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Guidelines

Budget Guidelines

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Budget Guideline 2009/10 –2011/12

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THE UNITED REPUBLIC OF TANZANIA

**GUIDELINES FOR THE PREPARATION OF MEDIUM TERM PLAN
AND BUDGET FRAMEWORK FOR 2009/10 –2011/12**

Part I

**Ministry of Finance and
Economic Affairs,
P. O. BOX 9111
DAR ES SALAAM.
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LIST OF ABBREVIATIONS

ARV	-	Anti Retro Virals
ASDP	-	Agricultural Sector Development Programme
BEST	-	Business Environment Strengthening for Tanzania
BOT	-	Bank of Tanzania
BWM-SEZ	-	Benjamin William Mkapa Special Economic Zone
CCM	-	Chama cha Mapinduzi
D by D	-	Decentralization by Devolution
DADPs	-	District Agriculture Development Plans
GDP	-	Gross Domestic Product
HIPC	-	Highly Indebted Poor Countries
ICT	-	Information and Communication Technology
IFMS	-	Integrated Financial Management System
LGA	-	Local Government Authorities
LGCDG	-	Local Government Capital Development Grant
LGRP	-	Local Government Reform Programme
MDGs	-	Millennium Development Goals
MIS	-	Management Information System
MFEA	-	Ministry of Finance and Economic Affairs
MTEF	-	Medium Term Expenditure Framework
MTP	-	Medium Term Plan
NACSAP	-	National Anti-Corruption Strategy and Action Plan
NGSDA	-	National Geographical Spatial Data Infrastructure
NSGRP	-	National Strategy for Growth and Reduction of Poverty
PADEP	-	Participatory Agriculture Development and Empowerment Project
PCCB	-	Prevention and Combating of Corruption Bureau
PEDP	-	Primary Education Development Programme
PER	-	Public Expenditure Review
PFMRP	-	Public Financial Management Reform Programme
PBG	-	Plan and Budget Guidelines
PLWHAs	-	People Living with HIV and AIDS
PHSDP	-	Primary Health Service Development Programme
PMO-RALG	-	Prime Minister's Office – Regional Administration & Local Government
PMCT	-	Prevention of Mother to Child Transmission
PO-PSM	-	President's Office – Public Service Management
PPP	-	Public – Private Partnership
PSRP	-	Public Service Reform Programme
R&D	-	Research and Development
RS	-	Regional Secretariat
SADC	-	South African Development Community
SBAS	-	Strategic Budget Allocation System
SEDP	-	Secondary Education Development Programme
SEZ	-	Special Economic Zone
SMES	-	Small and Medium Enterprises
SUMATRA	-	Surface and Marine Transport Regulatory Authority
TASAF	-	Tanzania Social Action Fund
TCRA	-	Tanzania Communication Regulatory Authority
TDHS	-	Tanzania Demographic and Health Survey
TDV2025	-	Tanzania Development Vision 2025
THIS	-	Tanzania HIV and AIDS Indicator Survey
TRL	-	Tanzania Railways Limited
TSIP	-	Transport Sector Investment Program
VAT	-	Value Added Tax

PREAMBLE

The Medium Term Plan and Budget Guidelines for 2009/10 – 2011/12 guides MDAs, RSs and LGAs to prepare their MTEFs. The document translates policies set in the Development Vision 2025, MKUKUTA, The Medium Term Public Investment Plan (MPP) and the Ruling Party 2005 Election Manifesto into financeable medium term interventions. For the first time this Document combines the preceding two Guidelines Documents prepared by the Government to ensure efficient coordination of fiscal policy management, thus avoiding duplication of efforts and resources across government. In this respect, the expenditure framework will focus on investing in economic infrastructure in potential areas for growth; social services delivery especially in underserved areas, and sustain macroeconomic stability in the country. Indeed, the preparation process for this Guidelines document involved all key ministries and non state actors in identifying priorities for interventions.

This document is organized into nine chapters. Chapter One provides an overview of macroeconomic performance and social dimensions covering economic growth; the inflationary trend; government finance; monetary and credit development; and the external trade. It also highlights the review of the MKUKUTA implementation cluster wide that is Cluster I (Growth and Reduction of Income Poverty); Cluster II (Improved Quality of Life and Social Well-being) and Cluster III (Governance and Accountability). The chapter summarizes major sector achievements and challenges recorded within each cluster. Furthermore, it reviews the implementation of cross-cutting issues such as the HIV and AIDS; environment; gender; employment economic empowerment, aspects of public procurement and Government assets management, and population issues for socio-economic planning.

Chapter Two provides overview on specific issues of Regions and Local Government Authorities (LGAs). It presents a performance review, medium term focus, planning and budgeting process, resource allocation guidance and specific budgetary issues to Regions and LGAs. The chapter has replaced the separate set of Plan and Budget Guidelines which in the past was issued by PMO-RALG.

Chapter Three highlights the implementation of the public sector reforms: the Public Service Reform Programme II including Pay Reform; the Public Financial Management Reform Programme III; the Local Government Reform Programme II; the Legal Sector Reform Programme, National Anti-Corruption Strategy and Action Plan II and Second Generation Financial Sector Reforms. The chapter summarises achievements and challenges as well as the establishment of Reform Coordination Framework.

Chapter Four reviews implementation of public enterprise reforms. It highlights management of public investments, contribution to the Government revenue, challenges and the way forward.

Chapter Five presents the new initiative the Government is planning to undertake in the next medium term period. It highlights the rationale for MPIP, Socio-economic challenges and the Medium Term Strategic intervention areas, specifically the physical infrastructure that will accelerate economic growth and reduce income poverty.

Chapter Six presents the medium term objectives and focus on macro economic issues and sectoral commitments and interventions to be achieved in line with the longterm policy objectives stated in Vision 2025, MDGs, MPIP, MKUKUTA and CCM 2005 Election Manifesto. It further provides guidance concerning priority areas for resource allocation in the medium term.

Chapter Seven dwells on resources envelope and expenditure framework by targeting revenue policies and initiatives, and strategic resources allocation. Briefly the Chapter targets to expanding tax base through buoyant tax administration to scale up collection of domestic revenue to meet recurrent expenditure requirements and also capital investments.

Chapter Eight highlights on how budget execution will be monitored and reported to gauge performance. The last chapter (Nine) gives wide instructions regarding the preparation and implementation of plans and budgets for the medium term 2009/10 – 2011/12 and institutional responsibilities with respect to planning and budgeting processes.

CHAPTER ONE

A REVIEW OF MACRO - ECONOMIC PERFORMANCE AND SOCIAL DIMENSIONS

1. This chapter presents a review of the Medium Term Focus as formulated in the Plan and Budget Guidelines for 2008/09 - 2010/11. The chapter highlights macroeconomic performance, review of socio-economic dimensions, crosscutting issues as well as achievements and challenges experienced in the respective economic activities.

Macroeconomic Performance

2. Tanzania's economy has experienced bouyant growth for most part of the last decade. Since 2001 to 2007, annual real GDP growth has averaged 7.2 percent. The economy's performance over this period has been underpinned by macroeconomic stability which has emanated from continued implementation of structural reforms. GDP growth for 2008 is expected to rise to 7.5 percent, from 7.1 percent in 2007. Inflation emerged as a major source of concern in macroeconomic stability, rising from an annual average of 7.0 percent in 2007, to 10.3 percent in 2008. Domestic revenue, programme grants and loans exceeded projections in 2007/08. On the expenditure front, Government spending was in line with the planned targets. With regard to external trade, the import bill continued to rise substantially, in effect widening the current account deficit from USD 1,988 million registered in 2007 to USD 2,522 million in 2008.

