, no 56-103. Travel imprest accounts must be retired within 14 days of return. No further imprest may be advanced if the officer has an unretired imprest. Failure to retire any imprest within 30 days of the end of the financial year may lead to recovery from the salary or other amounts due.

415. Every MDA vote has an imprest account. It is used for small expenses and must be cleared by the end of the year. They are paid by use of commercial bank accounts. Internal Audit checks the use and clearance of imprest accounts.

416. Advances to contractors are the responsibility of accounting officers and must also be cleared by year's end. The CAG notes in his annual report for 2019/20 the inadequate maintenance of imprest accounts at five MDAs with a value of TShs. 6.8 billion where cash books for imprest are not maintained and a

monthly reconciliation has not been carried out. For the same year, the IAG notes unretired imprests to a value of TShs 2.3 billion.

417. The consolidated accounts for 2019/20, in the report on the financial position, contain a disclosure of current assets, under receivables and prepayments, with a narrative line in the explanatory note for "staff advances and imprest" of Tsh. 57.7 bn as at 30 June 2020. The figure stood at Tsh. 56.3 bn as at 30 June 2019. For prepayments for assets the report discloses TShs. 2,143 bn. However, these figures cover more than budgetary Central Government.

418. The assessment team's interviews suggest that reporting and reconciliation takes place monthly in connection with monthly reconciliation in MUSE. However, there is no documentary evidence of monthly or quarterly reconciliations in the quarterly reports. We therefore draw the conclusion that a complete reconciliation of advances and imprest accounts only takes place annually within the deadline for submission of the annual financial statements from MDAs, namely three months after year's end. **The rating for this dimension is hence a "D".**

(iv) Financial data integrity processes

419. The System Development Unit (SDU) in the Financial Management Information Systems Division in MoFP has the responsibility for authorization of access to Governments central FMS systems, including MUSE. The MUSE system includes a triple authorization and check of payments, specimen of signatures as well as physical personal tokens to be used to access the parts of the system an individual is authorized to use. The system can produce log reports. No specific team is responsible for data integrity but in-built and consistency checks are made.

420. The CAG report for 2019/20 does not contain any observations related to the control efficiency of MUSE, EPICOR or the HCMIS system. However, it includes some observations related to the general ICT environment, such as a lack of a risk assessment and the need for a roadmap for further integration of systems.

421. Access to records is restricted and all changes recorded, resulting in an audit trail. There is no specific unit in charge of verifying and checking data integrity. **The rating of dimension (iv) is therefore a "B", giving a "C+" for the indicator as a whole.**

Progress since last assessment and key reforms under implementation or planned

422. **The assessment shows a modest improvement in financial data integrity, increasing from a "C" in 2017 to a "C+" in 2022**. The continued use of the MUSE (and locally EPICOR) and HCMIS systems, and further integration of these systems is likely to further improve data integrity. The access and use of these systems for audit purposes, both for internal and external audit, is also an area that can be developed further and would bring gains in financial integrity.

423. **Relatively simple, low cost changes could make a large positive difference**. For example, improved monitoring and/or consolidation of bank reconciliation processes, the introduction of a

facility for suspense accounts and a documented process of verification of financial data integrity would significantly improve performance. A stricter, more timely process for dealing with advances could also be introduced simply through procedural changes.

PI-28 In-year budget reports

424. This indicator assesses the comprehensiveness, timeliness and accuracy of in-year budget execution reports. Regular in-year reporting is essential for budget monitoring and for 'early warning' of significant deviations, whether due to under-collection of revenues, over-spending against budget or under-spending (for example on development projects), and thus for timely implementation of corrective measures. The publication of these reports ensures that budget monitoring takes place within a wider framework of public accountability and that any corrective measures are taken in a transparent manner.

425. The assessment is based on study of the MoFP website, the quarterly and mid-year reports available there, the Wajibu CASFAR report of 2019/20 and interviews with MoFP and MDA staff.

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance Change and Rationale
PI-28 In-year budget reports	**D**	**C**	**Scoring Method M1 (WL)**	**Improvement**
(i) Coverage and comparability of reports	D	C	The coverage and classification of the published quarterly Budget Execution Reports allow direct comparison to the original budget only for the main administrative headings. They do not include the details of actual expenditures made from the transfers received by the de-concentrated units of Central Government	The score has improved due to the improvement in the degree of accessibility of quarterly Budget Execution Reports. However, the range of information provided therein, and the consequent scope of potential comparison to the original budget have not expanded.
(ii) Timing of in-year budget reports	D	C	Apart from the report for the first quarter, the published reports are available quarterly and issued within 8 weeks from the end of the quarter.	The score has improved due to the improvement in the regularity and timeliness of quarterly Budget Execution Reports.
(iii) Accuracy of in-year budget reports	D	C	There are some concerns regarding data accuracy. Data is however useful for analysis of budget execution, but on a highly aggregate level. Expenditure is captured at payment stage.	The score has improved because the quarterly BERs have become more regular and more accurate in their data, although concerns over data accuracy persist.

(i) Coverage and comparability of reports

426. Detailed reports allowing a comparison with the budget are available on-line by use of the MUSE systems instantly but these are not publicly available. The only in-year reports published on MoFP website are the quarterly budget execution reports (BERs) and the mid-year report. These reveal a comparison with the main administrative headings in the original budget with seven revenue categories

and 5 expenditure group items; Salaries and wages, Goods services and transfers, Interest, Debt amortization and Development expenditure.

427. Direct access to reports in the MUSE system can give more detailed and frequent data. In this phase of implementation such access cannot be said to be universally available for all stakeholders with an interest in budget monitoring. The coverage and classification of the published quarterly BERs allow direct comparison to the original budget for the main administrative headings only; moreover, they do not include the details of actual expenditures made from the transfers received by the de-concentrated units of Central Government, such as the universities. **Therefore, dimension (i) is rated a "C".**

(ii) Timing of in-year budget reports

428. Reports from the IFMIS systems (MUSE and Epicor) are instantly available for the authorized users. Quarterly Budget Execution Reports (BERs) are published on the MoFP website (appearing somewhat randomly under the different menu headings on the website) and during 2020/21 were published within 8 weeks of the end of the quarter. The quarterly report for the first quarter of 2021/22 was, however, by the 21 December 2021 still not published on the website.

429. Apart from the report for the first quarter, the published reports are available quarterly and issued within 8 weeks from the end of the quarter. As many budget holders would rely on these reports the **dimension (ii) is rated a "C".**

(iii) Accuracy of in-year budget reports

430. In the quarterly and mid-year reports expenditure is captured at payment stage. The reports published capture information neither on commitments nor on accounts payable, which would be of greater use in anticipating the pattern of expenditure for the remainder of the fiscal year.

431. CAG noted in his annual report regarding the consolidated statements of cash flows and financial performance that there were un-reconciled receipts and payments amounting to Tsh.8.4 and Tsh. 9.4 billion respectively and recommended government to strengthen its quality review mechanism to ensure that consolidated information is accurately reported in compliance with IPSAS and ACGENs circular.

432. There are some concerns regarding data accuracy. Data is however useful for analysis of budget execution. Expenditure is captured at payment stage. **This results in a C rating for dimension (iii).**

Progress since last assessment and key reforms under implementation or planned

433. **The indicator score has improved to a "C" from a "D" in 2017, when quarterly reports were not published at all in 2015/16**. Nevertheless, given that more detailed reports are available more readily and more timely through MUSE and the other accounting systems in use, an improved access and publication policy would be easy to implement. With a systematic and structured policy

towards the preparation, publication and distribution of quarterly budget reports, an "A" score on this indicator could be easily obtainable based upon the existing accounting and financial reporting systems.

PI-29 Annual financial reports

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

435. The indicator has been assessed based on the consolidated and audited financial statements for 2017/18, 2018/19, 2019/20, The indicator has also considered the budget for the GoT for the financial year 2019/20, the CAG's audit report for the financial year 2019/20, the Public Finance Act (2001), MoFP's IPSAS user guide from 2021 and the MoFP's Accounting Procedures Manual – second version 2021, as well as interviews with CAG, ACGEN and a small number of MDAs.

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance change and Rationale
PI-29: Annual financial reports	**C+**	**C+**	**M1 Scoring Method (WL)**	**No Change**
(i) Completeness of annual financial reports	C	C	Most of the desired information is contained in the annual report. However, the level of aggregation is high, details of budgets compared to outturn for votes/ ministries do not feature, and arrears are not consistently reported.	No Change
(ii) Timely submission of reports for external audit	B	B	The consolidated financial statement for budgetary Central Government has in the past three years been received by CAG within 6 months of fiscal year end.	No Change
(iii) Accounting standards	C	B	Accounting standards are applied to all financial reports and are consistent with the country's legal framework. The majority of international standards have been incorporated into the national standards, with the minor variations and gaps duly explained.	Improved score due to the incorporation of the majority of international standards and the clear disclosure of gaps and variations. In earlier years, when migration to IPSAS accruals was incomplete, this did not prove possible.

(i) Completeness of annual financial reports

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

437. The Public Finance Act provides details of information to be included in annual accounts prepared by the Accountant General. According to the Act, the financial statements should include revenues, expenditure, assets and liabilities including financing, loans and guarantees, public debt, and contingent

liabilities. They should also include revenue arrears and outstanding commitments. This information has been published in the latest three years' consolidated financial statements.

438. The consolidated financial statements are prepared annually. They contain a table comparing the overall summary outturn with the overall and initial Government budget. They disclose a segmented cash flow statement divided into Budgetary Central Government (MDAs and RAS), Extra Budgetary entities, social funds, LGAs, and financial and non-financial Corporations, although they do not include a comparative table at vote or institution/entity level.

439. The statements are comparable with the approved budget in so far as there is a statement of comparison of budget and actual amounts for the year. The statement reveals original and adjusted budget amounts as well as actual outturn on a comparable basis for revenue and expenditure group items, but does not include comparisons by vote.

440. The latest published statement for the year ended 30 June 2020 contains less detail when compared to the two earlier years. There is no statement of financial position or of cash flow per ministry which was the case in the 2017 and 2018 statements. Although those tables did not compare revenue and expenditure for each ministry with the budgeted amounts, they did compare the outturn with the previous year. The reporting of arrears is not reconciled with the GAMIS system reports and only included in the accounts payable and accruals. (See indicator PI-22.)

Table 3-20: PI-29 - Content & Timing of Annual Financial Statements 2019/20

Financial report	Date submitted for external audit	Content of annual Consolidated Financial Statement			
		Expenditure and revenue by economic classification	Financial and non-financial assets and liabilities	Guarantees and long term obligations	Reconciled cash-flow statement
Annual Financial statements 2019/20	MDAs submit **before 30th, Nov. 2020**. ACGEN submits consolidated annual report **before 31 December**	**Yes**	**No -** *Information on liabilities incomplete due to arrears reconciliation problem and outdated pension fund liabilities (See PI -22.)*	**Yes**	**Yes,** *although with certain mis-statements as reported in the audit by CAG.*

441. Most of the desired information is contained in the annual consolidated financial statement (See Table 3-20.). However, the level of aggregation is high, details of budgets compared to outturn for votes or ministries do not feature, and arrears – a key element of financial liabilities - are not consistently and accurately reported. **For these reasons, the dimension is rated a "C".**

(ii) Submission of reports for external audit

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

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

444. The CAG, the Accountant General and the Parliamentary Public Accounts Committee members all confirmed that the 6-monthly deadline specified in the Act was systematically respected. The 1st level review of the 2020/21 consolidated financial statements by the CAG has taken place between 17th and 31st, December 2021, meaning that financial statements were received in advance of the 17th, December.

445. The consolidated financial statement for budgetary central Government has in the past three years been received by CAG within 6 months of the end of the fiscal year. **A "B" score is therefore accorded to this dimension.**

(iii) Accounting standards

446. The third dimension assesses the extent to which annual financial reports are understandable to the intended users and contribute to accountability and transparency. This requires that the basis of recording the Government's operations and the accounting principles and national standards used should be transparent. In order to assess this dimension, the team examined the consolidated and audited financial statements for 2017/18, 2018/19, 2019/20, as well as MoFP's IPSAS user guide from 2021 and the MoFP's Accounting Procedures Manual – second version 2021, drawing also on interviews with CAG, ACGEN and a small number of MDAs.

447. The Public Finance Act states that all accounts submitted to the CAG are to be prepared in accordance with instructions issued by the Accountant General, regarding the basis of accounting to be adopted and classification system to be used when preparing the financial statement. The Government adopted International Public Sector Accounting Standards (IPSAS) on an accrual basis for the preparation of its financial statements from 1st July 2012 and produced its first IPSAS cash financial statements for the financial year 2012/2013.

448. The GoT is now fully compliant with IPSAS accrual standards as described in MoFP's IPSAS User guide of 2021 and Accounting Procedures Manual. Notes explain the significant accounting policies applied. There are no specific notes for standards used in the annual audited financial statement, but mention is made of IPSAS being fully applied. The IPSAS user guide refers to national regulations as well as all

relevant IPSAS standards, except for IPSAS 42 which relates to Social Benefits and IPSAS 18 Segment Reporting.

449. The accounting standards applied to all financial reports are consistent with the country's legal framework. The majority of international standards have been incorporated into the national standards, with the minor variations disclosed and gaps explained. The standards used in preparing annual financial reports are disclosed. **The assessment of this dimension leads to a "B" rating, giving a "C+" for the indicator as a whole.**

Progress since last assessment and key reforms under implementation or planned

450. **The score against this indicator has remained unchanged since the 2017 PEFA, remaining a "C+".** However, this reflects the "weakest link" scoring methodology, which dictates that without improvements across all three dimensions, the indicator score cannot improve to a "B" overall. If an overall improvement is to be recorded, Government's reporting on the real value of expenditure arrears needs to be fully incorporated in "accounts payable". This must be given priority if confidence in consolidated financial reports is to be achieved.

451. **The Government has managed to migrate from IPSAS cash basis to IPSAS accrual, which is a major achievement.** However, accrual reporting is not without its challenges. For example, while tax payments due should be accrued and counted as assets, if a significant proportion of these are never received – due to tax-owing companies going bankrupt for example - then this would give a misleading picture of government's financial position. Similarly, if arrears or accrued pensions are understated, this would give an unduly favourable view of government's liabilities. In the early stages of application of IPSAS accrual accounts, it is important to introduce the necessary checks and balances to ensure that accounts provide the truest and most accurate view of the net financial position.

452. The recently published IPSAS user guide and the second version of Accounting Procedures Manual are fully IPSAS concurrent and should serve to improve reporting quality. It would be prudent to consider further measures – perhaps in consultation with the CAG - to strengthen the procedures for the production of the consolidated annual financial statements. In particular, we note that the level of aggregation is high and details as compared to votes/ ministries do not feature. Reporting of accounts payables and accruals would also benefit from further detail and calibration with arrears reporting.

3.8 Pillar VII – External Scrutiny and Audit

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

PI-30 External audit

454. Reliable and comprehensive external audit is an essential requirement for ensuring accountability and transparency in the use of public funds. It provides assurance that information in financial reports is accurate and contains no material errors that would affect the reports' interpretation. The first three dimensions of this indicator focus on the quality, timeliness and effectiveness of the audit of the Government's annual financial reports, and the fourth on the degree of independence of the external audit function. A modern SAI would also be expected to adopt aspects of performance audit: this is covered under dimension (iv) of PI-8, which assesses the evaluation of service delivery performance.

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance Change and Rationale
PI-30: External Audit	**C+**	**B**	**M1 Scoring Method (WL)**	**Improvement**
(i) Audit coverage and standards	B	B	CAG's annual audit reports include results from audit of CG entities representing most total expenditures and revenues. These have followed national audit standards which are largely compliant with the ISSAIs, and audits have highlighted relevant material issues and systemic and control risks..	No Change
(ii) Submission of audit reports to the legislature	B	B	Audited reports have been submitted to the National Assembly within six months from receipt of the financial statements by CAG for the last three completed fiscal years.	No Change
(iii) External audit follow-up	B	B	A formal, comprehensive, and timely response was made by the Executive or the audited entities on which follow-up was expected, during the last three completed fiscal years. However, the follow-up to audit recommendations by the Executive is not fully effective.	No Change
(iv) Supreme Audit Institution Independence	C	B	The CAG has a 5-year renewable period of tenure and enjoys significant constitutional protection from removal from office. The CAG operates independently from the Executive with respect to the planning of audit engagements and the de facto procedures for appointment of the head of the SAI as well as the execution of the SAI's budget. The CAG has unrestricted, timely access to records for all audited entities.	Score has improved: because the CAG now enjoys full operational control in the execution of his budget.

455. The indicator has been assessed based on the Constitution of the United Republic of Tanzania (1977), the Public Finance Act 2001(revised 2004), the Public Audit Act 2008, the CAG's audit reports for the last three completed financial years (2017/18- 2019/20), including documentation of the status of audit recommendations from previous years. Interviews have been carried out with CAG staff and the secretariat of the PAC. The audit opinions for the consolidated financial statements for the three years have also been studied as well as the Wajibu report on the Country's Annual State of Financial Accountability (CASFAR) of 2019/20. Although the CAG has responsibility for auditing public

enterprises and Local Government Authorities, the scope of this indicator is limited to Central Government.

(i) Audit coverage and standards

456. Based on a review of the CAG's CG annual audit reports for 2017/18, 2018/19 and 2019/20, it is clear that audit coverage includes extra-budgetary funds and autonomous agencies as well as the ministries and departments of Central Government. Reports highlight relevant and material issues, as well as systemic and control risks.

457. The audits were conducted in conformity with International Standards of Supreme Audit Institutions (ISSAIs) issued by the International Organisation of Supreme Audit Institutions (INTOSAI).

458. The audit reports include results from audit of CG entities representing most expenditures and revenues. For 2019/20 the 43 Embassies and High Commissions have been excluded due to the pandemic and travel restrictions.

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

460. CAG's annual audit reports include results from audit of CG entities representing most but not all assets and liabilities, expenditure and revenue; these have followed national audit standards which are largely compliant with the ISSAIs, and audits have highlighted relevant material issues and systemic and control risks. When travel restrictions can be lifted audit of the Embassies and High Commissions should also be possible. **Dimension (i) is therefore rated a "B".**

(ii) Submission of audit reports to the legislature

461. The Public Finance Act requires accounting officers to prepare and submit to the CAG financial statements in respect of the votes, revenues and moneys for which they are responsible within four months of the end of the FY[42]. The Accountant General is required within six months of the end of the financial year to prepare and submit financial statements of the Consolidated Fund to the CAG for external audit.

[42] Our interviews with the CAG, the Accountant General and a small selection of MDAs suggest that a high proportion of MDAs do indeed submit their financial statements to CAG within the 4-month limit, with a copy also submitted to the Accountant General. However, the assessment team has not been able to access a comprehensive listing of the MDA reports received by CAG each year with respective dates for each.

462. Pursuant to Public Audit Act, the CAG shall submit to the President and the Minister of Finance, or appropriate Minister audited reports of public entities and the consolidated fund within nine months following the expiration of the financial year. The final report shall be laid by the Minister or appropriate Minister to the National Assembly within seven days of its next sitting after he has received it.

463. A meeting with CAG auditors confirmed that the financial reports were submitted from accounting officers to the CAG and Minister by the 30th September each year. The consolidated financial statements were submitted by the Accountant General to CAG in December each year. The audited consolidated financial statements and annual audit reports were submitted to the President between February and the end of March. Based upon data from the Clerk to the Parliament, the successive reports of the CAG have been tabled in Parliament on 8th, April 2019, 6th, April 2020 and 8th, April 2021. (These dates are also confirmed in the Wajibu CASFAR report.)

464. Audit reports have hence been submitted to the National Assembly within six months from receipt of the financial statements by CAG for the last three completed fiscal years. **The dimension is therefore scored "B".**

(iii) External audit follow-up

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

Table 3-21: PI-30 - Implementation of CAG audit recommendations, 2016/17 - 2018/19

Status	2018/19	2017/18	2016/17
Implemented	1,508	1,474	1,459
Under Implementation	2,003	1,588	1,626
Not Implemented	1,211	1,080	752
Overtaken by Events	259	286	445
Reiterated	502	308	-
Total	**5,483**	**4,736**	**4,282**
Percentage Implemented	**27.5%**	**31.1%**	**34.1%**
Percentage Under Implementation	**36.5%**	**33.5%**	**38.0%**

466. Further to the requirements of the PAA, an information system has been established to keep a consolidated overview of the individual entities' responses, with a database (the GARI-ITS system) covering both internal audit and CAG recommendations, as well as PAC and LAAC recommendations,

management responses and action plans, thus allowing the CAG to monitor the status of recommendations and actions. In the last three fiscal years, the CAG as well as the IAG have included, as required by the PAA, an implementation status of the action plan in their annual audit reports.