Economic Growth

3. GDP growth is estimated to have increased to 7.5 percent in 2008 from 7.1 percent in 2007. The increase in GDP is mostly driven by the service economic activities which are expected to contribute 43.3 percent to total GDP in 2008. Details of performance of the respective economic activities are explained below:

4. **Agricultural economic activities** are expected to have grown by 3.3 percent in 2008. This decline from the 4.0 percent growth rate realised in 2007 reflects the sharp decrease in food crop production in 2008 caused by inadequate short rains in some parts of the country. Livestock, hunting and forestry sub- activities are expected to have grown at a slightly higher pace as a result of improved livestock extension services, measures to curb illegal export of logs, and reductions in licence fees for forestry and hunting.

5. **Fishing economic activities** are expected to have grown at 4.3 percent in 2008 compared to 4.5 percent in 2007. The decline in the growth rate is explained by continued use of poor fishing gears, destruction of fish hatcheries and depletion of fish stock.

6. **Industry and Construction economic activities** are expected to have grown by 9.6 percent in 2008 compared to 9.5 percent in 2007. Growth in the manufacturing sub-activity is estimated to have increased to 9.0 percent in 2008 from 8.7 percent in 2007 as a result of improvements in power supply, the ongoing rehabilitation of defunct industries following divestiture of state owned enterprises, the Government initiative to promote SMEs and supportive trade and tax policies. The growth of the construction sub-activity is expected to increase from 9.7 percent in 2007 to an 11.3 percent in 2008 following substantial increases in construction activities, including roads, bridges, water supply projects, residential and commercial buildings.

7. **Service economic activities** are estimated to have grown by 8.9 percent in 2008 compared to 8.1 percent in 2007. The growth in this activity is expected to emanate mostly from three sub-activities, including financial intermediation which is estimated to have grown by 11.0 percent in 2008 compared to 10.2 percent in 2007; real estate and business services estimated to have grown by 8.1 percent in 2008 compared to 7.0 percent in 2007; and public administration

estimated to have grown by 7.8 percent in 2008 compared to 6.7 percent in 2007.

Inflation

8. The government targeted to control inflation below 7.5 percent by June 2008. However, this target was not met, as the actual outturn by end-June 2008 was 9.3 percent due to combination of factors, including rising global fuel and food prices, decline in domestic food production and increased Government spending. On monthly basis, inflation increased gradually from 8.6 percent in January 2008 to 9.1 percent and 9.8 percent in May and August 2008 respectively. For the first time in more than a decade, the inflation rate for September recorded a double digit increase to 11.6 percent, and rising further to 11.8 and 13.5 percent in October and December 2008 respectively. Based on such a trend, the annual average rate for 2008 was 10.3 percent, compared to 7.0 percent registered in 2007.

9. The world price of crude oil was at its peak of USD 150 per barrel in July 2008 and thereafter dropped to less than USD 50 by the end of the year. Despite the decline in world oil prices, the domestic pump prices did not decline commensurately as expected, hence forcing the Government, through EWURA¹, to intervene in ensuring that the global decline in oil prices is adequately reflected in domestic oil prices.

Government Finance

10. The overall revenue collection for year 2007/08 demonstrated good performance. Total domestic revenue collection for 2007/08 was Tshs. 3,634,581 million, which was 4.0 percent higher than the budget estimate of Tshs. 3,502,583 million. The total domestic revenue collected is equivalent to 16.0 percent of GDP compared to 14.1 percent of GDP in 2006/07. Good revenue

¹ *EWURA is an abbreviation for Energy and Water Utilities Regulatory Authority*

collection performance during the period resulted from improved efficiency following continued implementation of tax reforms.

11. Despite significant achievements recorded during the year 2007/08, domestic revenue collection during the first half of 2008/09 (July – December) was below the period estimate of Tshs. 2,380 billion by Tshs. 173 billion. This was largely caused by low performance in import taxes, income tax, and non tax revenue. However, collections of VAT for local production and excise duty on local goods performed well.

12. Loans and Grants during the period of July – December, 2008, amounted to Tshs. 559,309 million which is equivalent to 69.0 percent of the estimated amount of Tshs. 812,113 million for the entire budget period 2008/09. Programme and project loans reached Tshs. 474,558 million, equivalents to 64.0 percent of the mid-year estimates.

13. Total expenditure in the first six months of 2008/09 (July – December), amounted to Tshs. 3,475,920 million, equivalent to 101.8 percent of estimated amount of Tshs 3,415,587 million. Out of the total expenditure, recurrent expenditure amounted to Tshs. 2,313,490 million. Government expenditure on wages and salaries reached Tshs. 872,322 million, equivalent to 102.0 percent of the estimated amount of Tshs. 855,269 million. That amount included salary arrears payable to government employees from January to June 2008. Development expenditure was Tshs. 1,162,430 million, out of which Tshs. 455,018 million was local funds, while Tshs. 707,412 million was foreign, equivalent to 60.0 and 64.0 percent respectively of the period estimates.

14. Interest payment on domestic debt during the period under review reached Tshs. 94,924 million, equivalent to 97.0 percent of the total estimated amount of

Tshs. 97,613 million. Interest payment on foreign debt amounted to Tshs. 15,076 million, equivalent to 103.0 percent of the period estimate.

Monetary and Credit Development

15. During the year ending December 2008, extended broad money supply (M3)² grew by 24.0 percent while broad money supply (M2)³ grew by 28.4 percent in the same period, exceeding the targeted growth of 17.7 percent and 18.2 percent respectively.

16. Credit to the private sector has been consistently increasing over time. It grew at 47.0 percent in December 2008 compared to the growth of 42.2 percent registered during the corresponding period in 2007. The growth was attributed to a number of factors including the Government stance to reduce domestic borrowing; increased number of credit-worthy borrowers; sustained moderate negotiated lending rates; existence of credit guarantee schemes; availability of syndicated loans to corporate customers; and implementation of the ongoing second generation financial sector reforms. Credit was concentrated mostly in trade, manufacturing, transport and communication, and agricultural marketing activities.

17. As at end of December 2008, foreign exchange reserves have remained buoyant at USD 2.89 billion enough to cover about 4.3 months of import of goods and services.

² *M₃ Consists of broad money (M2) + Foreign Currency deposits.*

³ *M₂ Consists of narrow money (M1) + savings deposits + time deposits.*

M₁ Consists of currency in circulation outside banks + demand deposits of residents in deposit money banks

M₀ Consists of currency in circulation outside banks + deposit money banks' deposits with the Bank of Tanzania

External Trade

Exports

18. Merchandise exports increased to USD 2,608.5 million by December 2008, compared to USD 2,024.2 million registered during the same period in 2007, equivalent to an increase of 28.9 percent. The increase in the value of merchandise exports during the period under review was accounted for by increased export of manufactured goods, that went up by 92.1 percent with a share of 22.0 percent of total exports. Gold export rose from USD 788.2 million in 2007 to USD 898.8 million in 2008, equivalent to 14.0 percent. The higher export value was attributed to an increase in the price of gold in the world market although there was a decline in volume during the period. The value of traditional exports was USD 414.1 million by December 2008 compared to USD 319.7 million during the same period in 2007. The improvement was largely due to a significant increase in export volumes of coffee, cotton and cashewnuts.

Imports

19. By December 2008, the value of merchandise imports amounted to USD 6,327.9 million (fob), compared to USD 4,806.0 million in the same period in 2007, equivalent to an increase of 31.7 percent.

Services

20. The service receipts increased to USD 1,998.5 million by the year ending December 2008 compared to USD 1,771.3 million during the same period in 2007, equivalent to an increase of 12.8 percent. The increase in service receipts was largely attributed to improvements in transportation, insurance, travel and other business receipts. Service imports (payments for services) declined to USD 1,633.0 million by the year ending December, 2008 from USD 1,691.4 million during the same period in 2007, which is equivalent to a decrease of 3.5 percent.

The decrease in service payments was attributed largely to payments for transportation, construction, financial and communication services.

Balance of Payment

21. During the year ending October 2008, the current account deficit had registered USD 3,103.0 million compared to USD 1,859.2 million recorded in the same period in 2007. The increased deficit in the current account was attributed to a surge in imports during the period, due to higher import bills, particularly for fuel and food imports, following a substantial increase in their respective world prices.

Exchange Rate

22. By December 2008, the value of the Shilling had depreciated by 13.1 percent to an average of Tshs. 1,280.30 per USD, from Tshs. 1,132.09 in December 2007 mainly on account of speculation in the financial markets to hedge against the likely impact of the financial crisis. The trend in the exchange rate during January - June 2008, depicts fluctuation leading to an overall slight depreciation in the average exchange rate.

Expected Impact of the Global Financial Crisis

23. The current global financial crisis has been proclaimed the most severe since the Great Depression of the 1930s. Since Tanzanian economy has not been fully integrated in the global financial markets, the effects are not likely to be so pronounced in the financial sector. However, the slowdown in the developed world is most likely to feed into the Tanzanian economy in a number of ways, including:

- i. The decline in incomes of our trading partners has reduced demand and prices for Tanzania's exports eg cotton, coffee, cloves, cashew nut and non traditional goods (horticulture and tanzanite);

- ii. The squeeze on credit in developed countries will most likely slow down Foreign Direct Investment (FDI) flows to Tanzania;
- iii. Declining in employment in local manufacturing companies;
- iv. Increase in food prices;
- v. The decline in household incomes in developed countries has started to show a reduction in the number and levels of spending by tourists coming to Tanzania; and
- vi. Remittances from abroad might decline.

24. Since the crisis started, it is observed that there is a decline in volume and prices of traditional exports eg. end December 2008, the volume and price of tea, tobacco and cloves declined. The volume of tea, tobacco and cloves declined by 6.7, 61.2 and 41.2 percent while the prices declined by 9.3, 33.5 and 1.4 percent respectively. On the other hand, there is underperformance in domestic revenue collection particularly import taxes and excise duty. Collections of import taxes for first half of 2008/09 declined by 12.2 percent from the estimates of Tshs. 205 billion to Tshs.180 billion and excise duty on imports have declined by 20.7 percent from Tshs.290 billion to Tshs.230 billion.

25. In addressing this situation, the Government will take deliberate measures both in the short and long run as follows:

Short Term Measure

26. **Food Security:** To ensure there is sufficient food to cater for the next 12 months. In this case, all sector involved will be required to put in place specific strategies to attain this goal. This will be done in collaboration with six regions which are major producer of food in the country namely Morogoro, Iringa, Ruvuma, Mbeya, Rukwa and Kigoma.. Furthermore, the Government will take

necessary measures in case of the food shortages in some areas by transporting it from surplus areas.

27. Financial Stability: The Ministry of Finance and Economic Affairs in collaboration with the Bank of Tanzania will continue to be vigilant to the financial sector in order to safeguard it against adverse impacts that may arise. In addition, banks will be encouraged to continue extending credits to the productive sector.

28. Domestic Revenue: The Government will continue with the efforts to enhance domestic revenue collection.

29. Expenditure: To ensure that budget allocation focus on the institution's core activities, adherence to approved budgets and exercising high degree of financial discipline.

30. Leasing and Mortgage Regulations: To finalize regulations for the leasing and mortgage finance in order to facilitate the access of equipment, tools and building material on lease basis for their economic advancement endeavours.

Medium Term Measures

31. Infrastructural Development: To construct and improve the infrastructure which include roads, railway, ports, power and water supply.

32. Development Financing: To find alternative source of financing the infrastructure, agriculture, industries etc which include domestic credits.

33. Cash Crops: To prepare the strategy to reverse the situation of persistent lack of markets to the cash crops. This will include searching for other markets in Asia and elsewhere. Moreover, special efforts will be taken to encourage

domestic industries to engage in the processing so as to increase the value of products such as processing of cashew nuts, fruits and horticultural produce, cotton spinning, weaving and the manufacture of garments.

34. Tourism: To enhance efforts to market our tourist attractions and promote local tourism.

35. Productivity: To continue with the strategies to raise productivity in the main sectors economy for instance recapitalizing the TIB, opening a window for lending the agricultural sector and ultimately establishing the agricultural credit bank, promote the use mechanized and appropriate technology, improving the productivity of existing irrigation schemes and promote and improve livestock and the fishing activities.

36. Notwithstanding the above measures, the government has established a Task Force to look into extent of the problem to the Tanzania's economy and propose further measures.

Review of Performance in the MKUKUTA Clusters

37. This sub-section highlights the performance of MKUKUTA clusters focusing on key sectors/activities. Detailed information is contained in the MKUKUTA Annual Implementation Report 2007/08.

Cluster I: Growth and reduction of Income poverty

Income poverty: Urban and Rural

38. The economic policies and reforms implemented by the Government have resulted into impressive macro-economic stability but with marginal decline in

both food and basic needs poverty in urban and rural areas. This implies that growth has not provided sufficient trickle down effects to the poor. According to the Household Budget Survey (HBS) of 2007, the proportion of population below the national food poverty line was 16.5 percent and that of national basic needs poverty line was 33.3 percent. In view of the foregoing, the MKUKUTA poverty targets of 14 percent (for food) and 24 percent (for basic needs) by 2010 might not be attained. It should be noted that, the measure of income poverty does not capture all dimensions; it does not capture the imputed value of housing, the use of consumer durables, neither does it reflect benefits accrued from use of health, water and education services. However, this report has shown significant progress in the areas of education, access to public health facilities, and communication (the use of mobile phones). The achievements in social services may not be necessarily reflected in reducing income poverty in the short term.

39. As revealed in MKUKUTA Annual Implementation Report, Economic Survey and other socio-economic reports, the performance of key sectors in this cluster was as follows:

Agriculture

40. During the year under review, the priorities were on enhancing the implementation of ASDP particularly in irrigation systems development, strengthening research and extension services and enhancing productivity.

41. The interventions included: the implementation of District Agriculture Development Plans (DADPs); the District Agriculture Sector Investment Project (DASIP); the Participatory Agricultural Development and Empowerment Project (PADEP), which among other activities supported communities in implementing 4,058 sub-projects; Agriculture Marketing Systems Development Programme (AMSDP), and the Agriculture Sector Programme Support (ASPS), which mainly supports training of the District Agricultural staff.