467. There is evidence that a formal, comprehensive and timely response to CAG audits has been made by the Executive in the last three fiscal years. However, reports from the IAG and the CAG to the Legislature show that some PAC directives and a substantial percentage of CAG audit recommendations from previous years have not been implemented or remain under implementation as demonstrated in Table 3-21.

468. This indicates that a formal, comprehensive, and timely response was made by the Executive or the audited entity on audit recommendations for which follow-up was expected, during the last three completed fiscal years. However, the follow-up to audit recommendations by the Executive is not fully effective. **Dimension (iii) is thus rated a "B".**

(iv) Supreme Audit Institution Independence

469. The fourth dimension assesses the independence of the SAI from the Executive. Independence is essential for an effective and credible system of financial accountability, and should be laid down in the constitution or comparable legal framework. The Lima and Mexico Declarations[43] are the main sources of best practice for independence of an SAI, and identify financial independence, operational autonomy and an independent Head of SAI as a minimum to obtain this level of independence.

470. The office of the Controller and Auditor General is established in the Constitution, which protects the CAG's independence and operational autonomy. Specifically, it gives him or her '*unrestricted access to such people, documents, computers and other information systems and assets as the CAG reasonably considers necessary*' (Article 143). This Article further states that, *'in the discharge of his functions, …the CAG shall not be obliged to comply with the order or direction of any other person or Government Department.*'

471. The Public Audit Act vests the power of appointment of the CAG with the President. In making this appointment, the President is required by the Public Audit Act '*to consider relevant professional qualifications, experience and leadership skills suitable for appointment to the post.*' Moreover, there is a de facto procedure, by which the President consults the Paymaster General, the outgoing CAG and other senior members of Government in the process of appointing the CAG.

472. The Constitution (Article 144) contains detailed rules pertaining to removal from office of the CAG, for which the President must follow a specific procedure, involving the appointment of a Special Tribunal with a professional composition, the recommendation of which the President must follow.

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

473. The Act prescribes a procedure for the preparation of estimates and budget approval for the CAG office with a consultative meeting chaired by the chairman of the Public Accounts Committee, members being the CAG, the Minister and members of the PAC. The budget proposal agreed by the committee shall be submitted to the Minister and forwarded to the National Assembly without alteration.

474. Once its budget is approved, the CAG/ NAOT receives monthly transfers from the consolidated fund. These funds are transferred into a segregated account that is managed by the Chief Accountant at NAOT. The Chief Accountant reports to the Accounting Officer who is appointed by the CAG. The NAOT receives monthly on-time distributions from the consolidated fund that reflect the approved budget amount and are not subject to the discretionary cash ceilings applied to the majority of the Central Government.

475. In accordance with Article 143 (6) of the Constitution, the CAG is not influenced by Government or any other institution in the preparation of the annual audit plan. The CAG has the prerogative to decide on which special audits to conduct.

476. The CAG has a 5-year renewable period of tenure and enjoys significant constitutional protection from removal from office. The CAG operates independently from the executive with respect to the planning of audit engagements and the de facto used procedures for appointment of the head of the SAI as well as the execution of the SAI's budget. Moreover, the SAI has unrestricted and timely access to records, documentation and information for all audited entities. **Dimension (iv) is therefore scored a "B", giving a "B" score for the indicator as a whole.**

Progress since last assessment and key reforms under implementation or planned

477. **Scoring against this indicator has improved from a "C+" in 2017 to a "B" in 2021.** The CAG continues to be an important and trusted part of the accountability chain of the public sector in Tanzania. Steady improvements have continued to be made in the coverage, quality and timeliness of external audit. In addition, although the budget approval process leaves a significant role for the Executive and the Legislature, the processes now in place have afforded a level of protection to the CAG in the execution of his approved budget, which is enjoyed only by the President and other constitutional office holders. As a result, the CAG enjoys full operational control in the execution of his budget.

478. **The rising trend of outstanding recommendations over the last three years is a cause for concern regarding the follow up to audit recommendations.** The implementation of the GARI-ITS system has facilitated monitoring and tracking of audit recommendations and related management responses and action plans. However, it is clear that greater support is needed from the Legislature and Executive in ensuring stronger follow up to audit recommendations.

479. The continued widening and deepening of the audit scope to include forensic and performance audits is worth noting and will require further support and attention. Access and use of the IFMIS systems for auditors has also been mentioned as a problem area for the NAOT, requiring capacity development

and investments in ICT equipment. Together with audit follow up issues, these could usefully be adopted as the priority areas for support under the next phase of the PFMRP.

PI-31 Legislative scrutiny of audit reports

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

481. The assessment of this indicator has been based on an analysis of the relevant legislation, of the CAG's reports for 2017/18, 2018/19 and 2019/20, including records of PAC and LAAC recommendations, and the Wajibu CASFAR report, as well as an interview with the secretariat of the PAC.

Indicator and dimensions	Previous Score 2017	New Score 2022	Explanation for 2022 Score	Performance change and Rationale
PI-31 Legislative scrutiny of audit reports	**B**	**C+**	**Scoring Method M2 (AV)**	**Deterioration**
(i) Timing of audit report scrutiny	C	C	In the last three fiscal years, scrutiny of audit reports on annual financial reports has been completed by the legislature within 12 months from receipt of the reports.	No Change
(ii) Hearings on audit findings	A	A	Over the last three completed fiscal years, in-depth hearings on the key findings in the CAG's reports have been undertaken with all entities receiving disclaimer of opinion or adverse or qualified opinions.	No Change
(iii) Recommendations on audit by the legislature	B	B	The Legislature – through the PAC – issues directives on actions to be implemented by the Executive and follows up on the implementation of these directives. However, implementation performance by the Executive is poor, suggesting that further strengthening of the follow up process is needed.	No Change
(iv)Transparency of legislative scrutiny of audit reports	C	D	The reports of the PAC are provided to the full chamber of Parliament, committee hearings are open to the public and press, and announced on the official website of the Parliament. However, the committee reports and recommendations are not published on the website.	Score has deteriorated because the reports of the PAC for the last three fiscal years have not been published on the official website of the Parliament.

482. In line with the requirements of the Public Audit Act (2008), the CAG is required to present before the Legislature and the Public Accounts Committee (PAC) the audited financial statements of the Central Government and of the Public Authorities & Other Bodies (PA&OBs), as well as its audit

report on these accounts[44]. In addition, audit reports from forensic, special and performance audits are presented to the Executive and Legislature. The PAC holds hearings on the audited accounts and the CAG's audit reports and issues directives to the Executive, which are also tabled before the Legislature.

(i) Timing of Legislative scrutiny of the Audit report

483. The first dimension assesses the timeliness of the scrutiny of the annual Audit report, and corresponding accounts, by the PAC. As may be seen from Table 3-22, for the three most recently completed fiscal years, audited financial statements and audit reports have been systematically tabled before the Legislature by 30th, April each year – within 10 months of the close of the Fiscal Year. Because this period coincides with the time of the consideration by the Legislature of the Executive's Budget Proposal for the subsequent FY, the PAC's hearings on the audit reports cannot be held immediately and, therefore, are normally held in January of the following year. However, for the CAG's report of 2019/20, the PAC hearings were held in September 2021.

Table 3-22: PI-31 - Timing of scrutiny of Audit report by the PAC

Financial Year	Date of receipt of CAG's Audit report	Dates of PAC Hearings	Date of tabling of PAC Report
2017/18	8th April. 2019	January 2020	29th January 2020
2018/19	6th, April 2020	January 2021	8th April 2021
2019/20	28th, March 2021	September 2021	Pending

484. As confirmed by the PAC secretariat, in the last three fiscal years, scrutiny of audit reports on annual financial reports has been completed by the Public Accounts Committee within twelve months from receipt of the reports. **This dimension therefore scores a "C".**

(ii) Hearings on audit findings

485. The PAC holds detailed in-depth hearings each year on the CAG report and the audited financial statements over a period of 4 weeks, normally in January or February. These hearings would be primarily with the Accounting Officer and other staff of the audited entity but would always include testimony and explanation of findings from the CAG, and sometimes from the Accountant General. In some cases, specialist resource persons (from the universities or the private sector, for example) might also be called in.

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

486. Over the last three completed fiscal years, in-depth hearings on the key findings in the CAG's reports have been undertaken with all entities which have received a disclaimer of opinion, adverse or qualified opinions[45]. **Dimension (ii) therefore scores an "A".**

(iii) Recommendations on audit by the Legislature

487. The third dimension assesses the quality of follow-up to the directives issued by PAC. The PAC issues directives each year for actions to be implemented by the Executive and has a structured process of follow up, through three mechanisms:

- through a review of implementation progress during the subsequent year's PAC hearings;
- through site visits by PAC members, organised to take place during the periods of Parliamentary recess;
- through a follow up on implementation of PAC directives by the CAG in the CAG's annual report on Central Government of the subsequent year and the GARI-ITS system.

488. There is therefore a structured process of follow-up to the PAC Directives. Despite this, the implementation record of the Executive in relation to PAC directives is poor[46], as may be seen from Table 3-23.

Table 3-23: PI-31 Implementation of PAC Directives, 2016/17 - 2018/19

Status	2018/19	2017/18	2016/17
Implemented	130	92	82
Under Implementation	101	79	163
Not Implemented	17	105	19
Overtaken by Events	11	19	8
Total	**259**	**295**	**272**
Percentage Implemented	**50.2%**	**31.2%**	**30.1%**
Percentage Under Implementation	**39.0%**	**26.8%**	**59.9%**

489. There are two types of directives issued each year: a) PAC Directives on the CAG's annual general reports (which are generally cross-cutting directives, for follow-up by MoFP or the Office of the President); and b) PAC Directives on individual audit reports (for direct follow-up by the audited

45 In the CAG reports on Central Government for the last three completed fiscal years, the number of entities with adverse/ qualified opinions or disclaimers has been 17 (8%), 35 (14%) and 21 (8%) in 2017/18, 2018/19 and 2019/20 respectively. [CAG, (March 2020), *Report on the CG Financial Statements for 2019/20*.]

46 As reported in CAG, (March 2020), *Report on the audit of CG Financial Statements for 2019/20*.

entity.) Within the former category, of the PAC directives issued on the accounts of the 3 years 2016/17– 2018/19, by the time of the 2019/20 CAG Annual Report, only 37% had been implemented with 42% still under implementation and 21% either not implemented or overtaken by events. We conclude from these data that there remain some deficiencies in the process of follow up. Indeed, in the PAC interviews it was highlighted that weak follow-up by the Executive is a significant problem.

490. Thus, the Legislature – through the PAC – issues directives on actions to be implemented by the Executive and follows up on the implementation of these directives. However, implementation performance by the Executive is poor, suggesting that further strengthening of the follow up process is needed. **Dimension (iii) therefore scores a "B".**

(iv) Transparency of Legislative scrutiny of Audit reports

491. The fourth dimension considers the transparency of the PAC's scrutiny process, in terms of the degree of public access. The schedule for the hearings of the PAC and LAAC is published on the internet and in accordance with Parliament's standing orders, they are open to the press and public.

492. When investigating the audit reports the committees, first have a session to disseminate audit opinions, key findings and recommendations. The committee may seek assistance from the auditors for clarification and invite the audited entity for the hearing. Hearings are organised for all issues of adverse or qualified opinions, or disclaimers of opinion. The committees may make their own recommendations and responses. Follow up on these is made in the subsequent audit report. The committees' reports are presented to the full house for debate and approval.

493. Transcripts from the hearings are not publicly available nor are the recommendations by the committees. Minutes from the Parliamentary debates are published on the Bunge website under "Hansard". The minutes capture the debate but not the actual contents of recommendations.

494. Thus, the reports of the PAC are provided to the full chamber of Parliament, committee hearings are open to the public and press, and announced on the official website of the Parliament. However, the committee reports and recommendations are <u>not</u> published on the website. **This dimension therefore scores a "D", giving a "C+" for the indicator as a whole.**

Progress since last assessment and key reforms under implementation or planned

495. **The score for this indicator has fallen from a "B" in 2017 to a "C+" in 2021.** This is simply because the reports of the PAC for the last three fiscal years have not been published on the official website of the Parliament. The reasons for this are not clear but it does seem important that the PAC members should insist on the regular publication of their reports, in addition to perhaps taking other measures to facilitate public access to PAC deliberations. For example, the PAC hearings are no longer televised and, even though members of the press are systematically invited to their hearings, the rooms utilised for PAC hearings are not readily adapted to include observers from the general public.

4. Conclusions of the analysis of PFM systems

496. This chapter presents a summary of the conclusions emerging from the detailed analysis of the 31 indicators of the 2016 PEFA framework, as presented in chapter 3. It comprises four sections:

- We first present an integrated assessment of the results, reviewing PFM performance against the seven pillars of the PEFA framework;
- We examine the implications of the assessment for the achievement of the three core objectives of the PFM system (Maintenance of aggregate fiscal discipline, Strategic allocation of resources; and Efficient service delivery);
- We then review the key changes since the 2017 PEFA assessment, in order to get a sense of the 'direction of travel', the areas of most and least progress.
- Finally, we examine what the assessment reveals about the effectiveness of the Internal Control framework.

4.1 Integrated assessment of PFM performance

497. A one-page tabular summary of the results of the 2022 PEFA assessment, applying the 2016 framework, is presented in Table 0-1 in the Executive Summary. Annex 1 presents the same information, with summary explanations of the scores accorded to each dimension, and of the changes in performance from 2017 to 2022, against the 31 indicators of the 2016 PEFA framework.

Table 4-1: 2022 PEFA Assessment of Tanzania Mainland - PEFA scores by Pillar

Pillar	A, B+, B	C+, C	D+, D	Total
I. Budget Reliability & Credibility			3	3
II. Transparency of Public Finances	1	2	3	6
III. Management of Assets & Liabilities	3		1	4
IV. Policy-based fiscal strategy & Budgeting	3	1	1	5
V. Predictability & Control in Budget Execution	4	3	1	8
VI. Accounting & Reporting		3		3
VII. External scrutiny & Audit	1	1		2
TOTAL (31 Indicators)	12	10	9	31

498. Table 4-1 presents a summary of the results by pillar. "A" and "B" scores can generally be interpreted as consistent with international good practice, while "C+" and "C" scores reflect a basic level of functionality, and "D+" and "D" scores generally reflect sub-standard performance. This table, along with Tables 4-2 and 4-3, looking specifically at high and low scores, helps to provide a snapshot of the current situation. However, the relative importance of the indicators does differ and to a degree is

country-specific[47], The discussion below considers the relative importance of the scores for Tanzania, reviewing performance within each pillar.

Table 4-2: 2022 PEFA Assessment: Where is Tanzania achieving good practice?

Pillar	Indicators scoring "A"s or "B"s	A, B+, B
I.	**No "A"s & "B"s**	0
II.	**PI-6: CG operations outside financial reports**	1
III.	**PI-10: Fiscal risk reporting;** **PI-12: Public Asset Management;** **PI-13: Debt Management**	3
IV.	**PI-15 Fiscal Strategy** **PI-17: Budget preparation process;** **PI-18: Legislative Scrutiny of Budgets**	3
V.	**PI-19 Revenue Administration** **PI-20: Accounting for Revenue;** **PI-23: Payroll Controls;** **PI-24 Procurement Management**	4
VI.	**No "A"s & "B"s**	0
VII.	**PI-30: External Audit**	1
	Total:	12

Table 4-3: 2022 PEFA Assessment: Where do Tanzania's systems need improvement?

Pillar	Indicators scoring "D+" or "D"	D+, D
I.	**PI-1, PI- 2 & PI-3: Budget Credibility indicators**	3
II.	**PI-4: Budget Classification** **PI-5: Budget Documentation;** **PI-9: Public Access to Fiscal Information**	3
III.	**PI-11: Public Investment Management**	1
IV.	**PI-16: Medium-term perspective in expenditure budget**	1
V.	**PI-22: Expenditure Arrears;**	1
VI.	**No "D"s**	0
VII.	**No "D"s**	0
	Total:	9

Pillar I: Budget reliability (PI - 1 to 3)

499. **Budget reliability remains a significant area of weakness in Tanzania**, scoring "D" for the aggregate expenditure out-turn (PI-1), "D+" for Expenditure composition out-turn (PI-2) and "D+" for

47 Not all indicators are equally important – some cover aspects which are essential to a functional PFM system, whereas others cover aspects which are highly desirable but not essential for basic functionality. Secondly, their importance is to a significant extent country-specific: for example, transfers to subnational Governments are less important in countries where the functions of SN Governments are very limited.

revenue out-turn (PI-3). The capability to define a realistic budget and to collect revenues and execute expenditures in line with the budget is fundamental if the State is to use its public budget as a tool of development policy, to attain strategic objectives and promote growth and social welfare. At present, Tanzania is falling short of this goal, despite a number of areas of strength in the overall PFM system.

500. **Receipts of Government revenue and grants in the period under review have been consistently below the targets forecast in the approved annual budget** (See Annex IV). In the last three fiscal years, receipts averaged 86.2% of the total budgeted. As a result, borrowing has been higher than planned, payment arrears have accumulated and substantial budget reallocations have had to be made to keep aggregate expenditure broadly consistent with resource limits.

501. A considerable part of the difference between budget and execution can be explained by the variance in the grants items, where actual receipts have fluctuated sharply below and above the budgeted targets. This is in part explained by the big influx of unplanned grants in 2019/20 and 2020/21, related to the response to the Coronavirus pandemic.

502. However, performance has been consistently poor with regard to the budget forecasts of domestic revenue collections. Over the three-year period tax collections have averaged 87.8% of budgeted forecasts, and non-tax revenues have averaged only 71.1 % of forecasts.

503. Improvements in budget reliability in future will rely on reversing these trends, while also developing more realistic budget forecasts for external grants, and ensuring that expenditures are accurately budgeted. The difficulty is that after several years of unrealistic budgets, the good habits of rigorous, accurate budgeting are easily lost: **achieving lasting change is therefore likely to require prioritisation *at the political level* of budget reliability,** backed up by a rigorous process of in-year budget monitoring and review.

Pillar II: Transparency of public finances (PI – 4 to 9)

504. **Within the transparency pillar, improvements have continued to be made in the quality of reporting on Central Government extra-budgetary operations** (PI-6). Indeed, there has been a continuous improvement in the reporting of off-budget CG revenues and expenditures since the 2013 PEFA assessment. This was rated a "D+" in 2013, and the score improved to a "B" in 2017 and now to an "A" in 2022.

505. This is a consequence of three parallel improvements: (i) better financial reporting by the extra-budgetary units of Central Government, (ii) the adoption of electronic payment of Non-Tax Revenues through the GePG, and (iii) introduction of the D-Fund system for externally financed projects. The quality of reporting of disbursements and expenditures by grant financed projects constitutes the "weakest link" in this area. Continued improvements in this should therefore remain a priority for the External Finance Department of MoFP and for Development Partners, working together on the consolidation and deepening of the D-Fund system.

506. **Against the indicator of performance information for service delivery (PI-8), the Tanzania PFM system continues to be rated a "C".** This is one of the more challenging indicators in the 2016 PEFA framework. Some progress has been made through the work that has been undertaken to develop the MTEF, as well as through the growing body of performance evaluation being undertaken by the NAOT in its performance audits.

507. Nevertheless, significant work is needed to refine and develop the definition of objectives, targets and activities within the MTEF, so as to focus at a higher, more strategic level (less micro) and to move towards a more precise definition of outcomes. Once the definition of outcomes is clarified and they come into regular use by MDAs, then it will become easier to define indicators by which to measure and monitor progress towards the outcome targets of the MDAs[48].

508. **Performance has remained poor in three key aspects of transparency: in the classification system used in the public budget documentation (PI-4) in the comprehensiveness and quality of the budget documentation submitted to the Legislature (PI-5) and in public access to budgetary information** (PI-9). In each of these areas, it is notable that the data necessary to improve the comprehensiveness of the information presented in the Budget documentation and made available to the general public are readily available. Thus, there is the scope for making "quick wins" in transparency by addressing the relatively simple requirements for meeting good practise standards in these areas.

Pillar III: Management of Assets and Liabilities (PI-10 to 13)

509. Within this pillar, three indicators have shown steady improvements and now indicate systems and procedures largely consistent with international good practice – debt management, fiscal risk reporting and public asset management - and one – public investment management – reveals a system which currently falls short of an adequate level of functionality.

510. **The Tanzania debt management system is robust and again scored a "B", as it did in 2017**. The reforms currently being implemented should further strengthen debt management capacity. In particular, the establishment of the Debt Management Department (DMD) as the single debt management entity of Government, bringing together "front", "middle" and "back" office functions should serve to strengthen control over debt and guarantees. In addition, the migration to the Commonwealth Secretariat's Meridian system should facilitate further improvements in the recording and reporting of debt and guarantees, including the systematisation of monthly reconciliations.

511. **Significant improvements in fiscal risk reporting have been made since the 2017 PEFA assessment, building on the improvements already achieved since the 2013 PEFA assessment**. This has been driven in particular by improvements in the accounting and financial

48 See also the comments below on Pillar IV, "Policy based Fiscal strategy and budgeting".

reporting of the Government due to the adoption of IPSAS standards and accrual accounting, as well as by continued expansion of the audit coverage achieved by the NAOT regarding the Public Authorities & Other Bodies. In addition, the Office of the Treasury Registrar (OTR) has strengthened its capabilities since 2017, and this is notable both in the expanded scope of its work and the increased analytical content of its annual reports.

512. **Tanzania's systems for the management of financial and non-financial assets have shown continuous improvement,** raising the score for this indicator from "B" in 2017 to "B+" in 2022. Through the PFMRP, significant efforts have been made to strengthen the functions of OTR and GAMD – notably through the establishment and continuous updating and expansion of GAMIS. Further improvements in the scope of reporting of non-financial assets as well as in the public access to the GAMIS asset register would help to consolidate the gains made to date. In particular, it would be desirable to include a register of sub-soil assets and to provide an appropriate mechanism for public access to GAMIS.

513. **There remain significant weaknesses in the process of public investment management** and the assessment shows an unchanged score of "D+" between 2017 and 2022. There are important reforms being put in place through the introduction of the Public Investment Management Operational Manual (PIM-OM) and the related structures and procedures, including the development of the National Project Management Information System (NPMIS). However, the roll-out of this process has been slower than planned. This is not surprising – the development of a modern, comprehensive Public Investment Management (PIM) system is a major undertaking for any country. However, it will be important for the Government to re-energise the process so as to avoid stagnation. It may be that a more phased approach would facilitate greater progress. Such a process might focus initially on creating strong systems for major (Type I) projects, and then building a wider coverage over time.

Pillar IV: Policy-based fiscal strategy and budgeting (PI- 14 to 18)

514. **A fiscal strategy enables Government to articulate its fiscal policy objectives to the institutions of central Government, to the Legislature and to the public.** It provides the benchmarks against which the fiscal impact of revenue and expenditure proposals can be assessed during the budget preparation process. In this way, a strong fiscal strategy can drive the budget ensuring that it is realistic and yet at the same time strategic. There has been a significant improvement in the quality of the fiscal strategy since the 2017 assessment – indeed, this is the single indicator that has shown the greatest improvement since 2017, rising from a "D+" to a "B". This bodes well for addressing in future the problems of budget reliability noted under Pillar 1.

515. **The process of budget preparation and the mechanism for legislative scrutiny of the budget have been traditional strengths in Tanzania** and remain fully consistent with international best practice. Both scored "A" in the 2022 assessment.

516. **Despite the fact that the MTEF has been formally in existence since the late 1990s, the current system still remains a long way from serving the objectives for which it was designed** – namely to improve the programming of spending over the medium term, to focus spending more closely on results and to generate predictable resource flows for MDAs. A precondition for any MTEF to work well is that there should be a reasonable degree of consistency and predictability in the annual budget. This has not been the case in Tanzania, as may be seen from the poor scores on Pillar I. If MDAs are conscious that even annual budgets are rarely implemented as planned, then they will naturally be sceptical of the usefulness of making detailed medium term projections and are very unlikely to undertake the task with any degree of rigour.

517. An additional problem has arisen from the peculiarly detailed format that has been chosen for the formulation of medium term projections on the basis of detailed activity-based costing**.** Apart from the heavy burden of work that the preparation of such formats must represent, their length and complexity make them very difficult to adapt and change in the light of the annual budget scrutiny process. A review of the approach to the MTEF would appear to be overdue, with the basic objective of developing a framework for medium term budgeting that is simple and fit for purpose. This should start from a careful reassessment of what are the objectives of such a system *in Tanzania*: does it aim to strengthen medium term planning and budgeting in all ministries or rather to prioritise the big spending and more strategic ministries? By carefully addressing these and other similar questions, it may prove possible to design a simpler system which addresses a narrower set of objectives and does so more effectively.

Pillar V: Predictability & control in Budget execution (PI.19-26)

518. **Although budget execution remains an area of weakness in the Tanzania PFM system as evidenced by the poor score relating to control of payment arrears (PI-22), there have been significant improvements since 2017.** In particular, many of the core processes of revenue and expenditure management have improved, including revenue administration and accounting for revenue (PI-19 and PI-20), payroll controls (PI-23) and internal controls on non-salary expenditure (PI-25), as well as – perhaps most notably – procurement management (PI-24). Each of these have been areas of steady investment in systems improvement and it seems clear that the fruits of these investments, through the PFMRP and related initiatives, are now being reaped.

519. **Reforms have also been implemented leading to some improvement in the predictability of in-year resource allocations (PI-21) as well as reduced borrowing costs and better liquidity**. The introduction and use of the single treasury account has improved liquidity control and fund availability. Also the predictable monthly releases/warrants to cover salaries and regular office expenses is an important advance since 2017. As the migration to accrual accounting has been finalised it should also be expected that data related to arrears and accounts payable might be integrated and be managed better and more timely. Among the planned reforms are the further integration and/or interfacing of the different financial management systems in operation which would further improve availability of data, thus providing the basis for better cash forecasting.

520. **On the other hand, high levels of expenditure arrears and weaknesses in the monitoring of arrears have been persistent problems in Tanzania,** reported in the 2010, 2013 and 2017 PEFA assessments, and with no improvement reported in 2022. The 2017 assessment pointed to a further deterioration in this area since 2013, with the stock of arrears hovering at around 10% of total expenditure in 2016/17. This level of 10-11% continued into 2019/20, although data on arrears for 2020/21 has not been obtained and is said to be more favourable.

521. **Monthly "cash rationing" continues to be practiced in relation to development expenditures and "lumpy" Other Charges within the recurrent budget**. The very constrained liquidity position which the Government has to manage demands such measures, and it is clear that the process for deciding upon and managing monthly releases has become both more transparent and more predictable. However, there is a need for steady progress towards a situation where commitments and payments can be made in line with a predictable schedule consistent with the approved budget. This will require greater precision in the formulation of the annual budget so as to ensure that all planned expenditures are captured in the original budget, and that available resources are accurately projected and budgeted.

522. **Internal Audit (PI-26) has maintained a consistent score, being a "C+" in 2017 and 2022**. However, our overall judgement is that there has been some progress in the internal audit function since 2017. Main achievements include introduction of a risk-based audit, the registration and monitoring of audit recommendations in the GARI-ITS system, and programmes for capacity building and establishment of a championship entity of internal auditors. However, the sustainability of these results is impeded by staff turnover and high vacancy rates.

523. **Further progress in strengthening Internal Audit calls for efforts to improve recruitment and retention of staff.** The CAG has noted weaknesses in terms of shortage of staff and other resources and in the functioning of audit committees, and it would seem that new thinking is needed to find solutions to these ongoing problems.

Pillar VI: Accounting and reporting (PI.27-29)

524. **Within the area of accounting and reporting, the focus of reform has been firstly the transition towards IPSAS accrual accounting, and secondly the move from the EPICOR integrated financial management system to a new one based on MUSE**. There has been good progress in respect of both of these initiatives, with improvements in the consistency and comprehensiveness of the consolidated financial statements (PI-29), as well as in financial data integrity (PI-27). Nevertheless, both of these initiatives require a long time to reach full implementation: so long as the new IT systems are not fully consolidated and the accounting system remains in the transition phase to full IPSAS accounting, gaps will remain. The real benefit of these reforms will not be seen until they are largely complete, although the signs are that good progress is being made.

525. **The continuing area of concern within this pillar relates to the availability, timeliness and quality of regular quarterly budget execution reports**. The indicator score has improved to a "C" from a "D" in 2017, when quarterly reports were not published at all in 2015/16. Nevertheless, given that more detailed reports are available more readily and more timely through MUSE and the other accounting systems in use, an improved access and publication policy would be easy to implement. With a systematic and structured policy towards the preparation and publication of quarterly budget reports, a high score on this indicator could be easily obtainable based upon the existing accounting and financial reporting systems.

Pillar VII: External scrutiny and audit (PI.30-31)

526. **The CAG continues to be an important and trusted part of the accountability chain of the public sector in Tanzania.** Steady improvements have continued to be made in the coverage, quality and timeliness of external audit. As a result, the score against this indicator improved from a "C+" in 2017 to a "B" in 2022.

527. **The rising trend of outstanding recommendations over the last three years is a cause for concern regarding the follow up to audit recommendations.** The implementation of the GARI-ITS system has facilitated monitoring and tracking of audit recommendations and related management responses and action plans. However, it is clear that stronger support is needed from the Legislature and Executive in ensuring more effective follow up to audit recommendations.

528. The continued widening and deepening of the audit scope to include forensic and performance audits is worth noting and will require further support and attention. Access and use of the IFMIS systems for auditors has also been mentioned as a problem area for the NAOT, requiring capacity development and investments in ICT equipment. Together with audit follow up issues, these could usefully be adopted as the priority areas for support under the next phase of the PFMRP.

529. **The score for Legislative scrutiny of Audit reports has fallen from a "B" in 2017 to a "C+" in 2022.** This is because the reports of the PAC for the last three fiscal years have not been published on the official website of the Parliament[49]. The reasons for this are not clear but it does seem important that the PAC members should insist on the regular publication of their reports, in addition to perhaps taking other measures to facilitate public access to PAC deliberations. For example, the PAC hearings are no longer televised and, although members of the press are systematically invited to PAC hearings, the rooms utilised are not readily adapted to include observers from the general public.

530. **The consistent tracking of PAC and LAAC recommendations through the GARI-ITS system is an important improvement**. As is the case with the follow up to CAG recommendations, what is now required is systematic attention by the Executive and the Legislature

[49] Hansard does provide minutes of the discussions of the Public Accounts Committee but these are drafted in a summary manner and do not present the details of PAC recommendations.

to compel more timely implementation of recommendations by the management of audited entities. This might potentially include some consideration of sanctions for Accounting Officers.

4.2 Key strengths and weaknesses of the Tanzania PFM system

531. This sub-section analyses the extent to which the Tanzanian PFM system supports the achievement of the three main objectives of the PFM system, namely:

- The maintenance of aggregate fiscal discipline;
- The allocation of resources in line with strategic priorities; and
- The efficient use of resources for service delivery.

Maintenance of Aggregate Fiscal Discipline

532. **Over a number of years, the PFM system in Tanzania has demonstrated its ability to control aggregate expenditure and to maintain sustainable levels of fiscal deficits and of borrowing.** As was noted in Chapter 2 and highlighted in Table 2-1, Tanzania's stock of public debt stood at 39.1 % of GDP at end 2020/21, substantially less than many countries in the region and comfortably sustainable with current trend levels of revenue mobilisation, public expenditure and GDP growth.

533. **The Tanzania system has shown continued improvements over 2017 – 2022 in the systems for monitoring and controlling potential future risks to the fiscal position**. In particular, there have been improvements in the coverage of financial reporting on the extra-budgetary operations of Central Government (PI-6), in reporting on fiscal risks from the wider public sector (PI-10) and in the quality of debt management (PI-13), with each of these indicators scoring "As" or "Bs" in the 2022 assessment.

534. **However, the processes used for the control of current expenditure are not finely targeted and therefore impact negatively on the ability of the system to achieve its other objectives**. The systems of expenditure control maintain fiscal discipline but undermine the strategic allocation of resources and the efficient delivery of services. In particular, the system of cash rationing which is employed harms the credibility of the budget (PI-2), tends to create expenditure arrears (PI-22), and reduces the predictability of in-year resource allocation for MDAs (PI-21), with significant negative effects for service delivery. As noted above and in the detailed discussion in Chapter 3 of the performance against these indicators, there have been improvements since 2017 in the transparency and predictability of the processes used for cash management but they still fall short of being an effective method of predictable in-year resource allocation. A revision of the cash ceiling and commitment control process and the related functions of MUSE would be necessary in order to tackle this problem in an effective and lasting manner.

The allocation of resources in line with strategic priorities

535. Perhaps the most effective measure of the ability of the PFM system to allocate resources in line with strategic priorities is the degree of consistency between the composition of the expenditure out-turn and the composition of the approved budget. This is precisely what is measured by indicator PI-2, which measures the consistency in the outturn of expenditure by institution and also by economic classification. This was rated a "D+" both in 2017 and in 2022, meaning that the adjustments made to the aggregate budget, due to short-falls in revenue and financing, did not respect the composition of the budget as originally proposed by the Executive and approved by the Legislature.

536. As we have noted, **the application of short-term cash rationing processes is a significant part of the reason why strategic allocation of resources is being undermined but it is also the result of weaknesses in budgeting**. Although the budget preparation process is orderly and well managed (PI-17) with a clear role for the Legislature (PI-18), it is weak in its incorporation of medium term forecasts and plans (PI-16) and also weak in the processes of identifying, formulating and implementing investment projects (PI-11).

Efficient use of resources for service delivery

537. A key requirement for efficient service delivery is that service managers (hospital directors, head-teachers, road engineers, etc.) should receive resources on a predictable basis, so as to organise their work in advance and take the necessary steps – in terms of staff recruitment, procurement, etc. – to ensure programmes can be implemented as planned. However, Tanzania scores poorly on predictability of in-year resource allocation (PI-21) and, as a result many service managers find themselves having to commit expenditures outside of the MUSE system, leading to the build-up of expenditure arrears (PI-22). Improvements have been introduced over 2020/21 and 2021/22, and indicator PI-21 scores better now ("C") than it did in 2017 ("D+") but additional improvements will be needed to reach a system which can regularly provide predictable resource flows to service managers.

538. **Nevertheless, a number of the functions which support good service delivery have improved since 2017.** Notably, procurement management (PI-24) is stronger, as is Payroll control (PI-23) while Revenue administration (PI-19) and Accounting for Revenue (PI-20) have also improved, with each of these indicators now scoring "B", "B+" or "A". If further improvements can be attained in the core processes of budgeting, cash management and commitment control, this should have a direct positive impact on the efficiency and quality of service delivery.

4.3 Performance changes since last PEFA assessment

539. The table in Annex I shows in detail the scores of the 2017 and 2022 PEFA assessments following the 2016 PEFA methodology. **Of the 31 indicators, it shows an improvement in 12 indicators, deterioration in 3 indicators and 16 with no changes.** Table 4-4 presents a summary, and Table 4-5 shows the specific indicators which have improved or deteriorated.

Table 4-4 Summary of Changes recorded between 2017 and 2021 PEFA assessments

Summary of Changes recorded between 2017 and 2021 Assessments (Based on 2016 PEFA Framework)				
Decline by more than 1 score	*Decline by 1 score or less*	*No Change*	*Improvement by 1 score or less*	*Improvement by more than 1 score*
0	**3**	**16**	**11**	**1**

NB. 1) "One score" represents a difference of only one letter, e.g. C ➔B, whereas C ➔C+ would be a difference of half a score, and C➔B+ would be a difference of one score and a half.

540. **Overall, there is strong evidence of positive changes in a wide range of areas, with 6 of the 7 pillars showing net improvements**. In some cases, this is due to specific policy decisions that have been taken recently but in most cases it reflects the results of steady and continuous improvements, introduced across various phases of the PFM reform programme. These improvements have included reforms in legislation and regulations, modernisation and greater integration of IT systems, and the building of human resource capability. Systemic improvements in PFM take a long time to implement - particularly in a large country like Tanzania with a substantial public sector – but the signs are that the fruits of past investment in PFM improvement are now being reaped.

Table 4-5: Areas of Improvement and Deterioration in PFM Performance 2017 -2022

Areas of Improvement 2017 – 2022	Areas of Deterioration 2017 -2022
PI-6 CG Operations outside financial reports	PI-1 Aggregate Expenditure Out-turn
PI-12 Public Asset Management	PI-4 Budget Classification
PI-15 Fiscal Strategy	PI-31 Legislative scrutiny of Audit reports
PI-18 Legislative scrutiny of Budgets	
PI-19 Revenue Administration	
PI-20 Accounting for Revenue	
PI-21 Predictability of in-year resource allocation	
PI-24 Procurement Management	
PI-25 Internal Controls on non-salary expenditure	
PI-27 Financial data integrity	
PI-28 In-year Budget Reports	
PI-30 External Audit	

4.4 Effectiveness of the Internal Control Framework

The control environment – laws and regulations

541. **The PFM control environment in Tanzania is well defined in laws and regulations**. *The Constitution* Part II sets the conditions to draw moneys from the consolidated fund and procedures for authorization of expenditure and rules for taxation as well as the role and mandate of the Controller and Auditor General. *The Public Finance Act* defines roles and responsibilities of the Minister of Finance,

and Treasury as well as the Permanent Secretary, Paymaster General and Accountant General. It also stipulates the responsibility of the Paymaster General to appoint accounting officers for all votes and specifies their duties. The Office of the Internal Auditor General is established in the Act which also provides for the key functions of the IAG. *The Budget Act* defines principles of fiscal policies and management and responsibilities for other key officers in PFM such as the Treasury Registrar, the Budget Commissioner and Accounting Officers. The legislation also defines the right to prepare subsidiary regulations as well as principles for management of revenue.

542. *The access to information Act* of 2016 gives the right to all citizens of the Union to access information under the control of information holders as well as the procedures to follow.

543. *The Public Audit Act* defines the scope, responsibilities and duties of the Controller and Auditor General.

544. The *Accounting Manual* in its chapter 2 describes the roles of key actors and also has a section for internal control and risk management that includes many of the internal control elements, such as authorization and organizational structures, segregation of duties, ICT related controls, etc. The manual has an elaborate description of payroll processes and management. In terms or risk management guidelines it is less prescriptive and more elaborate methods are to be found elsewhere, e.g. in manuals directly related to taxation, audit etc.

545. The *Public Finance Regulation* 11 (2) requires Accounting Officers to establish and maintain an effective system of internal control over financial and related operations.

The control environment – positive developments

546. **The degree of accountability is gradually being deepened, not least regarding payroll responsibility and control** where the accounting officer and HR manager have key roles to sign off on the monthly payroll.

547. Internal controls need to be orderly, guided by a strategic vision where risks are determined, leading to prioritised plans for scrutiny and audit. **Amongst the positive developments noted are**:

- Rules, regulations and manuals being established and improved;
- Internal Audit coming into place, albeit with vacancies and staff shortages;
- A strong role and presence of External Audit and its annual reports
- The emerging capability for Performance Audit
- The procurement function being supported and overseen through PPRA and PPAA
- TRA's initiatives for tax compliance and risk-based approaches to tax administration and audit;
- Efforts to streamline and regulate public investment management;
- CAGs, IAGs and PAC's scrutiny of audit reports and the Executive's follow-up

The control environment – some continuing weaknesses

548. **There are however still a number of weaknesses in the control environment, some of which are highlighted in the annual CAG reports**. In the report for the year ended 30 June 2020 the CAG has included a chapter 6 with an "evaluation of the internal controls system" where he raises a number of concerns s related to internal control as follows: "*The areas that need improvement in internal control include information technology (IT) over systems supporting financial preparation and reporting; internal controls related to financial reporting, compliance with government policies, legislation, and regulations, and accounting and financial reporting practices; Internal Audit Function; Audit Committees, risk management processes and fraud assessment that occurred within Ministries, Departments and Agencies and Regional Secretariats*."