42. Achievements:

The following achievements were recorded:

- (i) Irrigation schemes covering 16,795 hectares were rehabilitated and 15,300 hectares of land were developed. This has raised the area under irrigation to 289,245 hectares in 2007 compared to 273,945 hectares in 2006. As a result of the above interventions production of paddy and beans have shown a slight improvement.
- (ii) Improved seeds and fertilizer under subsidy arrangement, whereby about 91,324 tons of fertilizer and 1,769 tons of improved seeds were sold to farmers under subsidy arrangement in 2007/08. The amount of fertilizer distributed during the year exceeded the amount distributed during 2006/07 by 1,383 tons.
- (iii) Food Crops: During 2007, the crop sub sector grew by 4.5 percent compared to 4.0 percent in 2006. The aggregate food crop production increased from 10.66 million tons in 2006/07 to 10.78 million tons in 2007/08.
- (iv) With regard to maintenance of Strategic Grain Reserve, the Government through the National Food Reserve Agency (NFRA) purchased 19,500 tons of maize and 4,346 tons of sorghum for the national reserve. The plan in 2007/08 was to procure 27,500 tons of maize. However, the NFRA stocks reached a total of 143,747 tons of maize and 7,021 tons of sorghum surpassing the recommended stock level of 150,000 tons of cereals. By the end of October 2008, the National Food Reserve (NFR) stock increased by 12 percent to 114,464 tons from 102,225 tons recorded in September 2008.
- (v) Cash Crops: In response to increased use of agricultural inputs, production in some cash crops have improved. For example: Production of cashew nut increased from 81,600 tons in 2004/05 to 99,107 tons in 2007/08; Tobacco production increased from 51,970 tons in 2004/05 to 65,299 tons in 2006/07; Tea production increased from 31,900 tons in

2004/05 to 34,165 tons in 2007/08; and cotton production increased from 241,000 bales in 2004/05 to 675,925 bales in 2008/09.

43. Challenges:

The sector faces the following challenges:-

- (i) Enhancing efforts to attract innovative commercial agricultural investments;
- (ii) Promoting agro processing capacity, agricultural production incentives and marketing information;
- (iii) Improving reliability of agricultural data and information;
- (iv) Increasing agricultural transformation pace especially for small holder farmers;
- (v) Increasing investment in irrigated agriculture and production of agricultural inputs.

Livestock

44. The focus in 2007/08 was on improving livestock productivity by addressing animal husbandry practices, health conditions and animal nutrition as well as diseases.

45. Achievements:

Production of milk increased from 1.42 billion litres in 2006/07 to 1.5 billion litres in 2007/08. zonal artificial insemination centres were established in Mbeya and Mwanza; A total of 8,731 heifers were distributed to small holder livestock farmers compared to 6,721 heifers that were distributed in 2007. Production of meat rose from 378,509 tons to 410,706 tons. Egg production during the year 2008 was 2.69 billion compared to 2.23 billion in 2007. A total of 206 cattle dips were rehabilitated and 3 million cattle were vaccinated against CBPP. Livestock markets were constructed in six districts. Furthermore, 830,276 hectares of land were set aside for livestock activities in 155 villages. A total of 15 livestock

farmer field schools were established in 11 districts; and 76 animal feed processing plants were established country wide

46. Challenges:

Major challenges include the following:-

- (i) Enhancing the commercialization of the livestock industry while at the same time increasing per capita consumption of livestock products;
- (ii) Adopting the use of improved pasture seeds to improve rangelands;
- (iii) Enhancing capacity to control existing and newly emerging livestock diseases;
- (iv) Ensuring the availability of participatory, cost effective and demand driven extension services including training of extension officers;
- (v) Changing livestock farmers' attitude from traditional to commercial livestock farming;
- (vi) Building capacity of stakeholders including pastoralists on environmental protection to ensure sustainable livestock farming; and
- (vii) Increasing investments in the livestock sector.

Manufacturing

47. Achievements:

During the period under review, the Government ensured availability of reliable supply of power to industries; continued development of Export Processing Zones and strengthening capacity for entrepreneurs through training in entrepreneurial skills. In 2007, the manufacturing sector attracted 192 projects worth USD 509.81 million and employment potential of 17,906 jobs. In addition, the value of exports of manufactured goods increased from USD 195.8 million in 2006 to USD 309.2 million in 2007.

48. Challenges:

Despite substantial improvement in the sector, the following remain as the challenges:

- (i) Strengthening the forward and backward linkages between the manufacturing sector and other sectors;
- (ii) Improving access to capital, technology, infrastructure (especially energy); availability of skilled labour and the regulatory environment for business activities;
- (iii) Enhancing competitiveness of industrial products in the environment of volatility in the world markets; and
- (iv) Raising the productivity of SMEs to access domestic and regional markets.

Minerals

49. During the period under review, the Government focused on creating a conducive environment for attracting investment in the minerals sector; promoting value addition activities through mineral processing; implementing the proposed Small Scale Mining Development Strategy; and strengthening the Gold Auditing Unit.

50. Achievements:

The main achievements of this sector included: completion of review of the Mineral Policy 1997 and Mining Act 1998; operationalization of a system of issuing mineral rights and licences - Mining Cadastre Information Management System (MCIMS); opening of Resident Mines office in Kigoma; setting aside areas for small scale miners in Kilindi (Tanga), Kilosa and Mvomero (Morogoro), Maganzo, Kishapu and Ibadakuli (Shinyanga), Mererani (Manyara) and Winza (Dodoma); completion of Project write up on Machinery and Equipment Hire Purchase Scheme on Improvement of Artisanal and Small-scale Mining; Establishment of a Gold Audit Programme; and drafting of Mineral Value Addition Act and revising the Gold and Silver Act.

51. Challenges:

Despite the achievements made in the sector, the challenges remaining include:

- (i) Increasing the contribution of the sector to overall economic growth and poverty reduction;
- (ii) Linking mining activities with other sectors;
- (iii) providing value addition to minerals; and
- (iv) Addressing the issue of environment degradation.

Roads

52. During the year under review, the Government continued to improve roads infrastructure in the country, specifically focusing on construction/rehabilitation of trunk, regional and rural roads.

53. Achievements:

On average, there is significant improvement in roads, both trunk and regional roads. A total of 5,940.15 kms of trunk roads, 11,985.9 kms of regional roads and out of 56,626 kms of Local Government roads 12,990 kms were in good condition and 19,101 kms in fair condition and 492 bridges were maintained by June 2008. This performance is about 60 per cent of the planned target. The table below summaries status of road condition in the country.

Table 1.1. Roads Network condition as of June, 2008

	Good (km)	Fair (km)	Poor (km)	Total
Trunk Roads				
-Paved	2,786.6	923.65	195.69	3,913.77
-Unpaved	3,094.57	2,396.18	529.81	6,020.56
Total Trunk Roads	5,881.17	3,319.83	725.50	9,934.33
Regional Roads				
-Paved	291.43	32.75	3.27	327.45
-Unpaved	9,948.39	6,445.96	2,254.22	18,629.94
Total Regional Roads	10,239.82	6,478.70	2,257.50	18,957.39
Total Roads (kms)	16,120.99 (56%)	9,798.54 (34%)	2,983.00 (10%)	28,891.72 (100%)

54. Challenges:

Some of the challenges faced by the sector include:

- (i) Expanding the state of road network to match with increasing traffic, particularly in urban areas;
- (ii) Improving connectivity countrywide and to landlocked neighbouring countries;
- (iii) Strengthening procurement planning and contract management; and
- (iv) Enhancing the capacity of the local construction industry and participation of the local contractors.

Fisheries

55. During the year under review, the focus was on implementing interventions that will increase contributions of aquaculture to the improvement of food security, employment and incomes.

56. Achievements:

Some of the achievements of the sector include:

- (i) A total of 738 samples were analysed to ensure adherence to fish quality standards;
- (ii) Fish fingerlings production centres were established and 29,850 fingerlings were produced and distributed;
- (iii) Research on coral reef fishes conducted in Mafia, Rufiji and Kilwa districts;
- (iv) Community fisheries management units were established in Rufiji (8) and Mafia (6) districts;
- (v) Six radio programmes on the effects of illegal fishing and aquaculture were prepared and aired;
- (vi) Fish-landing sites along Lake Victoria zone were constructed and rehabilitated; and
- (vii) 411.83 tons of dried seaweed from Tanga, Mtwara, Lindi and Coastal region were produced.

57. Challenges:

- (i) Curbing the increased use of illegal fishing gears and methods; and trafficking of fish and fisheries products across the borders;
- (ii) Increasing knowledge on how to tap the vast potential for aquaculture development that could contribute significantly to food security, employment and national income;
- (iii) Enhancing human and financial capacity and infrastructure for sustainable management and utilization of fisheries resources;
- (iv) Acquiring knowledge of the fisheries resource base; and
- (v) Controlling the depletion of certain key fish species with commercial value, such as prawns and Nile perch;

Energy

58. In 2007/08, the focus was to implement the Rural Energy Master Plan; to strengthen, upgrade, expand and inter-connect the National grid with other grids; and to continue promoting investment in petroleum exploration.

59. Achievements:

The energy sector performance improved from deterioration that occurred in 2006 when the country was hit by severe drought. During the year 2007, a total of 4,204,620 Megawatt-hour of electricity was produced compared to 3,592,470 MWh in 2006. Improved performance is mainly attributed to improved water levels at Mtera and Kidatu dams. The Government is exploring other cheap sources of energy including the initiated solar project in Kigoma, Rukwa, Mtwara and Mbeya regions; the explorations and technical studies were conducted to establish the potential of wind energy and the development of the Biofuels Guidelines to ensure the country is safe when external shocks occur. The preparation of Power System Master Plan (PSMP) was completed; Mbinga and Ludewa districts were provided with electricity; and five new Production Sharing Agreements (PSAs) were negotiated and concluded.

60. Challenges:

The challenges to the sector include:

- (i) Improving dilapidated infrastructure in generation, transmission, and distribution;
- (ii) Reducing the cost of operating thermal power plants;
- (iii) Putting in place mechanism for competitive procurement of petroleum products from the world market;
- (iv) Establishment of the National Strategic Oil Reserve;
- (v) Speeding up the implementation of rural electrification project;
- (vi) Establishing alternative sources of power; and
- (vii) Intermittent power supply, which disrupts service provision to both industrial and domestic consumers.

Land

61. During the year under review the major focus was on preparation of district land use plans, establishment of district land and housing tribunal offices, and demarcation of village boundaries.

62. Achievements:

- (i) Establishment of District Land and Housing Tribunal offices in Shinyanga, Tabora, Tanga, Dodoma and Coastal regions;
- (ii) Renovation of District Land and Housing Tribunals in Kondoa and Maswa;
- (iii) Demarcation and survey of 684 village boundaries in Mtwara Rural (120 villages), Kondoa (173), Shinyanga (107), Karagwe (54) and Mvomero district (90 villages);
- (iv) Installation of Land Rent Management System (LRMS) to 8 Rent Collection Centres;
- (v) Continued regularization and identification of unplanned areas in urban and rural areas; and
- (vi) A total of 108 Land use plans for the districts were prepared.

63. Challenges:

- (i) Meeting the growing demand for land for large scale investment in farming; and
- (ii) Enhancing capacity at LGAs to reduce massive unplanned settlements in the country.

Cluster II: Improved Quality of Life and Social Wellbeing

64. The government in collaboration with stakeholders continued to implement various programs and reforms across social sectors with the aim of enhancing the quality of life and social wellbeing of the people.

Education

65. The major focus was in implementing the national programs such as the Primary Education Development Program Phase II (PEDP II 2007-2011), Secondary Education Development Programme (SEDP), Teacher Development Program (TDP), the Complementary Basic Education Programme in Tanzania (COBET) and to improve teaching and learning environment in the education sector. Furthermore the government continued to support the expansion of technical and higher education system.

66. Achievements:

Major achievements during the period under review in the education sector included:

- (i) Net enrolment ratio in pre-primary school increased from 33.1 percent to 36.2 percent and the enrolment of children with disabilities increased from 685 to 2,146 in 2007 and 2008 respectively;
- (ii) The net primary school enrolment reached 97.2 percent in 2008 compared to 97.3 percent in 2007. However, enrolment of orphans increased from 748,641 in 2007 to 915,234 in 2008, whereby enrolment of children with disability increased from 24,003 in 2007 to 34,661 in

2008. The secondary school net enrolment rate reached 23.5 percent in 2008 as compared to 20.6 percent in 2007;
- (iii) Technical and Vocational: Major achievements in technical and vocational education sub-sector include development of Technical Education and Training Policy. Auditing the qualifications of teaching staff for technical institutions was conducted, and a database on qualified teaching staff was established at NACTE; and
 - (iv) GER of Higher Education increased from 1.22 percent in 2006/07 to 1.43 percent in 2007/08; Expansion of Dodoma university; and the number of students accessing loans from the Higher Education Student Loan Board (HESLB) rose from 51,772 in 2006/07 to 55,687 in 2007/08;

67. Challenges

- (i) Matching the increased enrolment with demand of teachers, and teaching and learning facilities;
- (ii) Achieving equal deployment of human resources in underserved areas;
- (iii) Meeting the educational needs of vulnerable children;
- (iv) Streamlining provision of loans to students of the Higher Education Student Loan Board;
- (v) Attracting students to pursue fields of science and technology in tertiary education.

Health

68. Various interventions by government and other actors continue to be directed to improve the health sector, particularly in areas of health infrastructure, control of endemic diseases, by providing preventive education to communities. Other efforts were geared towards the control of malaria and infectious diseases such as tuberculosis and HIV and AIDS.

69. Achievements:

During the period under review the recorded achievements in health sector include:

- (i) A total of 2,100 service providers were trained in the areas of safe child delivery, family planning and reproductive health for youth.
- (ii) About 4,812 (which is 75 percent compared to the target of 6437) health personnel were posted to various health facilities.
- (iii) Human resources gap declined to 35 percent in 2008 from 38 percent in 2007.
- (iv) A total of 3,426,832 individuals were tested on HIV and AIDS out of the estimated target of 4,170,659;
- (v) Sites providing ARV increased from 200 in 2006/07 to 700 in 2007/08; and
- (vi) Increased distribution of ITNs to 117,000 under 5 children in 2007/08 from 83,571 in 2006/07.

70. Challenges:

- (i) Ensuring access and quality health services delivery;
- (ii) Availability of emergency obstetric care services and adequate skilled birth attendants;
- (iii) Availability of drugs at all levels;
- (iv) Addressing human resource gap; and
- (v) Improving medical referral system especially in rural areas.

Water

71. During the year under review, the Government continued to implement the Water Sector Development Program (WSDP).

72. Achievements:

Major achievements were as follows:

- (i) The proportion of the population with access to clean and safe water in rural areas increased slightly from 55.7 percent in 2006/07 to 57.1 percent in 2007/08, while in urban areas increased from 78 percent to 79.9 percent respectively;
- (ii) About 749 water wells were drilled;
- (iii) A total of 1,478 quick win water projects that created 2,390 water points in rural areas were completed.