549. It is specifically noted that

- There are weaknesses in some entities related to fraud assessment, fictitious payments and fraud issues
- A number of Government units (5 MDAs and 4 regional secretariats) had deficiencies in their internal audit function, including vacancies, insufficient resources for IA, or unapproved audit plans.
- Some audit committees were not functioning well with few meetings or a lack of members.
- The CAG noted that 5 MDAs and 2 RS had deficiencies in their ICT controls environment, such as a lack of IT policy, ICT strategic Plan, Business Continuity Plan, ICT steering committee and the consequent absence of disaster recovery sites.
- In procurement, weaknesses are noted for use of non-competitive methods, decisions made without the approval of a tender board, payments made without binding contracts or to un-approved suppliers, or goods never supplied.
- There were also findings related to expenditure management, e.g. nugatory expenditure, transfer of funds lacking accountability, overpayments and payments missing payment vouchers or otherwise inadequately supported or lacking receipts.
- Related to the consolidated financial statement, the CAG noted inconsistencies in the reporting of value of assets, including biological assets, pension liabilities and that consolidation and elimination of internal transactions had met difficulties.

The control environment – role and status of the Internal Auditor General (IAG)

550. Each MDA and Regional Secretariat has to establish its internal audit function as well as appoint an audit committee. In 2010 the Public Finance Act was amended to establish the Internal Auditor General's Department headed by the Internal Auditor General (IAG), reporting to the Paymaster General.

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

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

552. The Quality Assurance Section in IAGD produces an annual implementation report for internal audit. The report for the financial year ending 30th June 2021 contains a number of observations concerning anomalies and weaknesses with internal audit. Hence it is reported that 2020/21:

- Around 20 % of IA units in MDAs and RTS did not submit quarterly audit reports,
- Around 40 % did not submit audit plans
- More than 50 % did not submit annual audit reports
- More than 70 % of the audit committees did not submit audit committee reports.
- There were 1,811 long outstanding internal audit recommendations, whereof 1,451 were reported being under implementation and 360 not implemented.
- The Internal auditors reported various anomalies related to expenditure, revenue and asset management, implementation of development projects, Human Resource Management, debt and contract management.

The control environment – conclusions

553. **Thus deficiencies clearly remain, but many have been significantly reduced.** A positive element is that they are largely detected and subject to a clear set of rules, and audit is playing its role in addressing these deficiencies. There is of course a need to continue to monitor the extent and trend of the deficiencies, and to monitor and ensure that appropriate corrective action is taken.

Risk assessment

554. There is clear evidence of risk based assessment and planning being applied for taxation and tax audit, procurement audit, and by both internal and external audit entities. Payroll audit is for example based on a study of risks and anomalies. There is also evidence of monitoring of the execution of risk-based planning.

555. A risk-based approach is also used at the Office of the Treasury Registrar (OTR) in their monitoring of public enterprises and liquidity risks.

Control activities

556. The control activities related to PFM are based on separate control steps: automatic controls built into the MUSE, EPICOR and HCMIS systems, clear separation of duties and possibilities for control by an audit trail, proof of signature, passwords and electronic devices, etc. Systems, forms and documents are designed to secure that the intended parties are involved in verification, authorization and execution of payment. As demonstrated by the CAG reports, not all controls are carried out as intended, but the ex post review by auditors is intended to detect systemic problems and deviations.

557. Other control activities include specific studies related to accumulation of arrears, pension schemes, ineligible payment of salaries, tax mobilization etc. In addition, specific performance and special audits have been conducted. The special audits have covered a number of critical investment projects as well as some of government's ICT systems.

558. Some aspects of the control system appear weaker, such as the follow up by the Executive of audit recommendations; or the tax appeals entities that are accumulating cases.

559. It is likely that regular production, distribution, scrutiny and use of financial reports, involving management could be strengthened as well as auditors' access to and use of the IFMIS systems.

560. In terms of bank reconciliation, a strong central control is exercised through the ACGEN's office where bank statements are collected and compared to the financial reports from the IFMIS system with feedback to the government entities.

561. Most internal audit units still operate with a focus on compliance audit, although at headquarters the IAGD plans contain system audit efforts.

Information and communication

562. The degree and quality of information varies between PFM entities and fields:

- The system to monitor audit recommendations and management response through GARI-ITS is a useful tool to track performance.
- The CAG reports are commonly available.
- Performance is also monitored through the MTEF.
- The PPRA produces comprehensive procurement performance reports that are well structured,
- The budget documents and annual budget speeches could be much more informative and should include more summary information. The addition of the citizen's budget document is a step in this direction.

- The consolidated annual financial report is comprehensive but leaves a lot to desire in clarity and structure to give a clearer picture of tiers of Government, budget performance and summaries.
- Quarterly reports are published but provide limited information.
- MUSE, EPICOR and HCMIS are designed to allow for immediate reporting to MDAs, who have access points and authority to draw reports. The systems also have query functions which would be useful also for audit purposes, but it is not clear whether they are utilized.
- The quality of the MoFP website is rather poor, reports are not easy to find and there is a somewhat problematic architecture, whereas other websites like PPRA, BoT and TRA have better structure and quality.

Monitoring

563. Some aspects of the quality of financial reporting make monitoring by accounting officers cumbersome. The systems have the potential to provide timely data. Reporting and queries to the systems require both access, which appears to be there, and competence to formulate queries and draw reports. If not, entities will rely on readily published reports, that need to be published timely to be useful. There are question-marks related to competency to draw queries.

564. Monitoring is only useful if information is both provided and in demand. The monthly cash rationing system in addition to the arrears problem makes budget reports less useful. Budget availability for the year is fairly unpredictable except for salaries and regular office costs.

565. As mentioned, risks and monitoring related to MDA's ICT systems and environment are an area for concern. As mentioned in the PEFA framework guide:

"*An effective internal control system plays a vital role across every pillar in addressing risks and providing reasonable assurance that operations meet the four control objectives: (i) operations are executed in an orderly, ethical, economical, efficient, and effective manner; (ii) accountability obligations are fulfilled; (iii) applicable laws and regulations are complied with; and (iv) resources are safeguarded against loss, misuse and damage.*"

566. Table 4-6 shows that the sub-indicators related to the information and communication aspect of internal control stand out as problematic, followed by aspects of the control environment.

567. **We conclude that the control system has been well established and contributes towards the specified control objectives but that the system will not fully deliver and be credible unless some deficiencies in the PFM system are addressed.** These relate especially to budget credibility, prudent reporting and follow-up of audit recommendations. Improved development and integration and/or inter-facing of ICT systems also has the potential to improve internal control.

Table 4-6 Implications of 2022 PEFA assessment for Internal Control Framework

PI No	Indicators and subindicators	Rating 2021	1. Control environment	2. Risk assessment	3. Control activities	4. Information and communication	5. Monitoring
PI-2	**Expenditure composition outturn**	D+					
	(i) Expenditure composition outturn by function	D					
	(ii) Expenditure composition outturn by economic type	C					
	(iii) Expenditure from contingency reserves.	A					
PI-4	**Budget Classification**	C					
PI-5	**Budget Documentation**	D					
PI-7	**Transfers to subnational Governments**	C+					
	(i) System for allocating transfers	D					
	(ii) Timeliness on information for transfers	A					
PI-8	**Performance information for service delivery**	C					
	(i) Performance plans for service delivery	B					
	(ii) Performance achieved for service delivery	C					
	(iii) Resources received by service delivery units	D					
	(iv) Performance evaluation for service delivery	C					
PI-10	**Fiscal risk reporting**	B+					
	(i) Monitoring of public corporations	C					
	(ii) Monitoring of sub-national government (SNG)	A					
	(iii) Contingent liabilities and other fiscal risks	A					
PI-11	**Public investment management**	D+					
	(i) Economic analysis of investment proposals	C					
	(ii) Investment project selection	C					
	(iii) Investment project costing	D					
	(iv) Investment project monitoring	D					
PI-12	**Public asset management**	B+					
	(i) Financial asset monitoring	A					
	(ii) Nonfinancial asset monitoring	C					
	(iii) Transparency of asset disposal	A					
PI-13	**Debt management**	B					
	(i) Recording and reporting of debt and guarantees	B					
	(ii) Approval of debt and guarantees	B					
	(iii) Debt management strategy	C					
PI-14	**Macroeconomic and fiscal forecasting**	C+					
	(i) Macroeconomic forecasts	A					
	(ii) Fiscal forecasts	C					
	(iii) Macro-fiscal sensitivity analysis	D					
PI-15	**Fiscal strategy**	B					
	(i) Fiscal impact of policy proposals	C					
	(ii) Fiscal strategy adoption	A					
	(iii) Reporting on fiscal outcomes	B					
PI-16	**Medium term perspective in expenditure budgeting**	D					
	(i) Medium-term expenditure estimates	D					
	(ii) Medium-term expenditure ceilings	D					
	(iii) Alignment of strategic plans and medium-term budgets	C					
	(iv) Consistency of budgets with previous year estimates	D					
PI-17	**Budget preparation process**	A					
	(i) Budget calendar	A					
	(ii) Guidance on budget preparation	A					
	(iii) Budget submission to the legislature	A					
PI-18	**Legislative scrutiny of budgets**	B					
	(i) Scope of budget scrutiny	A					
	(ii) Legislative procedures for budget scrutiny	A					
	(iii) Timing of budget approval	C					
	(iv) Rules for budget adjustments by the executive	C					

PI No	Indicators and subindicators	Rating 2021	1. Control environment	2. Risk assessment	3. Control activities	4. Information and communication	5. Monitoring
PI-19	**Revenue administration**	B					
	(i) Rights and obligations for revenue measures	A					
	(ii) Revenue risk management	A					
	(iii) Revenue audit and investigation	C					
	(iv) Revenue arrears monitoring	C					
PI-20	**Accounting for revenues**	A					
	(i) Information on revenue collections	A					
	(ii) Transfer of revenue collections	A					
	(iii) Revenue accounts reconciliation	A					
PI-21	**Predictability of in-year resource allocation**	C					
	(i) Consolidation of cash balances	C					
	(ii) Cash forecasting and monitoring	C					
	(iii) Information on commitment ceilings	D					
	(iv) Significance of in-year budget adjustments	C					
PI-22	**Expenditure arrears**	D					
	(i) Stock of expenditure arrears	D					
	(ii) Expenditure arrears monitoring	D					
PI-23	**Payroll controls**	B+					
	(i) Integration of payroll and personnel records	A					
	(ii) Management of payroll changes	B					
	(iii) Internal control of payroll	B					
	(iv) Payroll audit	B					
PI-24	**Procurement**	B					
	(i) Procurement monitoring	D					
	(ii) Procurement methods	A					
	(iii) Public access to procurement information	B					
	(iv) Procurement complaints management	A					
PI-25	**Internal controls on nonsalary expenditure**	C+					
	(i) Segregation of duties	B					
	(ii) Effectiveness of expenditure commitment controls	C					
	(iii) Compliance with payment controls	C					
PI-26	**Internal audit effectiveness**	D+					
	(i) Coverage of internal audit	B					
	(ii) Nature of audits and standards applied	C					
	(iii) Internal audit activity and reporting	D					
	(iv) Response to internal audits	C					
PI-27	**Financial data integrity**	C+					
	(i) Bank account reconciliation	B					
	(ii) Suspense accounts	N/A					
	(iii) Advance accounts	B					
	(iv) Financial data integrity processes	D					
PI-28	**In-year budget reports**	C					
	(i) Coverage and comparability of reports	C					
	(ii) Timing of in-year budget reports	C					
	(iii) Accuracy of in-year budget reports	C					
PI-29	**Annual financial reports**	C+					
	(i) Completeness of annual financial reports	C					
	(ii) Submission of reports for external audit	B					
	(iii) Accounting standards	B					
PI-30	**External audit**	B					
	(i) Audit coverage and standards	B					
	(ii) Submission of audit reports to the legislature	B					
	(iii) External audit follow-up	B					
	(iv) Supreme Audit Institution (SAI) independence	B					
PI-31	**Legislative scrutiny of audit reports**	C+					
	(i) Timing of audit report scrutiny	C					
	(ii) Hearings on audit findings	A					
	(iii) Recommendations on audit by the legislature	B					
	(iv)Transparency of legislative scrutiny of audit reports	D					

5. The PFM Reform Process

5.1 Approach to PFM reforms

Box 5–5-1 Key objectives of the different phases of the Tanzania PFMRP

Evolution of Tanzania PFMRP:

PFMRP I: 1998 - 2004 This Phase implemented from 1998-2004 had an objective of controlling expenditure, introducing aggregate fiscal discipline and contributing to stable macro-economic growth. PFMRP I focused on minimizing resource leakage, strengthening financial control and enhancing accountability by reforming the budget process and introducing an Integrated Financial Management System (IFMS).

PFMRP II: 2004- 2008 The objective of Phase II was to progressively modernize the processes, procedures and systems involved in PFM through the implementation and use of 'best practice' tools, techniques and methodologies to improve revenue forecasting and resource allocation for strategic priorities.

PFMRP III: 2008- 2011 The objective of Phase III was to ensure greater predictability and availability of medium term resources to executing agencies. The thrust was about getting the tools, techniques, methodologies and systems that were introduced in the previous phase to work efficiently and effectively in an integrated manner.

PFMRP IV: 2012 -2017 The PFMRP IV aimed at strengthening and improving public financial management systems in a more coordinated manner in order to meet the current fiscal policy challenges. Phase IV was intended to enable reforms in the areas of revenue management, planning and budget management, budget execution transparency and accountability, budget control and oversight and programme management, monitoring and communication including change management.

PFMRP V: 2017-2022 The goal of PFMRP V was to promote sustainable PFM reforms. It aimed to deliver on 7 strategic objectives, and within each a number of sub-objectives:

1. Improved macro-economic management as basis for a credible budget,
2. Efficient allocation of resources on a medium-term basis aligned with national priorities,
3. Budget executed as planned with timely and accurate reporting available
4. Strengthened internal controls and better procurement practices contributing to improved financial accountability
5. Effective control and oversight of PFM functions by oversight institutions
6. PFM systems and outcomes in Local Governments are improved,
7. PFM systems and outcomes in Zanzibar are improved.

568. PFM reforms have been on-going in Tanzania since the 1990's, when efforts were made to improve the budget process and structure, and to introduce IT systems for accounting and budget monitoring. The fifth phase of the PFM reform programme, which started 1 July 2017, is coming to an end in July 2022.

A Mid-Term Review of the fifth phase has recently been undertaken analysing results until 2021[50]. A sixth reform phase is under preparation based on this PEFA report, the mid-Term Review and other findings. Box 5-1 shows the objectives of the previous programmes. Overall, the objectives for PFMRP V are in line with the standards demonstrated by the PEFA framework

5.2 The Mid Term Review of PFMRP V

569. The review shows that PFMRP V during its four out of five years of implementation has achieved about 49% of its combined outcome level and output level targets. PFMRP achievement has, however, been at a higher level (64%) when assessing what the Programme can be directly accountable for, i.e. at the output level only. However, the PFMRP outputs have led to less than the planned changes at the outcome level (23%). The latter is attributable to many other factors beyond the control of activities implemented within the work plan and budget, and many of the PFMRP outcome targets reflect very high ambitions.

Strengths of PFMRP V

570. Among notable achievements the report mentions: improved fiscal management including macroeconomic management, planning and budgeting as well as key aspects of budget execution. Also public procurement has improved, in part due to implementation of e-procurement (TANePS). The report mentions that efforts are underway to improve internal audit and controls.

571. For the oversight functions the programme has been successful in strengthening the Parliamentary Budget Office (PBO), and thereby the key PFM committees of Parliament in conducting their roles. Also, the National Audit Office of Tanzania (NAOT) capacity has been strengthened.

572. In terms of strengthening of PFM at Local Government Authorities (LGAs) in Mainland Tanzania, the most notable achievements have been raising LGAs own source revenue and the implementation of various LGA level ICT systems and procedures for planning, budgeting and expenditure management.

573. For the PFMRP strategic objective for Zanziba,r the most notable achievements have been in the areas of tax administration, the Office of the Controller and Auditor General of Zanzibar (OCAGZ) capacity in conducting audits, and establishing an asset register for registration and monitoring of public assets.

Weaknesses of PFMRP V

574. Among the areas that will need more resources and attention in the future the review mentions: integration of the key Information, Communication & Technology (ICT) systems used for planning, budgeting, payment processing and accounting, asset management, etc. as well as their functionality in

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50 J Claussen and E S Maliti, (4 February 2022), Public Management Reform Programme (PFMRP -V) Mid Term Review, Final Report.

reporting. Another weakness relates to disclosure of information through redesign of websites with more timely and easier access to core documents/reports.

575. In terms of engaging the civil society and media in the field of financial oversight, achievements were limited. An issue in need of more attention is a wider engagement of the public combined with efforts in making PFM budget and fiscal information more accessible.

576. The report also notes limited information from the Government websites on LGA budgets, revenue performance and expenditures.

577. For the PFMRP strategic objective for Zanzibar one of the key areas that needs further attention, is improving capacity in making more realistic fiscal forecasts which in turn will allow for realistic budget projections.

Other observations on PFMRP V and recommendations for PFMRP VI

578. The review notes that the budget allocated through the Annual work plan and budget for PFMRP has only been one source of funding (approximately 51%) for activities contributing to PFMRP. The major areas of assistance from the larger scale projects have, however, focused on strengthening PFM for LGAs. As suggested by the very low level of AWPB budget execution (only 49% total expenditures compared to budget allocations as of end FY 2020/21), these other interventions have likely been equally important to the level of PFMRP achievements observed.

579. Planning and monitoring for PFMRP has been done for only one year at a time rather than with a multi-year perspective. The assessment has also shown that the task of coordinating a multi-institutional, multi-dimensional programme like PFMRP has been challenging and more so with several larger scale interventions contributing to the same objectives but outside the planning and monitoring arrangement reflected in the AWPB and progress reports.

580. The report recommends that for a new PFMRP phase it should be based on a new PFM strategy informed by the PEFA assessment and other information, and that thematic programme workshops be organised with outcomes drawn from the strategy, Planning and budgeting should cover the different development and support efforts, both with domestic and external sources.

581. The report goes on to recommend several interventions for each of the seven target areas, both for the remaining six months of the fifth phase, and for an upcoming sixth programme.

5.3 Observations on PFM emerging from the 2022 PEFA assessment

582. This PEFA assessment concurs – not surprisingly – with many of the observed strengths and weaknesses observed by the mid-term review. As our summary reveals, notable progress has been made in terms of macro forecasting, revenue collection, asset management and accrual accounting, IFMIS systems and reporting structures, monitoring of audit recommendations, internal and external audit guidance, and performance audit.

583. Our assessment has observed weaknesses in the areas of budget credibility and revenue forecasting, poor or missing information in budget documents, transparency of transfers to local government, and the extent of revenue and expenditure arrears. Our judgement is that many of the problems of budget credibility result from the past legacy of unbudgeted or under-budgeted public investment projects on the one hand and the build-up of payment arrears. Fiscal and debt interventions – rather than reform measures - will be needed to clear the accumulated payment arrears but, without such actions, budget credibility is likely to remain a problem. Further improvements in Public Investment Management systems and in the design of the Medium Term Expenditure Framework should also assist in improving the accuracy and comprehensiveness of budget estimates.

584. Problems are also noted for consolidation of financial reports and consolidation in accordance with accrual accounting principles. Much of the financial data is in place but remains unpublished or published at a very high level of aggregation thereby obstructing transparency and oversight. Publication of data on the MoFP website appears haphazard, with poor oversight and in many cases with an absence of important documents and severe delays in publication. The layout and content of the key budget documents is also a matter of concern.

585. Other challenges can be noted for the multitude of ICT systems now in use, where it is likely that gains can be made through analysis and careful implementation of future opportunities for integration and structured interfaces.

Considerations for the design of PFMRP VI

586. The future design of the PFMRP could well benefit from the advice given by the review report related to the formulation of a new PFM reform strategy and thematic workshops. In our experience the PFM area is however quite vast and although one can distinguish areas which can be planned, managed and monitored as “stand-alone”- programmes (for revenue, asset management and procurement for example) – there are also areas with a very high degree of interdependence (e.g. macro forecasting, programme budgeting, performance audit, accounting and internal and external audit). A PFMRP programme needs to be anchored and steered at a central policy level and also to be designed with a large degree of technical co-operation and interaction between involved entities; these cooperation structures and systems need to be reflected in the reform organization.