73. Challenges:

- (i) Increasing access of water supply coverage to majority of the population;
- (ii) Improving the capacity to execute contractual obligations such as project design, feasibility studies, and preparation of tender documents;
- (iii) Building capacity of monitoring and evaluation system for the management of water sector interventions; and
- (iv) Provision and maintenance of sewerage treatment facilities.

Cluster III: Governance and Accountability

74. During the period under review, the government continued to strengthen democratic participation in decision making. This was manifested in participatory planning and dialogue, continued observance of the rule of law, freedom of expression, provision of feedback through monitoring, evaluation and reporting. This has resulted in enhanced transparency and accountability in the conduct of public affairs.

75. Achievements:

During 2007/08, the Government reviewed and amended 12 laws, 23 bills were passed out of which 17 were assented; and about 422 subsidiary laws and notices were gazetted. There is increasingly improvement in vital registration

whereas the Registration Insolvency and Trusteeship Agency (RITA), issued the following certificates: 2,268,272 for births, 117,295 for deaths, 12,295 for marriages and 48 for divorces in 2007/08.

76. NACSAP II was adopted to strengthen anti-corruption landscape. PCCB investigated a total of 2,887 cases, out of which 1,009 investigations were completed, which is about 35 percent of the total backlog. Likewise, the Director of Public Prosecutions reviewed a total of 106 case files from the PCCB out of which 34 cases were filed and forwarded to the High Court for further action. Resident Magistrates' and District Courts disposed 17,595 cases out of 30,615 registered cases and Land Court disposed 736 cases out of 5,013 registered land cases. On the other hand, High Court disposed 4,863 cases out of 14,152 registered cases.

77. Challenges:

- (i) Enhancing capacity for improving governance and accountability at all levels;
- (ii) Reducing the backlog of court cases at all levels; and
- (iii) Ensuring adherence to the rule of law and ethics;

Cross Cutting Issues

HIV and AIDS

78. Achievements:

During the period under review the following were achieved: A total of 4.8 million were tested during the Voluntary Counselling and Testing (VCT) Campaign; The National Multi-sectoral HIV and AIDS Strategic Framework (2008 - 2012) was developed; Completion of HIV and AIDS population survey; Decrease of the HIV and AIDS prevalence from 7.0 percent (THIS-2003/04) to 5.7 percent in 2007 (THIMS-2007/08); Mobilizing additional resources totalling

USD 600 million from the Global Fund for HIV and AIDS and Malaria for the period of 5 years, starting 2009; and increasing number of MDAs having HIV and AIDS workplace programmes.

79. Challenges

- (i) Sustaining increasing demand for care and treatment services, drugs, nutrition and related services to people living with HIV and AIDS.
- (ii) Translating the existing knowledge on HIV and AIDS to positive behavioural change.
- (iii) Sustaining financing mechanisms of HIV and AIDS programmes from local sources.
- (iv) Coordination among stakeholders involved in HIV and AIDS interventions.
- (v) Managing the increasing number of HIV and AIDS orphans, as well as new cases and re-emerging of TB;
- (vi) Treating resistant opportunistic diseases to conventional therapy;
- (vii) Enhancing knowledge on prevention of mother to child transmission; and
- (viii) Promoting voluntary HIV counseling and testing.

Gender

80. Achievements:

The proportion of women in high level decision making bodies accounted for about 25 percent in 2007/08 while at LGA level the percentage was about 22. Special seats for women, youth and other disadvantaged group have been maintained in the Parliament and in LGAs. A Women's Development Bank is at its final stage of establishment. An increased number of women continued to access credits from SACCOs and other micro-finance institutions.

81. Challenges

- (i) Addressing human rights violation and domestic violence including sexual abuse;
- (ii) Mainstreaming gender issues in planning and budgeting at all levels;
- (iii) Improving collection and analysis of gender-disaggregated data; and
- (iv) Addressing gender imbalances in accessing higher education as well as the nature of discipline specializations.

Environment

82. During the period under review, effective support and coordination of environment management efforts through policy making, regulations, monitoring and evaluation and assessment were conducted. Specific achievements include:

- (i) Preparation of regulations on fees and charges, and environmental assessment;
- (ii) Preparation of regulations on economic instruments initiated i.e. environmental inspectors, hazardous and solid waste management; and
- (iii) Strategy on conservation of coastal marine, lakes, rivers and river environment prepared.

83. Challenges

- (i) Controlling disposal of plastic materials especially in urban areas;
- (ii) Controlling increased deforestation and bush fire;
- (iii) Controlling environmental degradation caused by mining activities;
- (iv) Creating awareness to the public on the importance of the environment protection and conservation; and
- (v) Operationalization of economic instruments for environmental management.

Social Protection

84. Achievements

During the year under review the government has continued with efforts to prevent the population from falling into poverty and vulnerability. Some of the achievements include: preparing the National Multi-sectoral Social Protection Framework (NSPF) and the National Action Plan on Care Services, Training and Protection for Vulnerable Children; supporting vocational training for 270 orphans, children in remands and rehabilitation centres. Furthermore, 35,000 children (61 percent of the target) were rescued from child labour in 11 districts. The other achievement is training support of community development officers from 52 councils and 17 trainers from Folk Development Colleges on children's rights and child care. The major challenge is coordination of social protection interventions.

Employment and Economic Empowerment

85. According to the Integrated Labour Force Survey (ILFS) 2006 the overall unemployment rate for Tanzania Mainland fell from 12.9 percent in 2001 to 11 percent in 2007 but with a much larger decline in urban than in rural areas. Women experienced a bigger drop of 1.8 percent points than men which is only 0.9 percent points. This was attributed to increased level of awareness amongst employers to recruit women from the labour market and deliberate women's efforts to access credit from the financial institutions for creating self employment.

86. The government has continued to implement the National Employment Creation Programme 2006 - 2010 which is appropriately complemented by Business Environment Strengthening for Tanzania (BEST); Tanzania Investment Centre (TIC); Properties and Business Formalization Program (MKURABITA); National Economic Empowerment and Job Creation Program; and other

initiatives. As of September 2008, about 670,000 jobs both in the public and private sectors of the economy were created, equivalent to 67 percent of the national target of creating 1,000,000 jobs by 2010.

Population issues and development

87. The 2002 National Population and Housing Census data have been a basis for population projection up to village and constituency levels. The outcome has been used to support Socio-economic planning such as programmes & projects, elections etc.

88. Achievements

- (i) Revised National Population Policy 1992 and come up with National Population 2006 which incorporate new development issues on population and development;
- (ii) Revised National Population Implementation Strategy 1995 and come up with National population Policy Implementation Strategy 2007;
- (iii) Develop the study on the impact of population dynamics (fertility, mortality/morbidity and migration) and economic development;
- (iv) Develop Training Manual on the integration of population variables into plans and budget for MDA's RSs and LGA's;
- (v) Integration of Population variables into plans in some high learning institution curriculum and Family Life Education ant secondary curriculum;
- (vi) Increased partnership with other population and development stakeholders such as hosting the Fifth African Population Conference that was held 10 – 14 December, 2008 in Arusha;
- (vii) Carried out Cartographic work/ Geographical Information System (GIS) in four regions; and

⁴ Ministry of Labour, Employment and Youth Development

- (viii) Initial preparation for 2012 census including a hand book and questionnaires to guide census work.