587. Also the sequencing of reform must be considered carefully. Tanzania’s budget credibility has always fared low with a persisting problem of arrears mounting as the budget becomes exhausted at year’s end. The ensuing budget out-turn therefore has poor resemblance with the original budget allocation. If this problem is unattended, efforts to engage in programme budgeting and improved service delivery are likely to fail. Priority must be given to produce credible projections, to contain the budget within resources available, and to monitor financial data accurately as the basis for projections and budget decisions. There have been considerable improvements in these aspects, and some of the remaining challenges may have been caused by the revenue unpredictability over the period of the Coronavirus

pandemic. Nevertheless, arrears containment and timely and accessible financial reporting are key basic cornerstones that need to be reinforced.

588. There has been mention of the need for further integration of ICT systems – also in the review report. This can certainly be beneficial, but one has to distinguish carefully between fully integrated functions and modules within one system, as compared to arrangements for data transfers and interfaces between distinctly different databases and systems. Experience shows that e.g. full integration of the payroll, pension or tax systems into the IFMIS system may be cumbersome, whereas data interfaces can be very beneficial. Considering the mapping we have attempted of systems in the GoT (See Table 5-1) a specific roadmap is highly recommended for the development of ICT systems and their integration and interfacing.

Table 5-1: Mapping of PFM-related IT systems

Abbreviation	Full name of the system	Main use	Catergory
CBMS	Central Budget Management System	Processing and compilation of budget data	Budget
GeRAS	Government electronic Resource Allocation System	Calculation and distribution of allocations	Budget
MUSE	Mfumo wa Uhasibu Serikalini	Government Payment and Accounting System	Accounting
GACS	Government's Accounting Consolidation System	Consolidation of accounting data and reports	Accounting
ERMS	Electronic Resource Management System	Accounting and payment system	Accounting
EFDMS	Electronic Fiscal Device Management System	Registration of fiscal devices for revenue payment to govt	Payment
GePG	Government's Electronic Payment Gateway	Register and interface to accounts authorised for payment of taxes etc	Payment
HCMIS/Lawson	Human Capital Management Information System	Payroll for government employees	Salary
GSPP	Government Salary Payment Portal	Register of individuals and accounts for payment of salaries to govt employees	Salary
TPPS	Treasury Pension Payment System	Pension payroll	Salary
	Tax Exemption Management Information System	Register of tax exemptions	Revenue
NRD	National Revenue Database	Register of taxes and receipts of such	Revenue
LGRCS	Local Government Revenue Collection System	Revenue collection system	Revenue
PMIS	Procurement Information System	Procurement registration and processing	Procurement
GAMIS	Government's Asset Management System	Register of assets, transfers, depreciations, losses etc.	Assets
	D-funds Management Information System	Register of Development funds and projects and flow of funds	Development
	National Development Projects Management Information System	Register of development projects and sources and use of funding	Development
	Governmetn Employee Loan System	Register of loans to govt employees	Debt
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System	Management of government loans and debt	Debt
GFSM	Government's Finance Statistics Module	Production of govt financial statistics	Statistics
API	Application programming interface	Application allowing transfer of data between systems	IT
TISS	Tanzania Inter-Bank Settlement System	Arrangement for settlements between banks	IT
GARI-ITS	Government Audit Recommendation Implementation Tracking System	Record of audit recommendations, responses and action	Audit
GIAMIS	Government's Internal Audit Managament Information System	Audit planning, budgeting and monitoring	Audit
OTR-MIS	Office of the Treasury Registrar Management Information System	Register of Public Service Corporations	PSCs
OTR-MIS FAR	OTR Financial Analysis Reporting System	Data capture and reporting on finances of PSC:s	PSCs
OTR- BMIS	OTR - Board Management Information System	Register on Board members and appointment and reports.	PSCs
OTR-PLANREP	OTR- Planning and Reporting System	Planning and budgeting of PSCs	PSCs
OTR-GIS/BIS	OTR - Geographical and Business Information System	Location of PSCs and key data.	PSCs

Annex 1: 2022 Performance Assessment in comparison with 2017

Indicators and dimensions		Score 2017	Score 2022	Scoring Justification 2022 Assessment	Performance Change and Rationale
PI-1	**Aggregate expenditure out-turn**	**C**	**D**	Aggregate expenditure outturn was below 85% of the approved budget in two out of three of the last three fiscal years under this assessment (FY18/19=79% and FY19/20=84.1%).	**Deterioration in score,** because previously the expenditure outturn was between 85% & 115% of the approved budget in 2 of the previous 3 fiscal years.
PI-2	**Expenditure composition outturn**	**D+**	**D+**		**No Change**
	(i) Expenditure composition outturn by function	D	D	Variance in expenditure composition by administrative classification was more than 15% in each of the last three years (25.3%, 33.1% and 48.8% in 2018/19, 2019/20 and 2020/21, respectively)	No Change
	(ii) Expenditure composition outturn by economic type	C	C	Variance in expenditure composition by economic classification was more than 10% but less than 15% in two of the three most recent fiscal years - FY18/19 (13.6%) and FY20/21 (12.4%)	No Change
	(iii) Expenditure from contingency reserves.	A	A	Contingency allocations were transferred and spent within the budget line items in need. As a result, there were no direct expenditures against the contingency fund itself.	No Change
PI-3	**Revenue outturn**	**D+**	**D+**		**No Change**
	(i) Aggregate revenue outturn	D	D	Actual revenue was less than 92% of budgeted revenue in not only two, but all of the last three years (85.2%, 83.5% and 90% in FY18/19, FY 19/20 and FY 20/21, respectively)	No change
	(ii) Revenue composition outturn	C	C	Variance in revenue composition in two of the last three years under review was less than 15%. (7.6%, and 11.6% and 53.3% in FY18/19, and FY 19/20, respectively)	No change
PI-4	**Budget Classification**	**C**	**D**	An economic classification consistent with GFSM 2014 is applied to all revenues and recurrent expenditures but not to development projects, due to the difficulties of its application to externally funded projects. A framework for applying the COFOG functional codes and for applying programme codes is in place but it is not yet applied.	**Apparent deterioration** in the score but this is due to a mis-scoring in 2017. The factors constraining improvement in the score pertained then as now.

Indicators and dimensions		Score 2017	Score 2022	Scoring Justification 2022 Assessment	Performance Change and Rationale
PI-5	**Budget Documentation**	**D**	**D**	Budget documentation is presented in the Budget Speech, the four Volumes of the Budget and the Plan & Budget Guidelines submitted in advance of the Budget. However, only 2 of the 4 basic elements of information are fulfilled, although 6 of the 8 additional elements are present.	**No change:** coverage of additional elements has increased from 4 to 6 of the 8 listed but, as in 2017, only 2 of the 4 basic elements are fulfilled.
PI-6	**Central Govt. operations outside financial reports**	**B**	**A**		**Improvement**
	(i) Expenditure outside financial reports	B	A	The historical sources of under-reporting of expenditures have been largely addressed. Although some under-reporting of expenditures from grant-financed projects may have continued, there is no audit or other evidence of its value. Assuming an under-reporting rate of 30% of the value of grant-financed project expenditures, the overall level of unreported expenditure is estimated to be 0.8 % of total expenditure for 2019/20.	Performance has improved due especially to the improved capture of expenditures from non-tax revenues, and to a lesser extent from the improved capture of expenditures from grant-financed projects, through the newly introduced "D-fund" system. These improvements reduced unreported expenditure from an estimated 4% in 2017 to 0.8% in 2019/20.
	(ii) Revenue outside financial reports	C	A	Most revenue collection functions are centralised within TRA (see PI-19) and the non-tax revenues of MDAs are now controlled by being paid through the GePG. Unreported disbursements by grant-financed development projects comprise the main source of unreported revenues. These are estimated to comprise 0.87% of total revenue for 2019/20.	Performance has improved significantly due to the effective capture of non-tax revenues via the GePG, and the improved coverage of revenues from grant-financed projects, through the D-fund system. Uncaptured revenues fell from an estimated 5.7% of total revenue in 2017.
	(iii) Financial reports of extra-budgetary units	B	B	All extra budgetary units submit annual financial reports to Government; not all of these submit within three months of the end of the fiscal year but most of them do submit within 6 months.	No change in this dimension.
PI-7	**Transfers to subnational Governments**	**C+**	**C+**		**No Change**
	(i) System for allocating transfers	D	D	Horizontal allocations have been transparent in the sense of being pre-announced and publicly discussed with the relevant stakeholders. However, they have been based not on formulae, which are legally or constitutionally defined, but on administratively determined norms.	No Change
	(ii) Timeliness of information on transfers	**A**	**A**	The process by which LGAs receive information on their annual transfers is managed through the regular budget calendar, which is generally adhered to and provides sufficiently detailed information to allow at least 6 weeks for the budget formulation process at LGA level.	No Change

Indicators and dimensions		Score 2017	Score 2022	Scoring Justification 2022 Assessment	Performance Change and Rationale
PI-8	**Performance information for service delivery**	**C**	**C**		**No Change**
	(i) Performance plans for service delivery	B	B	All ministries publish annually, within the MTEF, information on the activities to be performed through their projects and recurrent spending, the anticipated outputs and the objectives. However, the MTEF does not include a clear presentation of outcomes, nor is it disaggregated by budget programme.	No Change
	(ii) Performance achieved for service delivery	C	C	Information is published annually within the MTEF by all ministries on the outputs produced through the Development budget but, for the Recurrent Budget, reporting is at the level of activities.	No Change
	(iii) Resources received by service delivery units	D	D	Information on resources received by front-line service delivery units is not systematically collected and reported on an annual basis by any sector ministry. There has been no survey in the last three years estimating resources so received.	No Change
	(iv) Performance evaluation for service delivery	C	C	Through the 39 performance audits of NAOT and the Health Sector PER conducted with the World Bank in 2020, evaluations of the efficiency or effectiveness of service delivery have been carried out at least once within the last three years in ministries comprising more than 25% of public spending.	No Change
PI-9	**Public access to information**	**D**	**D**	Only 3 of the 5 basic elements are made available to the public on a timely basis. Key budget documents and Quarterly Budget Execution reports are not published regularly and were not available for the year under review. However, three of the four 'additional elements' were made available on time.	**No Change**
PI-10	**Fiscal risk reporting**	**B**	**B**		**No Change**
	(i) Monitoring of public corporations	D	C	For 2019/20, most of the Public Corporations (76 out of 82) submitted audited annual financial reports within 9 months of fiscal year end. In addition, a consolidated report on the financial performance of the public corporation sector is published annually by central government, specifically by the Office of the Treasury Registrar (OTR).	The score on this dimension has improved as a result of the improved reporting by the Public Corporations, with most now submitting audited annual statements within 9 months, as opposed to just over 50% in 2017.

Indicators and dimensions		Score 2017	Score 2022	Scoring Justification 2022 Assessment	Performance Change and Rationale
	(ii) Monitoring of sub-national Government (SNG)	A	A	Audited financial statements are published for all LGAs within nine months of the end of the fiscal year. Moreover, consolidated reports on the net fiscal position of the majority of LGAs are produced by PO-RALG on a quarterly basis, and the MoFP also include a consolidated report on the financial position of all LGAs in the audited annual financial statements.	No change: monitoring of LGAs remains strong.
	(iii) Contingent liabilities and other fiscal risks	B	B	Most significant contingent liabilities of Central Government are identified and quantified in the annual consolidated financial statements of the MoFP. Potential liabilities from loan guarantees are analysed in the annual financial reports of the ORT and in annual Debt Sustainability Analyses. However, potential contingent liabilities from PPPs do not appear to be comprehensively covered.	No change: while there have been improvements in the monitoring of contingent liabilities, it is not yet the case that all contingent liabilities are comprehensively and systematically reported.
PI-11	**Public Investment Mgt.**	**D+**	**D+**		**No Change**
	(i) Economic analysis of investment proposals	C	C	Economic analyses are conducted for some major investment projects (more than 25% of the total number). Some of these analyses were published but they were not reviewed on a systematic basis by any central entity other than the sponsoring MDA.	No Change
	(ii) Investment project selection	C	C	Through the process of budget scrutiny, some, indeed a majority, of the major investment projects were prioritised by the NDP and BMD prior to inclusion in the Budget. The criteria for this process were stated in the Plan and Budget Guidelines, which were publicly available.	No Change
	(iii) Investment project costing	D	D	The Budget documentation does not include a presentation of the total cost of major investment projects nor of their anticipated recurrent costs, in addition to the presentation of capital costs for the coming budget year.	No Change
	(iv) Investment project monitoring	D	D	Major projects are monitored by the implementing MDA; some of this information is reported in the sector MTEF. Cumulative information on total cost to date, projected costs to completion, and total progress against completion targets is not publicly reported for all major projects.	No Change

Indicators and dimensions		Score 2017	Score 2022	Scoring Justification 2022 Assessment	Performance Change and Rationale
PI-12	**Public asset management**	**B**	**B+**		**Improvement**
	(i) Financial asset monitoring	B	A	Government maintains a record of its holdings in all categories of financial assets, recognised at fair or market value in line with international accounting standards. Information on performance of the financial assets is presented within the consolidated financial statements and in the OTR's annual report which includes a consolidated report on the performance of the portfolio of financial assets.	Score improved from "B" to "A" because of the introduction of an annually published report (by ORT) comprising a consolidated report on the overall performance of the portfolio of financial assets.
	(ii) Nonfinancial asset monitoring	C	C	Within GAMIS, the Government maintains a register of its holdings of non-financial assets, including information on their usage, and remaining economic life. However, GAMIS does not yet include a register of sub-soil assets.	No change
	(iii) Transparency of asset disposal	B	A	Clear procedures & rules for the transfer/ disposal of non-financial and financial assets are established in legislation and regulations. Comprehensive information on transfers/ disposals of non-financial assets is presented in the GAMD annual report, and for financial assets in the ORT Annual Report. Summary information on both is presented in the annual consolidated financial statements, which are tabled before Parliament and the Public Accounts Committee.	Score improved from "B" to "A" due to the improved reporting on the transfer/ disposal of financial assets through the ORT in the form of its annual report. The level of detail on asset acquisition/disposal and transfer in the ACGEN consolidated annual statements has also improved.
PI-13	**Debt management**	**B**	**B**		**No Change**
	(i) Recording and reporting of debt and guarantees	B	B	Records on domestic and foreign debt and guaranteed debt are complete, accurate and updated quarterly. Most information is reconciled quarterly. Comprehensive management and statistical reports are produced annually.	No Change

Indicators and dimensions		Score 2017	Score 2022	Scoring Justification 2022 Assessment	Performance Change and Rationale
	(ii) Approval of debt and guarantees	B	B	The GLGGA grants the Minister of Finance exclusive responsibility to borrow, issue new debt and issue loan guarantees on behalf of the CG. GLGGA regulations provide guidance for undertaking borrowing, issuance of loan guarantees and for other debt-related transactions. All such transactions are reported by the ACGEN and monitored on a quarterly basis by the NDMC. The annual borrowing plan is approved by Cabinet. However, establishment of the Debt Management Directorate (DMD) as the single debt management entity is not yet complete.	No Change
	(iii) Debt management strategy	C	C	The MTDS is publicly available and comprises a 5-year strategy for existing and projected Government debt. It indicates the preferred evolution of interest rate, refinancing and foreign currency risks but it does not explicitly lay down target ranges for these indicators. The annual borrowing plan is broadly consistent with the strategy but it is difficult to compare directly.	No Change
PI-14	**Macroeconomic and fiscal forecasting**	**C+**	**C+**		**No Change**
	(i) Macroeconomic forecasts	A	A	Macroeconomic forecasts are prepared annually for the budget year and the subsequent 4 years.. They are presented in the Plan & Budget Guidelines (PBG). Forecasts include estimates of GDP growth, inflation, interest rates and the exchange rate. A narrative explanation of the underlying assumptions is included in the PBG and also presented in summary form within the Budget Speech. Forecasts incorporated are reviewed and approved by a committee including BoT, TRA and NBS in addition to MoFP.	No Change

Indicators and dimensions		Score 2017	Score 2022	Scoring Justification 2022 Assessment	Performance Change and Rationale
	(ii) Fiscal forecasts	C	C	The Government prepares forecasts of revenue, expenditure and the budget balance for the budget year and the two following fiscal years. However, the documentation on these forecasts presented to the Legislature, through the PBG and the Budget Speech, lacks a presentation of the revenue breakdown for the 2 years consecutive to the budget year and also lacks explanation of the differences from the forecasts made in the previous year's budget.	No Change
	(iii) Macro-fiscal sensitivity analysis	D	D	The macro-fiscal forecasts prepared by the Government do not include a qualitative assessment of the impact of alternative macroeconomic assumptions. Budget documentation does not include any discussion of forecast sensitivities.	No Change
PI-15	**Fiscal strategy**	**D+**	**B**		**Major Improvement**
	(i) Fiscal impact of policy proposals	D	C	Government prepares and presents in the Budget Speech and Budget Documents estimates of the fiscal impact in the budget year of all proposed changes in revenue and expenditure policies. Estimates of anticipated fiscal impacts for the subsequent two fiscal years are included only in the Planning and Budget Guidelines (PBG): these are at a highly aggregate level which cannot be related to specific tax or spending measures.	Improved score, due to the inclusion in the Budget Speech and Budget documents of the fiscal impact of expenditure measures. (Previously such estimates covered revenue policies only.)
	(ii) Fiscal strategy adoption	C	A	Within the PBG, the Government has adopted, submitted to the Legislature and published a current fiscal strategy that includes explicit, time based quantitative fiscal targets, together with qualitative fiscal objectives for the budget year and the following two years. The FYDP III extends these projections for a further two years, based on macroeconomic and fiscal projections consistent with those in the PBG and the 2021/22 Budget.	Improved score, due to the inclusion in the PBG of explicit, time-based quantitative fiscal targets, including for the fiscal deficit.

Indicators and dimensions		Score 2017	Score 2022	Scoring Justification 2022 Assessment	Performance Change and Rationale
	(iii) Reporting on fiscal outcomes	C	B	The Budget Speech and the PBG, both of which are submitted to the Legislature each year, include reviews of performance against the fiscal targets for the previous FY. However, the explanation of the reasons for the main deviations from the targets is only occasionally accompanied by discussion of corrective actions.	Improved score due to inclusion in the budget documentation of a more comprehensive explanation of the divergences from previous fiscal targets.
PI-16	**Medium term perspective in expenditure budgeting**	**D**	**D**		**No Change**
	(i) Medium-term expenditure estimates	D	D	Each MDA produces a detailed 3-year MTEF as part of the budget formulation process but the MTEF is not included in the annual budget documentation, which is limited to estimates of the budget year itself. This may be attributable to the activity-based costing approach used to develop the sector MTEFs, which results in voluminous documents and worksheets that are exceedingly difficult to adapt and refine in the time available.	No Change
	(ii) Medium-term expenditure ceilings	D	D	The aggregate "budget frame" included in the Plan & Budget Guidelines, includes indicative three-year targets for the overall fiscal strategy. However, the ceilings issued to MDAs are limited to the budget year only and do not include the subsequent two fiscal years.	No Change
	(iii) Alignment of strategic plans and medium-term budgets	C	C	Medium-term strategic plans are prepared for the major sector ministries, which together comprise more than 25% by value of CG expenditure. Some expenditure proposals in the annual budget estimates align with these strategic plans.	No Change
	(iv) Consistency of budgets with previous year estimates	D	D	Budget documents do not provide an explanation of the changes to aggregate expenditure estimates between the second year of the most recent MTEF and the first year of the new MTEF.	No Change
PI-17	**Budget preparation process**	**A**	**A**		**No Change**
	(i) Budget calendar	A	A	A clear budget calendar exists, supported by the Budget Act (2015) and Regulations. It is adhered to and allows MDAs over 6 weeks from receipt of the Budget Circular to complete their estimates on time.	No Change

Indicators and dimensions		Score 2017	Score 2022	Scoring Justification 2022 Assessment	Performance Change and Rationale
	(ii) Guidance on budget preparation	A	A	A comprehensive budget circular – the PBG - has been issued annually to MDAs covering total budget expenditure for the full fiscal year. This circular, and its accompanying aggregate, sectoral and, for 2022/23 ministerial ceilings, has been approved by Cabinet in advance of its circulation to MDAs. These ceilings have been reflected in the subsequently approved budgets.	No Change
	(iii) Budget submission to the legislature	A	A	The Executive's Budget Proposal (EBP) has been submitted to Parliament in April in each of the last three fiscal years, in slightly more than two months before the end of the fiscal year on 30th, June.	No Change
PI-18	**Legislative scrutiny of budgets**	**B+**	**A**		**Improvement**
	(i) Scope of budget scrutiny	B	A	Parliament reviews fiscal policies as contained in the PBG, as well as the details of planned revenue and expenditures presented in the Budget Documents. The PBG include medium term forecasts and priorities, and an aggregate budget frame, with details of the anticipated fiscal deficit and its planned financing. This process has been followed for the last three completed fiscal years and also for the approval of the 2022/23 Budget	Score has improved due to the improvement in the information presented to the Legislature in the PBG, specifically through the inclusion of greater information on medium term priorities.
	(ii) Legislative procedures for budget scrutiny	A	A	The Legislature's procedures for scrutiny of budget proposals include specialised committees, public consultations and agreed negotiation processes. Procedures are approved in advance by the Legislature and respected. The Parliamentary Budget Committee coordinates the process with technical support from the Parliamentary Budget Office.	No Change
	(iii) Timing of budget approval	B	A	The Legislature approved the annual budget in advance of the fiscal year in 2018, 2019 and 2020.	Improvement in timing of Budget approval
	(iv) Rules for budget adjustments by the executive	A	A	Clear rules exist in the Budget Act (2015) and Regulations for in-year budget amendments by the Executive. These are always adhered to.	No Change
PI-19	**Revenue administration**	**C+**	**B**		**Improvement**
	(i) Rights and obligations for revenue measures	C	A	TRA, which is responsible for most Government revenue collection (88%), uses multiple channels to provide tax-payers with easy access to comprehensive information on main revenue obligations and rights, including redress procedures.	The score has improved significantly, due to the improvement in the quality of information provided, especially through advance notice of tax changes.

Indicators and dimensions		Score 2017	Score 2022	Scoring Justification 2022 Assessment	Performance Change and Rationale
	(ii) Revenue risk management	C	A	TRA uses approaches that are well structured and systematic for assessing and prioritising compliance risks for all revenue streams, including large, medium and small taxpayers.	Score has improved due to the introduction of a structured and systematic process for assessing compliance risk.
	(iii) Revenue audit and investigation	C	C	TRA, which is responsible for collecting most revenues, undertakes audits and fraud investigations as part of a compliance improvement plan and completes a majority (but not all) of its planned audit and fraud investigations.	No Change.
	(iv) Revenue arrears monitoring	B	C	Based on data received from TRA the stock of arrears at end 2020/21 is 37.4% of the total revenue collections for the year, with the revenue arrears older than 12 months comprising less than 75% of total arrears.	Score has declined due to the expansion in the stock of arrears, which in 2017 comprised less than 20% of total revenue collection, and 37.4% in 2022.
PI-20	**Accounting for revenues**	**B+**	**A**		**Improvement**
	(i) Information on revenue collections	A	A	PAD obtains revenue data monthly from entities collecting all central Government revenue. The information is broken down by revenue type and consolidated into a monthly report.	No Change
	(ii) Transfer of revenue collections	B	A	Through the GePG system, transfers to the BoT revenue account are made daily for most Government revenue.	Improvement, due to introduction of GePG.
	(iii) Revenue accounts reconciliation	A	A	TRA, representing most central Government revenue, undertakes a complete reconciliation of its assessments, collections, arrears and transfers to BoT as frequently as needed, including daily, using the GePG..	No Change
PI-21	**Predictability of in-year resource allocation**	**D+**	**C**		**Improvement**
	(i) Consolidation of cash balances	D	C	GoT operates a single treasury account (STA). Most bank accounts are connected to the STA. Cash balances are consolidated on a monthly basis.	Score has improved due to the expansion of the STA, which now accounts for over 75% of cash balances.
	(ii) Cash forecasting and monitoring	C	C	Annual cash forecasts are prepared; monthly forecasts are produced based upon updated projections of cash outflows and inflows, but do not successively update the forecast for the remaining part of the year.	No Change

Indicators and dimensions		Score 2017	Score 2022	Scoring Justification 2022 Assessment	Performance Change and Rationale
	(iii) Information on commitment ceilings	D	D	For salaries and recurring payments predictable monthly releases take place in accordance with the budget. For other recurrent items and domestic development projects, exchequer releases are made each month subject to requests from budget entities and a negotiation procedure with MoFP. MDAs only receive final information on the releases for these items during the month of payment. Adjustments relative to the budget for these items have been significant, meaning that MDAs cannot be provided reliable information on spending limits one month in advance.	No Change
	(iv) Significance of in-year budget adjustments	C	C	Significant in-year budget adjustments took place and were partially transparent.	No Change
PI-22	**Expenditure arrears**	**D**	**D**		**No Change**
	(i) Stock of expenditure arrears	D	D	The stock of expenditure arrears has exceeded 10 % in at least two of the last three completed fiscal years	No Change
	(ii) Expenditure arrears monitoring	D	D	Given that there is no regular in-year reporting of expenditure arrears and that they are not reconciled with accounts payable and accruals in MUSE, nor with the consolidated annual financial statements, systematic reporting of arrears cannot be said to take place currently in Government's consolidated financial reporting. Dimension (ii) is therefore rated a "D".	No Change
PI-23	**Payroll controls**	**B+**	**B+**		**No Change**
	(i) Integration of payroll and personnel records	A	A	The approved staff list, personnel database and payroll for CG and LGAs are all integrated in the new HCMIS system and have an electronic interface with the MUSE system for processing of salary payments to ensure budget control, data consistency, and monthly reconciliation.	No Change
	(ii) Management of payroll changes	A	B	Changes to the personnel and payroll system are updated monthly through the new HCMIS system, generally in time for the following month's payments. However, the number of retroactive adjustments as demonstrated by the figures for salary-related arrears is likely to have exceeded the 3 % needed for an A rating.	Deterioration in score, due to an increase in the number of retroactive salary adjustments.
	(iii) Internal control of payroll	B	B	Authority to change personnel and payroll records is restricted and results in an audit trail. Although it has not yet been possible to ensure full integrity of data, evidence suggests that data integrity is high.	No Change

Indicators and dimensions		Score 2017	Score 2022	Scoring Justification 2022 Assessment	Performance Change and Rationale
	(iv) Payroll audit	B	B	Payroll audits are undertaken by Internal audit and CAG. Also PO-PSM checks on integrity of data and carries out site visits. Between these 3 entities, payroll audits covering all CG entities would have been conducted at least once in the last three completed fiscal years.	No Change
PI-24	**Procurement**	**C**	**B**		**Improvement**
	(i) Procurement monitoring	D	C	Records are maintained in TANePS for the whole public sector on what has been procured, the value of procurement and who has been awarded contracts. A majority (73%) of public sector procurements were managed and published through TANePS in 2020/21. The institutions of Budgetary Central Government in turn comprised a majority (54%) of the Procuring Entities publishing awards through TANePS. We thus estimate that a majority of BCG procurements were managed and published through TANePS.	The score has improved due to the introduction of TANePS and the success achieved in registering all 718 Procuring Entities (PE) of the public sector, and in ensuring that a majority of the procurements of BCG institutions were managed through the system.
	(ii) Procurement methods	D	A	Proposed procurement methods must be stated in General Procurement Notices (GPNs) and methods cannot later be changed without a valid justification and formal approval by PPRA. The statement of planned procurement methods in GPNs is therefore a very good guide to the methods actually used. 93.5 % of procurements by value for the public sector were planned to be undertaken by competitive methods in 2020/21.	The score has improved significantly because there now exists comprehensive data on the planned procurement methods of the whole public sector, through the GPNs published in TANePS and reported by PPRA annually.
	(iii) Public access to procurement information	C	C	Four of the six key procurement information elements (1,2,3 & 5) are complete and accurate for BCG entities representing a majority of BCG procurement operations, and are made available to the public on a timely basis.	No Change
	(iv) Procurement complaints management	A	A	In 2020/21, the procurement complaints system met all six PEFA criteria for the effectiveness of an independent procurement complaint resolution mechanism.	No Change

Indicators and dimensions		Score 2017	Score 2022	Scoring Justification 2022 Assessment	Performance Change and Rationale
PI-25	**Internal controls on non-salary expenditure**	**D+**	**C+**		**Improvement**
	(i) Segregation of duties	C	B	Segregation of duties is prescribed throughout the expenditure process and responsibilities are clearly laid down for all key steps. However, the operationalisation of the segregation of duties relies critically on the controls established within the MUSE system. As MUSE is not yet fully implemented in all MDAs, some gaps in systems for segregation of duties may exist in the minority of the MDAs of BCG which continue to apply other financial management systems used with an interface to MUSE.	Score has improved due to the more extensive process of segregation of duties incorporated in the MUSE integrated financial management system, and the steady roll-out of MUSE since 2018 to most MDAs of Central Government.
	(ii) Effectiveness of expenditure commitment controls	C	C	Commitment control procedures do exist, which are partially effective. The existence of extensive expenditure arrears in several types of expenditure (PI-22) demonstrates that the system of commitment control cannot be considered comprehensive, nor to effectively limit commitments to projected cash availability and approved budget allocations for most types of expenditure.	No Change
	(iii) Compliance with payment controls	D	C	Most payments are compliant with regular payment procedures and the majority of exceptions are properly authorized and verified.	Score has improved due to MUSE implementation; CAG reports show clear improvement in compliance since 2017.
PI-26	**Internal Audit effectiveness**	**C+**	**C+**		**No Change**
	(i) Coverage of internal audit	B	B	The internal audit function is in place for central government entities representing most of total budgeted expenditure and for central government entities collecting all of government revenue. However, staff turnover and shortages puts the functionality and coverage of their audit in jeopardy.	No Change
	(ii) Nature of audits and standards applied	C	C	Internal audit activities have a primary focus on financial compliance.	No Change
	(iii) Internal audit activity and reporting	C	C	Annual audit programmes and plans exist and are submitted to IAGD. However only 77 % submitted annual reports in 2020/21. For audit committees the submission rate was 35 % We assess that the majority of programmed audits are completed.	No Change
	(iv) Response to internal audits	C	C	Management provides a full response for the majority of CG entities audited. However, the implementation pace is slow for some entities and many recommendations are not implemented.	No Change

Indicators and dimensions		Score 2017	Score 2022	Scoring Justification 2022 Assessment	Performance Change and Rationale
PI-27	**Financial data integrity**	**C**	**C+**		**Improvement**
	(i) Bank account reconciliation	B	B	Bank reconciliation of all active central Government accounts takes place monthly, usually before 4 weeks from the end of each month	No Change
	(ii) Suspense accounts	D	N/A	The absence of a suspense account facility or of any alternative organised procedure to keep track of pending postings (receipts or expenditure) is a deviation from best practice. We remain of the opinion that dimension (ii) should be rated "D", but to allow for comparisons with other PEFA assessments and to follow the guideline the rating given is N/A (Not Applicable).	In the absence of a suspense account facility or any equivalent procedure, this dimension has been rated 'not applicable'. As a result of excluding this dimension, the aggregate score has improved from a C to a C+.
	(iii) Advance accounts	D	D	A complete reconciliation of advances and imprest accounts only takes place annually within the deadline for submission of the annual financial statements from MDAs, namely three months after year's end.	No Change
	(iv) Financial data integrity processes	B	B	Access to records is restricted and all changes recorded, resulting in an audit trail. There is no specific unit in charge of verifying and checking data integrity.	No Change
PI-28	**In-year budget reports**	**D**	**C**		**Improvement**
	(i) Coverage and comparability of reports	D	C	The coverage and classification of the published quarterly Budget Execution Reports allow direct comparison to the original budget only for the main administrative headings. They do not include the details of actual expenditures made from the transfers received by the de-concentrated units of Central Government	The score has improved due to the improvement in the degree of accessibility of quarterly Budget Execution Reports. However, the range of information provided therein, and the consequent scope of potential comparison to the original budget have not expanded.
	(ii) Timing of in-year budget reports	D	C	Apart from the report for the first quarter, the published reports are available quarterly and issued within 8 weeks from the end of the quarter.	The score has improved due to the improvement in the regularity and timeliness of quarterly Budget Execution Reports.
	(iii) Accuracy of in-year budget reports	D	C	There are some concerns regarding data accuracy. Data is however useful for analysis of budget execution, but on a highly aggregate level. Expenditure is captured at payment stage.	The score has improved because the quarterly BERs have become more regular and more accurate in their data, although concerns over data accuracy persist.

Indicators and dimensions		Score 2017	Score 2022	Scoring Justification 2022 Assessment	Performance Change and Rationale
PI-29	**Annual financial reports**	**C+**	**C+**		**No Change**
	(i) Completeness of annual financial reports	C	C	Most of the desired information is contained in the annual report. However, the level of aggregation is high, details of budgets compared to outturn for votes/ ministries do not feature, and arrears are not consistently reported.	No Change
	(ii) Submission of reports for external audit	B	B	The consolidated financial statement for budgetary Central Government has in the past three years been received by CAG within 6 months of fiscal year end.	No Change
	(iii) Accounting standards	C	B	Accounting standards are applied to <u>all</u> financial reports and are consistent with the country's legal framework. The <u>majority</u> of international standards have been incorporated into the national standards, with the minor variations and gaps duly explained.	Improved score due to the incorporation of the majority of international standards and the clear disclosure of gaps and variations. In earlier years, when migration to IPSAS accruals was incomplete, this did not prove possible.
PI-30	**External audit**	**C+**	**B**		**Improvement**
	(i) Audit coverage and standards	B	B	CAG's annual audit reports include results from audit of CG entities representing <u>most</u> total expenditures and revenues. These have followed national audit standards which are largely compliant with the ISSAIs, and audits have highlighted relevant material issues and systemic and control risks..	No Change
	(ii) Submission of audit reports to the legislature	B	B	Audited reports have been submitted to the National Assembly within six months from receipt of the financial statements by CAG for the last three completed fiscal years.	No Change
	(iii) External audit follow-up	B	B	A formal, comprehensive, and timely response was made by the Executive or the audited entities on which follow-up was expected, during the last three completed fiscal years. However, the follow-up to audit recommendations by the Executive is not fully effective.	No Change
	(iv) Supreme Audit Institution (SAI) independence	C	B	The CAG has a 5-year renewable period of tenure and enjoys significant constitutional protection from removal from office. The CAG operates independently from the Executive with respect to the planning of audit engagements and the de facto procedures for appointment of the head of the SAI as well as the execution of the SAI's budget. The CAG has unrestricted, timely access to records for all audited entities.	Score has improved: because the CAG now enjoys full operational control in the execution of his budget.

Indicators and dimensions		Score 2017	Score 2022	Scoring Justification 2022 Assessment	Performance Change and Rationale
PI-31	**Legislative scrutiny of audit reports**	**B**	**C+**		**Deterioration**
	(i) Timing of audit report scrutiny	C	C	In the last three fiscal years, scrutiny of audit reports on annual financial reports has been completed by the legislature within 12 months from receipt of the reports.	No Change
	(ii) Hearings on audit findings	A	A	Over the last three completed fiscal years, in-depth hearings on the key findings in the CAG's reports have been undertaken with all entities receiving disclaimer of opinion or adverse or qualified opinions.	No Change
	(iii) Recommendations on audit by the legislature	B	B	The Legislature – through the PAC – issues directives on actions to be implemented by the Executive and follows up on the implementation of these directives. However, implementation performance by the Executive is poor, suggesting that further strengthening of the follow up process is needed.	No Change
	(iv)Transparency of legislative scrutiny of audit reports	C	D	The reports of the PAC are provided to the full chamber of Parliament, committee hearings are open to the public and press, and announced on the official website of the Parliament. However, the committee reports and recommendations are not published on the website.	Score has deteriorated because the reports of the PAC for the last three fiscal years have not been published on the official website of the Parliament.

Annex II: Observations on the Internal Control Framework

Internal control components and elements	Summary of observations
1. Control environment	
1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organisation	No information available from the PEFA assessment.
1.2 Commitment to competence	Training features as a strong ingredient in most PFM reform efforts including for LG tax administration, planning and budgeting for MDAs and LG staff and budget committees, procurement staff , cash management training, debt management training, internal audit training, fraud risk management training, risk based audit training, OTR staff training, capacity building for PAC members, IFMIS user training, ACGEN staff training.
1.3 The "tone at the top" (i.e. management's philosophy and operating style)	No information available from the PEFA assessment.
1.4 Organisational structure	Most elements established, such as for external and internal audit, procurement oversight and regulation, tax administration, accounting, budget, macro-analysis, debt management etc. Vacancies/ staff shortages noted for internal audit.
1.5 Human resource policies and practices	No information available from the PEFA assessment.
2. Risk assessment	
2.1 Risk identification	Taking place for taxes, procurement audit, internal and external audit. Less emphasis in general MDA management where risk-based policies and plans are at times lacking.
2.2 Risk assessment (significance and likelihood)	Evidence noted for audit, procurement and tax audit and investigation.
2.3 Risk evaluation	Evidence noted for audit, procurement and tax audit and investigation.
2.4 Risk appetite assessment	No information available from the PEFA assessment.
2.5 Responses to risk (transfer, tolerance, treatment or termination)	Risk assessments guide audit planning and execution, procurement and tax audit.
3. Control activities	
3.1 Authorization and approval procedure	In place in procedures and Accounting Manual, which covers more than accounting.
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	Segregation of duties evidenced for procurement, payment and payroll.
3.3 Controls over access to resources and records	No information available from the PEFA assessment.
3.4 Verifications	Guided by Accounting Manual
3.5 Reconciliations	Regularly conducted in MUSE
3.6 Reviews of operating performance	Performance audit is being introduced and special studies undertaken, still on a limited scale.

3.7 Reviews of operations, processes and activities	Tax administration has been revised and tax administration regulations revised for streamlining. Otherwise little evidence of process design efforts.
3.8 Supervision (assigning, reviewing and approving, guidance and training)	No information available from the PEFA assessment.
4. Information and communication	Efforts made through web-site publication, brochures, manuals, training, sessions for the public, help line for tax information, etc
5. Monitoring	
5.1 Ongoing monitoring	Oversight authorities in procurement, taxation, OTR plus internal and external audit. Also through the MUSE system internal controls.
5.2 Evaluations	PFMR contains several special studies. Performance audit and financial audit also conduct special audits of specific problems.
5.3 Management responses	Evidence of management responses exist for internal and external audit, but may not be comprehensive. Planning by oversight authorities and MDAs is informed by studies and information obtained.