89. Challenges:

- (i) Building capacity of NBS and collaborators in the census exercise;
- (ii) Carrying out cartographic work in the remaining 22 regions; and
- (iii) Sensitizing the public integrating population issues in Planning, Implementation and M & E population;
- (iv) Sensitizing the people on knowledge of the relationship between poverty, population, environment, gender and development;
- (v) Addressing high levels of adolescent pregnancies and early child bearing caused by among others, cultural and behavioural changes;
- (vi) Addressing the higher population increase causes growing squatters in urban areas and also associated with increasing number of people with special needs such as vulnerable children from poor households and those with special learning needs; and
- (vii) Matching high population growth with the provision of social services. .

National Identity Cards Project

90. The government continued to make preparations that lead to the issuance of national identity cards by 2015. Key milestones which are at different levels of implementation include: establishment of technical infrastructure; web enabled customer service system; data collection system; birth, death and marriage registration system; instituting ICT security and maintenance standards; establishing an interfacing among government major systems such as passport, driving licence, visa, tax payer identification numbers; and conducting national ID awareness campaign and training to Tanzanians on the importance of the project to the country.

91. Challenges:

- (i) Coordinating and harmonizing various identification and registration processes;
- (ii) Using communication network in absence of national backbone;
- (iii) Accessing reliable and credible information; and
- (iv) Changing of the mind set and creation of awareness among Tanzanians on the importance of identity cards.

CHAPTER TWO

SPECIFIC ISSUES FOR REGIONS AND LOCAL GOVERNMENT

Performance Review and Outlook

92. This chapter provides performance review for 2007/08 – 2008/09, outlook focus for 2009/10 – 2011/12, resource allocation interventions and the guidance which will enable RSs and LGAs to perform their functions efficiently and effectively. For LGAs, this chapter replaces the separate set of Plan and Budget Guidelines which in the past was issued by PM-RALG.

Regional Administration

93. During the period under review, Regional Secretariats continued to play their coordinating and backstopping role for facilitating LGAs to effectively deliver social and economic services and bringing about local level development. Major interventions undertaken during the year include:

- i. Improving working environment through construction and rehabilitation of 17 Regional Administration Blocks, 26 District Commissioners' Offices as well as 32 residences;
- ii. Facilitating improvement of health services through construction of Regional Hospitals (Singida, Manyara and Mbeya), rehabilitation of Regional Hospitals (Morogoro, Kilimanjaro, Shinyanga, Kigoma, Rukwa, Tabora, Dodoma and Mwanza) and expansion of Tumbi Hospital at Kibaha Education Centre;
- iii. Facilitating District Consultative Committees forum (DCC) for the purpose of enhancing transparency and participation of stakeholders in the development process at the local level;
- iv. Providing technical advice and quarterly monitoring and evaluation on implementation of socio-economic development activities to LGAs; and
- v. Developing procedures for the administration and supportive supervision of secondary schools in RSs and LGAs.

Local Government Authorities

94. During the period under review, the following achievements were registered for the Local Government Authorities (LGAs):

- i. Councils' Plans were reviewed using O&OD approach;
- i. Councils' Plans prepared, consolidated and implemented;
- ii. Performance reports prepared, submitted and discussed for decision making;
- iii. Projects implemented under the following programmes: the Local Government Transport Programme (LGTP), Village Travel and Transport Programme (VTTP), Agricultural Sector Development Programme (ASDP), Participatory Forest Management (PFM), Rural Water Supply and Sanitation Programme (RWSSP), Primary Education Development Programme (PEDP), Primary Health Care Development Programme (MMAM), Tanzania Social Action Fund (TASAF), and the Local Government Development Grant (LGDG) System in accordance with respective guidelines;
- iv. Fighting against HIV and AIDS pandemic including improved health care, support and treatment for PLWHA, increased number of people undergoing voluntary testing and counselling, and acquisition and distribution of testing kits;
- v. Enhanced capacity of councillors, staff, and grass roots leaders;
- vi. Increased revenue collection from Councils' own sources from 61 billion in 2006/07 to 79.6 billion in 2007/08; and
- vii. Continued construction of 32 offices of Members of Parliament, 12 new council headquarters and eight staff quarters.

Challenges Facing RSs and LGAs

95. The following are the major challenges facing RS and LGAs:

- i. Attracting and retaining qualified personnel in underserved areas;
- ii. Harmonizing and rationalizing funding modalities to LGAs;

- iii. Creating capacity to comply with the requirements of the Public Procurement Act and Regulations;
- iv. Attracting qualified contractors in some areas;
- v. Accessing committed foreign funds for timely implementation of development projects;
- vi. Instilling budgetary discipline;
- vii. Capturing funds flowing to some LGAs through Non State Actors (NSAs) and Direct to Project funds; and
- viii. Coordinating Non State Actors and organizations dealing with community activities.

Medium Term Focus for FY 2009/2010 – 2011/12

96. During the medium term, Regions and LGAs will continue to provide social and economic services in line with macro and sectoral policies. In particular, Regional Administration is charged with the responsibility of providing enabling environment for LGAs to fulfil their mandate. In doing so, resources allocation will be directed to the following areas:

Regional Administration

- i. Backstopping of LGAs by providing technical assistance, conducting quarterly Monitoring and Evaluation (M&E) missions, and performance reporting;
- ii. Improving governance by conducting statutory meetings including RCC, DCC and Inter Council Forum (ICF) meetings;
- iii. Organising and conducting Regional Investment Fora (RIF);
- iv. Managing disaster and environmental issues;
- v. Construction of Dodoma Regional Block and completion of District Commissioners offices in the newly established districts;
- vi. Construction of Regional Hospitals in Manyara, Mbeya and Singida; rehabilitation of Regional Hospitals in Morogoro, Arusha, Kilimanjaro,

- Mtwara, Ruvuma and Mwanza; and expansion of Tumbi Hospital – Coast Region;
- vii. Establishing Regional centres of land survey equipment for effective land use planning and conflict resolution;
 - viii. Facilitating District Commissioners’ office, Regional Hospitals, National festivals and events (eg. Uhuru Torch Race), People’s Militia, and Promotion of games and sports;
 - ix. Supervision of secondary schools in LGAs; and
 - x. Improving the coordination of cross cutting issues such as HIV and AIDS, Gender, Environment, Anti-Corruption and Social Protection.

Local Government Authorities

- i. Preparations for and supervision of grassroot leaders’ elections of October 2009;
- ii. Procurement of ambulances, cesspit emptiers, fire engines, and garbage collectors;
- iii. Improving working conditions through construction of Council headquarters for newly established councils, rehabilitation of old buildings as well as construction and rehabilitation of Ward and Village offices;
- iv. Construction of MP’s offices in 32 Constituencies of Lulindi - Masasi, Northern Kilwa, Western Mpanda, Kwela - Sumbawanga, Southern Kigoma, Western Kigoma, Buyungu - Kibondo, Western Mbinga, Kyerwa – Karagwe, Northern Muleba, Buchosa – Sengerema, Nyang’wale – Geita, Busega – Magu, Sumwe – Kwimba, Bukene – Nzega, Igalula – Uyui, Western Urambo, Western Iramba, Western Manyoni, Southern Singida, Msalala – Kahama, Kisesa – Meatu, Chalinze – Bagamoyo, Kibiti – Rufiji, Southern Kondo, Kibakwe – Mpwapwa, Mtera – Dodoma, Western Ulanga, Gairo – Kilosa, South Western Morogoro, Rorya, and Western Mbozi.