Annex III: Sources of Information

Annex 3 a) Surveys & Analytical Work

V. Predictability and control in budget execution	
PI-19 Revenue administration 19.1 Rights and obligations for revenue measures 19.2 Revenue risk management 19.3 Revenue audit and investigation 19.4 Revenue arrears monitoring	• TRA Fifth Corporate Plan • www.tra.go.tz • Statistics for use of call centre TRA • Consolidated financial statements for the year ended 30th June 2021, and previous years • Tax arrears status Report as at 30th June 2021 Large tax payers, TRA • Monitoring revenue arrears 2019/20, TRA – customs and excise • Annual performance review 2020/21 of taxes established form tax audit, TRA • Revenue risk based audit process description, TRA. • TRA annual report 2020/21 • IMF documents from Article IV Mission 2021 • PFMRP V Review 2021.
PI-20 Accounting for Revenues 20.1 Information on revenue collections 20.2 Transfer of revenue collections 20.3 Revenue accounts reconciliation.	See PI-19
PI-21 Predictability of in-year resource allocation 21.1 Consolidation of cash balances. 21.2 Cash forecasting and monitoring. 21.3 Information on commitment ceilings. 21.4 Significance of in-year budget adjustments.	Accounting Manual Consolidated annual accounts for 2019/20
PI-22 Expenditure arrears 22.1 Stock of expenditure arrears. 22.2 Expenditure arrears monitoring	• CAG report for 2019/20 • Arrears reports BMD, MoFP
PI-23 Payroll controls	• CAG reports for 2018/19 and

23.1 Integration of payroll and personnel records. 23.2 Management of payroll changes. 23.3 Internal control of payroll. 23.4 Payroll audit.	19/20 • IAG report for 2019/20 and 2020/21
PI-24 Procurement 24.1 Procurement monitoring. 24.2 Procurement methods. 24.3 Public access to procurement information. 24.4 Procurement complaints management.	• PPRA performance reports 2019/20 and 2020/21 • www.ppra.go.tz • www.tender.ppra.go.tz • www.ppaa.go.tz • Brochures from PPRA • Internal and external audit reports • Public Investment Management Operational Manual, President's Office 2015
PI-25 Internal controls on non-salary expenditure 25.1 Segregation of duties. 25.2 Effectiveness of expenditure commitment controls. 25.3 Compliance with payment rules and procedures.	• CAG and Internal audit interviews and reports • The accounting manual of 2015
PI-26 Internal audit 26.1 Coverage of internal audit. 26.2 Nature of audits and standards applied 26.3 Implementation of internal audits and reporting. 26.4Response to internal audits.	• IAG annual report 2019/20 and 2020/21
VI. Accounting and reporting	
PI-27 Financial data integrity 27.1 Bank account reconciliation. 27.2 Suspense accounts. 27.3 Advance accounts. 27.4 Financial data integrity processes	• CAG and Internal audit reports • The accounting manual of 2015
PI-28 In-year budget reports 28.1 Coverage and comparability of reports. 28.2 Timing of in-year budget reports. 28.3 Accuracy of in-year budget reports	• Quarterly reports for 2020/21
PI-29 Annual financial reports	

29.1 Completeness of annual financial reports.	• CAG reports • Consolidated financial reports for 2018/19-2020/21 • Accounting manual
29.2 Submission of the reports for external audit.	
29.3 Accounting standards.	
VII. External scrutiny and Audit	
PI-30 External audit	• External reports on SAI independence and financial governance, • Annual report of NAOT • Performance audit reports from NAOT, see www.nao.go.tz
30.1 Audit coverage and standards.	
30.2 Submission of audit reports to the legislature	
30.3 External audit follow up.	
30.4 Supreme Audit Institution independence.	
PI-31 Legislative scrutiny of audit reports	• NAOT annual reports and PAC annual reports

Annex 3 b) Sources of Information for each Performance Indicator

Indicator/dimension	Data Sources
I. Budget reliability	
PI-1. Aggregate expenditure outturn 1.1 Aggregate expenditure outturn	• Annual budget law /documentation/estimates approved by the legislature; • Annual budget execution report
PI-2. Expenditure composition outturn	• Annual budget law/documentation/estimates approved by the legislature; • Annual budget execution report or annual financial statements • Annual budget law/documentation/estimates approved by the legislature
2.1. Expenditure composition outturn by function	
2.2. Expenditure composition outturn by economic type	
2.3. Expenditure from contingency reserves	
PI-3. Revenue outturn	• Annual budget law/documentation/estimates approved by the legislature • Annual budget execution report or audited annual financial statements • Information on revenue outturn for the most recent completed fiscal year may also be presented in the budget estimates document
3.1 Aggregate revenue outturn	
3.2 Revenue composition outturn	

II. Transparency of public finances	
PI-4. Budget classification 4.1 Budget classification	• Relevant legislation and regulations identifying the application of the classification • Annual budget document provided by the MoF for the last completed fiscal year • Copy of the chart of accounts used for the last completed fiscal year
PI-5. Budget documentation 5.1 Budget documentation	• Last annual budget proposal submitted to the legislature. • Supporting documentation for the budget • Additional documentation relating to the budget submitted to the legislature prior to the budget proposal
PI-6. Central Government operations outside financial reports 6.1 Expenditure outside financial reports 6.2 Revenue outside financial reports 6.3 Financial reports of extra-budgetary units	• Information from the MoF, central bank, SAI, and others about Government bank accounts that are not managed by the Treasury • Financial records of ministries and extra-budgetary units not reported in central Government financial reports (e.g., bookkeeping and/or petty cash records, invoices, bank statements, etc.) • Annual financial reports of extra-budgetary units • Correspondence with central agency regarding financial reports
PI-7. Transfers to subnational Governments 7.1 System for allocating transfers 7.2 Timeliness of information on transfers	• Legislation or rules governing transfers from CG to SNG. • Annual budget documents • Interviews with MoFP, and PO-RALG • Triangulation with representatives of Dodoma Municipal Council
PI-8. Performance information for service delivery 8.1 Performance plans for service delivery	• Annual budget document and/or supporting budget documentation. • Ministry budget statements

8.2 Performance achieved for service delivery 8.3 Resources received by service delivery units 8.4 Performance evaluation for service delivery	and/or performance plans. • Other documents on ministry service delivery plans containing performance information; • Annual financial statements; • In-year budget execution reports • Budget management system or accounting system • Line ministries and departments • National Audit Office • Internal audit department • MoFP
PI- 9 Public access to fiscal information 9.1 Public access to fiscal information	• Listed documents accessible from the MoFP, CAG, and PPRA. • Access corroborated through availability at Government websites, and notice boards, and through conversations with Wajibu and TCCIA.
III. Management of assets and liabilities	
PI- 10 Fiscal risk reporting 10.1 Monitoring of public corporations 10.2 Monitoring of sub-national Government (SNG) 10.3 Contingent liabilities and other fiscal risks	• List of public corporations in OTR Annual Report and in ACGEN financial statements for 2019/20;and • Data on dates of submission, publication and audit obtained in discussion with ACGEN and NAOT • PO-RALG data on LGAs • Triangulation with information from Dodoma Municipal Council • Annual financial statements • Financial or other reports of budgetary units (OTR)
PI- 11: Public investment management 11.1 Economic analysis of investment proposals 11.2 Investment project selection 11.3 Investment project costing 11.4 Investment project monitoring	• DNP in MoFP • Ministries of Education and Transport/ Works and TANROADS • National guidelines to conduct economic analysis • Economic analysis of investment projects by Donors • Legislation on public investment • Annual budget documentation • Medium-term expenditure frameworks • Guidelines on monitoring public investments • NPIMS Database

<table>
<tr><td></td><td>• Project monitoring reports</td></tr>
<tr><td>PI-12: Public asset management
12.1 Financial asset monitoring
12.2 Nonfinancial asset monitoring
12.3 Transparency of asset disposal.</td><td>• Consolidated financial statements, including notes relating to the holdings of financial assets.
• Asset management agency - GAMD.
• Budget and extra-budgetary units holding financial and non-financial assets
• MoFP
• Internal audit units
• NAOT</td></tr>
<tr><td>PI-13: Debt management
13.1 Recording and reporting of debt and guarantees
13.2 Approval of debt and guarantees
13.3 Debt management strategy</td><td>• MoFP Debt Management office
• BoT</td></tr>
<tr><td colspan="2">IV. Policy-based fiscal strategy and budgeting</td></tr>
<tr><td>PI-14: Macroeconomic and fiscal forecasting
14.1 Macroeconomic forecasts
14.2 Fiscal forecasts
14.3 Macro-fiscal sensitivity analysis</td><td>• Annual budget documents
• Annual budget circular
• Policy and analytical advice to Government
• MoFP working papers
• The reviewing entity (BoT)
• The unit preparing the initial forecasts -PAD
• Records of legislative proceedings</td></tr>
<tr><td>PI-15 Fiscal strategy
15.1 Fiscal impact of policy proposals
15.2 Fiscal strategy adoption
15.3 Reporting on fiscal outcomes</td><td>• MoFP
• POPC</td></tr>
<tr><td>PI-16 Medium-term perspective in expenditure budgeting
16.1 Medium-term expenditure estimates
16.2 Medium-term expenditure ceilings
16.3 Alignment of strategic plans and medium-term budgets
16.4 Consistency of budgets with previous year's estimates</td><td>• Annual budget estimates
• Formal directions or instructions on ceilings to ministries
• Budget circular
• MoFP
• Large sector ministries (Education and Transport/ Works, also TANROADS.)</td></tr>
<tr><td>PI-17: Budget preparation process
17.1 Budget calendar.
17.2 Guidance on budget preparation</td><td>• MoFP (budget department), corroborated by finance officers of large spending budgetary units;</td></tr>
</table>

17.3 Budget submission to the legislature	• MoFP (budget department), corroborated by the legislature (Budget & Finance Commission)
PI-18: Legislative scrutiny of budgets 18.1 Scope of budget scrutiny. 18.2 Legislative procedures for budget scrutiny. 18.3 Timing of budget approval. 18.4 Rules for budget adjustments by the executive.	• Budget director, secretary or chair of budget committee(s) of legislature, corroborated by advocacy, civil society, and interest groups • Legislature committees, corroborated by Wajibu and TCCIA; • MoFP (budget department), corroborated by the legislature (budget/finance commissions) • Internal and/or external audit reports
V. Predictability and control in budget execution	
PI-19 Revenue administration 19.1 Rights and obligations for revenue measures 19.2 Revenue risk management 19.3 Revenue audit and investigation 19.4 Revenue arrears monitoring	- Tax Administration Act, Cap.438; regulation 2016 - Value Added Tax Act, Cap.148; Regulations 2015 - Income Tax Act, Cap 332; regulation 2014 - Tanzania Revenue Authority Act, Cap. 399 - Tax Revenue Appeals Act, Cap 408 - Other acts and regulations for specific taxes. - TRA Fifth Corporate Plan 2018/19-2022/23 - www.tra.go.tz - PFMRP V Review - Budget execution report 2020/21 MoF - - Interviews with Fiscal Unit, Policy Directorate MoF, TRA, Chamber of Commerce.
PI-20 Accounting for Revenues 20.1 Information on revenue collections 20.2 Transfer of revenue collections 20.3 Revenue accounts reconciliation.	See PI-19
PI-21 Predictability of in-year resource allocation 21.1 Consolidation of cash balances. 21.2 Cash forecasting and monitoring.	Accounting manual of 2015 Interviews with ministries of Education, Works and Regional Secretariat, BoT, ACGEN, IFMIS, Government Budget

21.3 Information on commitment ceilings. 21.4 Significance of in-year budget adjustments.	Division Budget documents and outcomes. Consolidated annual accounts for 2014/15- PER – Study on the prevention and management of payment arrears, IMF 2014
PI-22 Expenditure arrears 22.1 Stock of expenditure arrears. 22.2 Expenditure arrears monitoring	• Study on the prevention and management of payment arrears, IMF 2014 • CAG report for 2014/15 • Arrears reports MoE • Interviews: ACGEN; Government Budget Division; Debt Management Unit, TCCIA (Chamber of Commerce)
PI-23 Payroll controls 23.1 Integration of payroll and personnel records. 23.2 Management of payroll changes. 23.3 Internal control of payroll. 23.4 Payroll audit.	• Office of the President – Personnel management Division • IFMIS unit MoF • Regional Secretariat, Dodoma • ACGEN • Finance and HR officers at Ministries of work and Education • CAG report for 2014/15 • Interviews with CAG, Internal auditor general and internal audit departments
PI-24 Procurement 24.1 Procurement monitoring. 24.2 Procurement methods. 24.3 Public access to procurement information. 24.4 Procurement complaints management.	• Interviews with Public Procurement Regulatory Authority; • The Public Procurement Ac, Cap 410, with regulations (2013). • PPRA performance reports 2014/15 and 2015/16A • www.ppra.go.tz • www.tender.ppra.go.tz • www.ppaa.go.tz • Tanzania Procurement Journal • Procurement plans, tender documents, award decision • Brochures from PPRA • Chamber of Commerce interview • Internal and external audit reports • Case descriptions and results on PPAA website. • Public Investment Management-Operational Manual, President's Office 2015

PI-25 Internal controls on non-salary expenditure 25.1 Segregation of duties. 25.2 Effectiveness of expenditure commitment controls. 25.3 Compliance with payment rules and procedures.	• CAG and Internal audit interviews and reports • The accounting manual of 2015 • Study of EPICOR functions, incl commitment control • The IMF arrears study • Study of forms and documents for payment processing • Interview with reconciliation unit and systems development unit in ACGEN • Interview with PO-DPSM and IFMIS unit-MoF • Heads and finance officers at Ministries of Education , Works and Regional Secretariat
PI-26 Internal audit 26.1 Coverage of internal audit. 26.2 Nature of audits and standards applied 26.3 Implementation of internal audits and reporting. 26.4 Response to internal audits.	• IAGD • Accountant General • Heads and finance officers of major budgetary units (Education, Transport/ Works) • SAI for triangulation of information
VI. Accounting and reporting	
PI-27 Financial data integrity 27.1 Bank account reconciliation. 27.2 Suspense accounts. 27.3 Advance accounts. 27.4 Financial data integrity processes	• CAG and Internal audit interviews and reports • The accounting manual of 2015 • Study of EPICOR and Lawson system functions, • Study of forms and documents for payment processing • Study of user registration process and authority levels • Interview with reconciliation unit and systems development unit in ACGEN • Interview with PO-DPSM and IFMIS unit-MoF, Heads and finance officers at Ministries of Education , Works and Regional Secretariat
PI-28 In-year budget reports 28.1 Coverage and comparability of reports. 28.2 Timing of in-year budget reports. 28.3 Accuracy of in-year budget reports	• Accountant General corroborated by SAI or internal audit • MoFP

<table>
<tr><td>PI-29 Annual financial reports</td><td rowspan="4">• Accountant General corroborated by SAI</td></tr>
<tr><td>29.1 Completeness of annual financial reports.</td></tr>
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<tr><td>29.3 Accounting standards.</td></tr>
<tr><td colspan="2">VII. External scrutiny and audit</td></tr>
<tr><td>PI-30 External audit</td><td rowspan="5">• SAI, corroborated by the parliamentary public accounts committee and Wajibu;
• SAI and internal auditors of major budgetary units, corroborated by Parliamentary Public Accounts committee, Government ministers, the MoF, audited entities and civic interest groups
• SAI
• Legislation
• External reports on SAI independence and financial governance</td></tr>
<tr><td>30.1 Audit coverage and standards.</td></tr>
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<tr><td>PI-31 Legislative scrutiny of audit reports</td><td>• CAG, MoF, and Public Accounts Committee of Parliament, corroborated by civic interest groups (TCCIA and Wajibu).</td></tr>
</table>

Annex 3 c) Schedule of Interviews undertaken

DAR ES SALAAM & DODOMA						
Time	Monday 8th, November	Tuesday 9th November	Wednesday 10th November	Thursday 11th November	Friday 12th November	Saturday 13th November
9:00 - 10:30	Trond Augdal, Norway;	10:00 Development Partners' Group (PEFA indicator PI-11, briefing on PFM reform issues)	Tanzania Revenue Authority (PEFA indicators PI-19, 20)	PEFA Task Force Secretariat: 1) PEFA logistics & documents; 2) PFM Reform mgt & Implementation structure	Internal Auditor General's Dept. (PEFA indicators PI-25, 26)	Team discussions, data analysis, report writing, etc. (in Dodoma)
11:00 - 12:30	10:00 a.m. Office of the Treasury Registrar (PEFA indicators PI-6 & PI-10)	TANROADS (Procurement issues, also budget formulation & execution; PI-24, PI-17, PI-21, 22)	12:30 IMF Representative (Briefing on IMF PFM work; update on economic situation)	Budget Management Division (PEFA indicators PI-1,2,3,4,5,6,7,16,17, 28)	MOFP Policy Analysis Division (PEFA indicators PI-10,14,15)	
	LUNCH	LUNCH	LUNCH	LUNCH	LUNCH	
14:00 - 15:30	Medical Stores Department (Procurement, also budget formulation & execution; PI-24, PI-17, PI-21, 22)	Meetings with Wajibu and TCCIA (Perceptions on transparency, GoT procurement; PI-5, PI-6, PI-9, PI-24)	Team travel to Dodoma @15.25	Accountant General's Department (PI-6, 12, 21, 22, 23, 27, 29); and National Planning Directorate (PI-11 and PI-16)	Government Asset Mgt Division (PEFA Indicator PI-12)	
16:00	Follow-up meetings for data/ document collection, etc.					

DODOMA MEETING WEEK						
Time	**Monday 15th, November**	**Tuesday 16th, November**	**Wednesday 17th, November**	**Thursday 18th November**	**Friday 19th November**	**Saturday 20th November**
9:00 - 10:30		8:30 a.m. Debt Management Division (PI- 13, also PI-12.1); simultaneously with Zoom Conference with TRA (PI -19 and 20)	Ministry of Education (MoESTVT) (annual budgeting & financial reporting; payroll management, procurement	Parliamentary Public Accounts Committee and Budget & Finance Committee (PI-18, PI-31)	**Presentation of Preliminary PEFA Assessment results to Management & Oversight Committee, MoFP (and**	Team discussions and report writing in DSM; Departure for home on Saturday evening 20th, November
11:00 - 12:30	Public Procurement Regulatory Authority and Appeals Body (PEFA indicator PI-	10:00 a.m. Financial Information Systems Mgt Division - FISM (Functioning of	External Finance (PI-6, PI-11)	President's Office - Public Service Mgt. (PO-PSM) (PEFA indicator PI-23)		
	LUNCH	**LUNCH**	**LUNCH**	**LUNCH**	**LUNCH**	
14:00 - 15:30	President's Office - Regional Administration & Local Government (PO-RALG) (PI-7 transfers to LGAs; also review of Payroll mgt for LGAs)	Ministry of Works, Transport & Communications (Investment planning, annual budgeting & financial reporting; payroll management); simultaneously with Controller & Auditor General (PEFA Indicators PI-30, PI-	Brief to PST on PEFA Assessment Preliminary results (in Dodoma)	Dodoma Municipal Council (transfers from Central Government; management of LGA payroll and procurement issues)	Follow-up meetings in Dodoma for missing documents/ data, etc.	
16:00 - 17:00	**Budget Mgt. Department (follow-up meeting to discuss commitment**	**Follow-up meetings**	PEFA Task Force Secretariat (Briefing on Progress & Logistics for	Preparation of Presentation of Preliminary Results by PEFA team	PEFA team depart Dodoma for Dar @ 17.00	

Annex IV: Calculations for Budget Reliability Pillar (PI-1,2 & 3)

PI-1 and PI- 2 dimensions i) and iii). (2016 PEFA Methodology)

Data for year =	2018/19					
Administrative or functional head	**Budget**	**Actual**	**Adjusted Budget**	**Deviation**	**Absolute Deviation**	**Percent**
Ministry of Works, Transport and Communication-Transport	2,387,032,626,131	884,755,845,999	1,854,364,442,011	-969,608,596,012	969,608,596,012	52.3%
Ministry of Works, Transport and Communication-Works	1,864,970,280,066	1,948,503,200,158	1,448,800,713,867	499,702,486,291	499,702,486,291	34.5%
The Treasury	1,779,501,323,500	512,385,178,288	1,382,404,221,327	-870,019,043,039	870,019,043,039	62.9%
Ministry of Energy	1,692,286,014,000	1,557,894,600,372	1,314,651,075,868	243,243,524,504	243,243,524,504	18.5%
Ministry of Education, Science and Technology	1,406,469,626,000	1,197,976,318,401	1,092,614,836,794	105,361,481,607	105,361,481,607	9.6%
Defence	1,372,232,770,000	1,415,902,507,365	1,066,017,961,797	349,884,545,568	349,884,545,568	32.8%
Ministry of Health, Community Development, Gender, Elderly and Children - Health	866,233,475,000	608,521,568,602	672,932,802,399	-64,411,233,797	64,411,233,797	9.6%
Ministry of Water	697,577,902,677	456,544,827,029	541,912,852,005	-85,368,024,976	85,368,024,976	15.8%
RAS Dar es Salaam	651,363,397,500	323,668,765,632	506,011,149,546	-182,342,383,914	182,342,383,914	36.0%
Ministry of Home Affairs-Police Force	596,638,468,000	708,868,279,039	463,498,130,559	245,370,148,480	245,370,148,480	52.9%
President's Office and Cabinet Secretariat	576,213,769,000	592,426,413,794	447,631,219,001	144,795,194,793	144,795,194,793	32.3%
President's Office - Regional Administration and Local Government Authorities	387,981,784,000	338,416,591,385	301,403,347,621	37,013,243,764	37,013,243,764	12.3%
RAS Mwanza	365,484,688,000	267,350,364,577	283,926,496,064	-16,576,131,487	16,576,131,487	5.8%
RAS Dodoma	348,167,579,500	421,675,397,691	270,473,713,773	151,201,683,918	151,201,683,918	55.9%
RAS Morogoro	320,744,992,000	246,397,622,041	249,170,497,968	-2,772,875,927	2,772,875,927	1.1%
RAS Tanga	315,134,761,000	258,153,512,615	244,812,194,372	13,341,318,243	13,341,318,243	5.4%
National Service	299,239,411,000	354,407,122,130	232,463,904,067	121,943,218,063	121,943,218,063	52.5%
RAS Arusha	282,049,903,000	206,877,444,659	219,110,248,126	-12,232,803,467	12,232,803,467	5.6%
RAS Mbeya	280,695,752,500	209,831,106,147	218,058,277,361	-8,227,171,214	8,227,171,214	3.8%
RAS Kilimanjaro	277,765,305,000	234,671,720,059	215,781,761,497	18,889,958,562	18,889,958,562	8.8%
21 (= sum of rest)	5,694,438,514,545	4,704,531,598,169	4,423,720,138,130	280,811,460,039	280,811,460,039	6.3%
allocated expenditure	22,462,222,342,419	17,449,759,984,152	17,449,759,984,152	0	4,423,116,527,665	
Public Debts (Including principals)	10,013,706,140,000	8,250,570,554,451				
contingency	43,772,675,000	0				
total expenditure	32,519,701,157,419	25,700,330,538,603				
aggregate outturn (PI-1)						**79.0%**
composition (PI-2) variance						**25.3%**
contingency share of budget						**0.0%**

Data for year =	2019/20					
Administrative or functional head	**Budget**	**Actual**	**Adjusted Budget**	**Deviation**	**Absolute Deviation**	**Percent**
Ministry of Works, Transport and Communication-Transport	3,629,130,373,895	1,614,045,784,373	2,872,976,766,104	-1,258,930,981,731	1,258,930,981,731	43.8%
Ministry of Energy	2,142,793,309,000	1,215,140,001,319	1,696,327,978,626	-481,187,977,307	481,187,977,307	28.4%
The Treasury	1,956,519,138,721	547,404,052,444	1,548,865,278,695	-1,001,461,226,251	1,001,461,226,251	64.7%
Defence	1,412,726,908,000	1,485,025,738,105	1,118,375,799,538	366,649,938,567	366,649,938,567	32.8%
Ministry of Education, Science and Technology	1,386,508,723,272	1,257,292,010,571	1,097,620,349,110	159,671,661,461	159,671,661,461	14.5%
Ministry of Works, Transport and Communication-Works	1,330,194,268,268	2,047,798,319,567	1,053,039,387,791	994,758,931,776	994,758,931,776	94.5%
Ministry of Health, Community Development, Gender, Elderly and Children - Health	959,152,164,597	607,001,075,314	759,306,390,277	-152,305,314,963	152,305,314,963	20.1%
Ministry of Water	634,196,197,530	510,621,326,975	502,057,174,292	8,564,152,683	8,564,152,683	1.7%
Ministry of Home Affairs-Police Force	604,282,104,679	663,367,671,336	478,375,882,940	184,991,788,396	184,991,788,396	38.7%
RAS Dar es Salaam	592,668,099,243	376,827,435,803	469,181,733,284	-92,354,297,481	92,354,297,481	19.7%
President's Office and Cabinet Secretariat	564,312,423,717	581,437,321,816	446,734,152,574	134,703,169,242	134,703,169,242	30.2%
President's Office - Regional Administration and Local Government Authorities	550,000,293,910	373,583,311,679	435,404,050,822	-61,820,739,143	61,820,739,143	14.2%
RAS Mwanza	356,139,142,933	296,083,613,912	281,935,168,410	14,148,445,502	14,148,445,502	5.0%
RAS Dodoma	331,047,905,625	251,595,116,853	262,071,858,363	-10,476,741,510	10,476,741,510	4.0%
National Service	302,035,425,000	543,152,922,418	239,104,322,294	304,048,600,124	304,048,600,124	127.2%
RAS Tanga	295,388,526,283	263,211,952,162	233,842,349,420	29,369,602,742	29,369,602,742	12.6%
RAS Morogoro	286,295,746,116	271,624,585,919	226,644,110,871	44,980,475,048	44,980,475,048	19.8%
RAS Mbeya	263,893,919,677	239,818,038,408	208,909,854,934	30,908,183,474	30,908,183,474	14.8%
RAS Arusha	263,152,019,925	209,855,572,567	208,322,534,962	1,533,037,605	1,533,037,605	0.7%
RAS Kilimanjaro	240,549,639,731	222,156,621,433	190,429,511,988	31,727,109,445	31,727,109,445	16.7%
21 (= sum of rest)	**5,242,873,346,061**	**4,902,967,769,503**	4,150,485,587,183	752,482,182,320	752,482,182,320	18.1%
allocated expenditure	23,343,859,676,183	18,480,010,242,477	18,480,010,242,477	0	6,117,074,556,769	
Public Debts (Including principals)	9,730,012,708,000	9,394,345,435,197				
contingency	75,500,000,000	0				
total expenditure	33,149,372,384,183	27,874,355,677,674				
aggregate outturn (PI-1)						**84.1%**
composition (PI-2) variance						**33.1%**
contingency share of budget						**0.0%**

Data for year =	2020/21					
Administrative or functional head	**Budget**	**Actual**	**Adjusted Budget**	**Deviation**	**Absolute Deviation**	**Percent**
Ministry of Works and Transport - Transport	3,152,858,745,000	2,042,288,916,392	3,944,999,313,219	-1,902,710,396,827	1,902,710,396,827	48.2%
Ministry of Energy	2,196,836,774,000	2,141,096,306,517	2,748,781,428,419	-607,685,121,902	607,685,121,902	22.1%
The Treasury	1,729,181,704,000	854,308,190,324	2,163,630,275,390	-1,309,322,085,066	1,309,322,085,066	60.5%
Defence	1,617,164,984,000	1,658,306,980,981	2,023,469,894,222	-365,162,913,241	365,162,913,241	18.0%
Ministry of Works and Transport - Works	1,616,361,206,000	1,697,464,681,931	2,022,464,170,872	-324,999,488,941	324,999,488,941	16.1%
Ministry of Education, Science and Technology	1,348,563,375,000	1,371,683,194,388	1,687,383,425,167	-315,700,230,779	315,700,230,779	18.7%
Ministry of Health, Community Development, Gender, Elderly and Children - Health	900,088,240,000	1,044,268,341,265	1,126,231,073,393	-81,962,732,128	81,962,732,128	7.3%
Ministry of Water	733,284,075,000	392,431,308,620	917,518,165,651	-525,086,857,031	525,086,857,031	57.2%
President's Office - Regional Administration and Local Government Authorities	703,447,305,000	437,106,898,110	880,185,050,951	-443,078,152,841	443,078,152,841	50.3%
President's Office and Cabinet Secretariat	608,155,446,000	476,608,199,402	760,951,571,524	-284,343,372,121	284,343,372,121	37.4%
Ministry of Home Affairs-Police Force	564,531,310,000	622,277,082,012	706,367,081,549	-84,089,999,537	84,089,999,537	11.9%
RAS Dar es Salaam	551,554,736,500	366,889,300,342	690,130,206,482	-323,240,906,140	323,240,906,140	46.8%
RAS Mwanza	382,145,108,000	323,798,473,543	478,157,225,090	-154,358,751,547	154,358,751,547	32.3%
National Service	354,234,958,000	370,448,737,095	443,234,784,382	-72,786,047,287	72,786,047,287	16.4%
RAS Tanga	324,147,756,000	280,856,277,369	405,588,317,849	-124,732,040,481	124,732,040,481	30.8%
RAS Morogoro	317,268,537,000	284,916,631,663	396,980,728,222	-112,064,096,559	112,064,096,559	28.2%
RAS Dodoma	314,447,367,000	269,170,527,459	393,450,752,853	-124,280,225,394	124,280,225,394	31.6%
RAS Arusha	303,052,660,500	253,856,776,167	379,193,181,248	-125,336,405,080	125,336,405,080	33.1%
RAS Mbeya	286,337,169,500	283,521,897,763	358,278,003,675	-74,756,105,912	74,756,105,912	20.9%
RAS Kagera	275,929,540,499	247,226,546,768	345,255,508,034	-98,028,961,266	98,028,961,266	28.4%
21 (= sum of rest)	6,112,415,139,000	15,101,854,881,222	7,648,129,991,140	7,453,724,890,082	7,453,724,890,082	97.5%
allocated expenditure	24,392,006,135,999	30,520,380,149,332	30,520,380,149,332	0	14,907,449,780,164	
Public Debts (Including principals)	10,487,786,822,000	9,342,573,110,249				
contingency	80,000,000,000	0				
total expenditure	34,959,792,957,999	39,862,953,259,581				
aggregate outturn (PI-1)						**114.0%**
composition (PI-2) variance						**48.8%**
contingency share of budget						**0.0%**

Results Matrix			
	for PI-1.1	**for PI-2.1**	**for PI-2.3**
year	**total exp. Outturn**	**composition variance**	**contingency share**
2018/19	79.0%	25.3%	
2019/20	84.1%	33.1%	0.0%
2020/21	114.0%	48.8%	

PI-2 dimension ii), Variance composition by Economic classification. (2016 PEFA Methodology)

Data for year =	2018/19					
Economic Head	**Budget**	**Actual**	**Adjusted Budget**	**Deviation**	**Absolute Deviation**	**Percent**
Compensation of employees	4,945,597,838,191	4,480,441,618,030	3,892,890,021,828	587,551,596,201	587,551,596,201	15.1%
Use of goods and services	3,507,554,615,393	1,960,224,587,301	2,760,945,149,611	-800,720,562,310	800,720,562,310	29.0%
Consumption of fixed capital	0	16,045,790.00	0	16,045,790	16,045,790	0.0%
Interest	2,103,298,000,000	2,056,481,729,118	1,655,595,150,480	400,886,578,639	400,886,578,639	24.2%
Subsidies	1,251,551,052,997	1,273,141,452,815	985,148,967,916	287,992,484,899	287,992,484,899	29.2%
Grants	13,027,501,209,626	9,757,257,093,594	10,254,499,279,476	-497,242,185,882	497,242,185,882	4.8%
Social benefits	431,250,940,350	427,270,186,905	339,455,923,737	87,814,263,168	87,814,263,168	25.9%
Other expenses	248,650,713,996	129,425,312,848	195,723,533,353	-66,298,220,505	66,298,220,505	33.9%
Total expenditure	25,515,404,370,554	20,084,258,026,402	20,084,258,026,402	0	2,728,521,937,395	
composition variance						**13.6%**

Data for year =	2019/20					
Economic Head	**Budget**	**Actual**	**Adjusted Budget**	**Deviation**	**Absolute Deviation**	**Percent**
Compensation of employees	4,756,913,838,506	5,319,382,538,766	4,417,820,483,715	901,562,055,051	901,562,055,051	20.4%
Use of goods and services	3,261,444,650,624	2,114,185,240,288	3,028,954,795,733	-914,769,555,445	914,769,555,445	30.2%
Consumption of fixed capital	90,000,000	15,444,590,860	83,584,411	15,361,006,449	15,361,006,449	18378%
Interest	2,426,262,000,000	2,333,895,611,776	2,253,307,570,067	80,588,041,709	80,588,041,709	3.6%
Subsidies	1,823,168,602,195	953,872,520,886	1,693,205,273,311	-739,332,752,425	739,332,752,425	43.7%
Grants	13,541,135,942,587	13,439,087,896,042	12,575,865,313,283	863,222,582,759	863,222,582,759	6.9%
Social benefits	598,487,078,286	579,464,822,946	555,824,335,578	23,640,487,368	23,640,487,368	4.3%
Other expenses	292,138,057,594	41,041,330,175	271,313,195,640	-230,271,865,465	230,271,865,465	84.9%
Total expenditure	26,699,640,169,792	24,796,374,551,739	24,796,374,551,739	0	3,768,748,346,671	
composition variance						**15.2%**

Data for year =	2020/21					
Economic Head	**Budget**	**Actual**	**Adjusted Budget**	**Deviation**	**Absolute Deviation**	**Percent**
Compensation of employees	5,171,883,225,803	4,732,611,664,077	3,982,087,488,203	750,524,175,874	750,524,175,874	18.8%
Use of goods and services	3,490,172,535,976	1,981,890,338,801	2,687,255,643,716	-705,365,304,915	705,365,304,915	26.2%
Consumption of fixed capital	-	-	0	0	0	0.0%
Interest	2,870,582,468,000	2,205,380,219,384	2,210,202,750,257	-4,822,530,873	4,822,530,873	0.2%
Subsidies	1,900,755,405,855	949,480,856,223	1,463,485,154,117	-514,004,297,894	514,004,297,894	35.1%
Grants	13,848,099,303,718	11,136,670,973,299	10,662,333,344,576	474,337,628,723	474,337,628,723	4.4%
Social benefits	550,947,601,625	542,618,908,484	424,201,679,601	118,417,228,883	118,417,228,883	27.9%
Other expenses	303,915,247,141	114,912,409,599	233,999,309,396	-119,086,899,797	119,086,899,797	50.9%
Total expenditure	28,136,355,788,118	21,663,565,369,867	21,663,565,369,867	0	2,686,558,066,959	
composition variance						**12.4%**

PEFA 2017	Composition variance by economic classification. (PI-2)	PEFA 2021	Composition variance by economic classification. (PI-2)
2013/14	9.40%	**2018/2019**	13.60%
2014/15	15.80%	**2019/2020**	15.20%
2015/16	14.80%	**2020/2021**	12.40%
Average	13.33%		13.73%

PI-3. Revenue Out-turn (2016 PEFA Methodology)

Data for year =	2018/19					
Economic Head	**Budget**	**Actual**	**Adjusted Budget**	**Deviation**	**Absolute Deviation**	**Percent**
			Tax revenues			
Taxes on income, profit and capital gains	6,053,548,183,123	4,690,841,608,373	5,158,356,134,954	-467,514,526,580.6	467,514,526,580.6	9.1%
Taxes on payroll and workforce	336,828,613,468	296,009,405,006	287,018,768,522	8,990,636,483.7	8,990,636,483.7	3.1%
Taxes on property	30,004,000,000	11,121,932,780	25,567,041,476	-14,445,108,696.0	14,445,108,696.0	56.5%
Taxes on goods and services	8,132,026,598,971	7,173,574,774,277	6,929,471,448,391	244,103,325,885.5	244,103,325,885.5	3.5%
Taxes on international trade and transactions	3,405,210,468,570	3,242,295,320,293	2,901,651,689,224	340,643,631,068.9	340,643,631,068.9	11.7%
Other taxes	125,994,532,948	78,988,204,808	107,362,599,973	-28,374,395,165.0	28,374,395,165.0	26.4%
			Grants			
Grants from foreign governments	559,575,293,000	570,608,798,913	476,825,914,042	93,782,884,870.9	93,782,884,870.9	19.7%
Grants from international organizations	521,200,957,000	427,791,828,014	444,126,332,649	-16,334,504,635.1	16,334,504,635.1	3.7%
Grants from other government units			0	0.0	0.0	0.0%
			Other revenue			
Property income	567,182,155,902	484,190,133,268	483,307,882,424	882,250,844.3	882,250,844.3	0.2%
Sales of goods and services	1,893,373,748,305	1,451,542,503,231	1,613,383,720,569	-161,841,217,338.0	161,841,217,338.0	10.0%
Fines, penalties and forfeits	9,114,700	19,628,681,005	7,766,828	19,620,914,177.2	19,620,914,177.2	252625%
Transfers not elsewhere classified	326,782,503,504	279,069,865,636	278,458,266,252	611,599,383.4	611,599,383.4	0.2%
Premiums, fees, and claims related to nonlife insurance and standardized	23,618,110,508	0	20,125,490,299	-20,125,490,299.2	20,125,490,299.2	100.0%
Sum of rest			0	0.0	0.0	0.0%
Total revenue	21,975,354,280,000	18,725,663,055,604	18,725,663,055,604	0.0	1,417,270,485,427.8	
overall variance						**85.2%**
composition variance						**7.6%**

Data for year =	2019/20					
Economic Head	**Budget**	**Actual**	**Adjusted Budget**	**Deviation**	**Absolute Deviation**	**Percent**
		Tax revenues				
Taxes on income, profit and capital gains	6,399,526,130,339	6,525,341,382,573	5.58537E+12	939,971,652,789.2	939,971,652,789.2	16.8%
Taxes on payroll and workforce	351,224,502,641	315,405,222,145	306,541,244,688.3	8,863,977,456.5	8,863,977,456.5	2.9%
Taxes on property	31,364,911,787	12,871,690,492	27,374,625,137.0	-14,502,934,645.1	14,502,934,645.1	53.0%
Taxes on goods and services	8,986,382,168,762	7,624,238,624,165	7,843,122,431,786.9	-218,883,807,621.7	218,883,807,621.7	2.8%
Taxes on international trade and transactions	3,271,668,901,040	3,095,401,479,346	2,855,442,742,722.9	239,958,736,623.3	239,958,736,623.3	8.4%
Other taxes	60,801,201,431	49,592,146,767	53,065,990,057.8	-3,473,843,290.6	3,473,843,290.6	6.5%
		Grants				
Grants from foreign governments	668,234,491,116	423,515,378,275	583,220,792,143.1	-159,705,413,868.1	159,705,413,868.1	27.4%
Grants from international organizations	541,909,218,884	504,332,777,163	472,966,792,509.2	31,365,984,653.6	31,365,984,653.6	6.6%
Grants from other government units			0.0	0.0	0.0	0.0%
		Other revenue				
Property income	603,928,883,525	401,012,769,732	527,096,231,233.5	-126,083,461,501.2	126,083,461,501.2	23.9%
Sales of goods and services	2,895,319,492,201	1,989,612,321,755	2,526,973,016,505.6	-537,360,694,750.3	537,360,694,750.3	21.3%
Fines, penalties and forfeits	10,000,000	5,400,642,133	8,727,786.4	5,391,914,347.0	5,391,914,347.0	61778.7%
Transfers not elsewhere classified	426,569,534,577	222,696,569,436	372,300,779,393.9	-149,604,209,958.2	149,604,209,958.2	40.2%
insurance and standardized guarantee schemes	18,542,256,697	245,385,398	16,183,285,632.1	-15,937,900,234.4	15,937,900,234.4	98.5%
Sum of rest			0.0	0.0	0.0	0.0%
Total revenue	24,255,481,693,000.00	21,169,666,389,379.90	21,169,666,389,379.9	0.0	2,451,104,531,739.2	
overall variance						87.3%
composition variance						11.6%

Data for year =	2020/21					
Economic Head	**Budget**	**Actual**	**Adjusted Budget**	**Deviation**	**Absolute Deviation**	**Percent**
			Tax revenues			
Taxes on income, profit and capital gains	6,980,709,927,450	5,767,300,000,000	6,282,096,673,001	-514,796,673,001	514,796,673,001	8.2%
Taxes on payroll and workforce	353,228,550,280	248,600,000,000	317,878,256,450	-69,278,256,450	69,278,256,450	21.8%
Taxes on property	21,694,985,715	6,500,000,000	19,523,801,877	-13,023,801,877	13,023,801,877	66.7%
Taxes on goods and services	9,174,826,149,102	3,700,500,000,000	8,256,630,833,490	-4,556,130,833,490	4,556,130,833,490	55.2%
Taxes on international trade and transactions	3,726,047,593,084	5,371,200,000,000	3,353,153,394,315	2,018,046,605,685	2,018,046,605,685	60.2%
Other taxes	69,297,169,748	2,264,100,000,000	62,362,069,767	2,201,737,930,233	2,201,737,930,233	3530.6%
			Grants			
Grants from foreign governments	605,806,673,798	1,680,326,134,887	545,178,947,342	1,135,147,187,545	1,135,147,187,545	208.2%
Grants from international organizations	343,515,799,202	952,809,865,113	309,137,534,967	643,672,330,146	643,672,330,146	208.2%
Grants from other government units			0	0	0	0.0%
			Other revenue			
Property income	634,552,003,899	427,605,925,557	571,047,511,495	-143,441,585,938	143,441,585,938	25.1%
Sales of goods and services	2,552,026,030,686	1,719,735,256,043	2,296,625,186,178	-576,889,930,135	576,889,930,135	25.1%
Fines, penalties and forfeits	124,311,679,184	83,769,983,088	111,870,854,732	-28,100,871,644	28,100,871,644	25.1%
Transfers not elsewhere classified	410,469,276,000	276,603,168,217	369,390,463,137	-92,787,294,921	92,787,294,921	25.1%
insurance and standardized guarantee	18,379,890,000	12,385,667,096	16,540,473,250	-4,154,806,154	4,154,806,154	25.1%
Sum of rest			0	0	0	0.0%
Total revenue	25,014,865,728,148	22,511,436,000,000	22,511,436,000,000	0	11,997,208,107,218	
overall variance						**90.0%**
composition variance						**53.3%**

Results Matrix

year	total revenue deviation	composition variance
2018/19	85.2%	7.6%
2019/20	83.5%	16.8%
2020/21	90.0%	53.3%