- v. Improving provision of social services in construction and rehabilitation of education, health and water infrastructures at district, ward and village levels;
- vi. Management of natural resources and supervision of agriculture and livestock activities;
- vii. Meeting the operational and maintenance costs for primary and secondary schools especially in school meals, teachers statutory allowances (eg. leave, medical, transfer and training), laboratory equipment and related reagents or detergents, learning and teaching materials, school infrastructures (eg. class rooms, teachers' houses, latrines, desks and tables), capitation fund and special schools' needs;
- viii. Strengthening of revenue collection systems and financial management;
- ix. Facilitating national festivals such as Uhuru Torch Race, Local Government Day, Public Service Day, Nane Nane Day and HIV and AIDS Day.
- x. Operationalization of Ward Tribunals and Ward Land Tribunals as well as ensuring Land Use Planning (Village boundaries and farm demarcation);
- xi. Strengthening of data collection, analysis, and dissemination systems and tools;
- xii. Creation of an enabling environment for the promotion of ICT and e-government;
- xiii. Promotion of games and sports in primary and secondary schools as well as at community level; and
- xiv. Improving the implementation of cross cutting issues (Gender, Environment, Anti-corruption, HIV and AIDS and Social Protection) in councils' areas of jurisdiction.

Planning and Budget Process for LGAs

Budget Preparation and Submission

97. The preparation of MTEF budget at LGAs levels will be coordinated by the Council Planning and Budgeting Committees and facilitated by the Budget Technical Advisors from the RS. After the formulation of activities and costing of inputs, LGAs should prepare MTEF document and discuss their budget through all statutory Committees as per Local Government Finances Act Cap 290 as amended. RSs should scrutinize LGA's MTEF document and give recommendations for improvement before the Full Council meeting.

Budget Execution Stage

98. During budget implementation, LGAs should align to the national policies and institutional objectives as approved by the Full Council and Parliament. During this stage, LGAs are obliged to prepare realistic action plans, procurement plans and cash flow requirements for the financial year. The action plan should include uncompleted activities and unutilized funds from the previous year. Budget executions should commence with outstanding balances carried forward from the previous financial year and proceed with own source revenues as well as intergovernmental transfers and subventions allocated for the new financial year.

Budget Monitoring, Evaluation and Reporting

99. Each LGA should continue with closer monitoring, reporting and control the use of public funds disbursed to wards and villages as approved by the respective Councils and Parliament. LGAs should undertake Monitoring and Evaluation in line with the reporting requirements on quarterly, semi annual and annual as instructed in the Medium Term Strategic Planning, Budgeting and Reporting Manual (MTSPBM).

100. Following the harmonization process, the Government will introduce the Milestone Assessment Framework (MAF) matrix for monitoring institutional budgets. The MAF matrix will be used to harmonize and stimulate implementation of core functions of each institution in line with national frameworks and community priorities. RSs and LGAs are urged to carry out evaluation of their performance to assess the level of achievement in terms of outcome and impact. This will include defining key performance indicators, collecting indicator data, and undertaking analytical or evaluation studies. Each LGA will report on its budget outcomes and performance by using the standard formats provided both in the Planning and Budgeting Guidelines Part Two (PBG – Part II) as well as the MTSPBM.

101. In the process of reporting results, MoFEA and PMO-RALG will optimize the Monitoring and Evaluation techniques in order to collect, manage, analyze and interpret data. Annual Performance Reports and Three-Year Outcome reports should be made available to stakeholders including the public within 90 days after completion of the particular financial year. This is intended to enhance good governance through transparency, accountability, and ownership by key stakeholders.

Main Functions of Council Organs

102. All existing organs of LGAs will continue with their functions as shown in the Government Acts, Regulations and Circulars. Among others, the Council Organs include: the Village or Mtaa Councils, Village/ Mtaa Assembly, Ward Development Committee, Full Council, and the Council Planning and Budgeting Committee.

The Council Planning and Budgeting Committee

103. The Council Planning and Budgeting Committee (CPBC) with the Council Director as the Chair, Council Economist/ Planning Officer as the Secretary and

Heads of Departments as members will continue to be an important organ in the LGA's plan and budget preparation, execution and reporting process. It is supposed to technically support the Council Director in ensuring that all processes are well undertaken. These Committees should be established and made operational as required.

104. Council Director should ensure that CPBC is active, effective and efficient so as to perform the following functions:-

- i. Reviewing plans and budget performance of the last and current financial years for both the recurrent and development budget in a transparent and participatory manner;
- ii. Interpreting national frameworks in council's environment, giving clear guidance on councils priorities and supervising the preparation of the plan and budget process in line with government policies;
- iii. Advising Councillors on realistic budgeting that matches resource allocations and expected outputs, formulation of activities that are in line with attainment of LGA's objectives and targets;
- iv. Drawing up programme for budget preparation, scrutinization and rationalization;
- v. Compiling and finalizing LGA's MTEF by ensuring that departmental budgets' are consistent with council priorities and ceiling, and integrating the revenue budget with both the recurrent and development budgets;
- vi. Ensuring that all revenues collectable under Section 6 of the Local Government Finances Act Cap 290, are collected and accounted for; and
- vii. Carrying out the execution, performance monitoring and reporting on the institution's strategic plan and budget.

Allocation of Resource for RSs and LGAs for 2009/10 – 2011/12

105. During the medium term, Government will continue to allocate resources using the Strategic Budget Allocation System (SBAS) for RSs and on the formula basis for LGAs. The grant allocation plus estimated revenue from own sources

will constitute the resource envelopes for individual LGAs. In order to step up collection of revenue from local taxes, fees and charges, LGAs are called upon to enforce by-laws that are in place for effective collection of the same, and if need be, enact appropriate by-laws.

Revenue from Own Sources

106. In order to provide improved socio-economic services, LGAs must maximize their revenues collections and effectively participate in co-funding the development projects that will receive funding from government subventions. During 2008/09, the approved budget for all LGAs' own sources revenue was Tshs. 109.8 million and the revenue projection for 2009/10 is Tshs. 126.3. In order to collect this amount, District and Town Councils are urged to increase revenue from their own sources by at least 15%, while Municipal and City Councils should raise their revenues by at least 20% above last year's target.

Intergovernmental Fiscal Transfers

107. During the period under review, inter-governmental transfers have been playing a critical role in the system of transfer of public finance from Central Government to LGAs. In the medium term 2009/10-2011/12 LGAs will continue to receive funds from the three Intergovernmental transfers (recurrent block grants, subventions and development grants).

Recurrent Block Grants

108. During the medium term, LGAs will continue to receive recurrent block grants for implementing planned local activities in all departments as passed by the Full Council and finally approved by Parliament.

109. Recurrent block grants are provided to LGAs to provide funding to support financing of local Personal Emoluments (PE) and Other Charges (OC). These recurrent block grants are allocated using formulae whose variables reflect service delivery need indicators such as population, number of school aged children, poverty, geographic size, and other social-economic indicators.

110. The funding allocations for sector block grants are determined by formula and are intended to cover OC. The table below shows a summary of the recurrent block grant formulae that will continue to be used for allocation of resources in the year 2009/10:

Table 2.1: Formula for allocating recurrent block grants

No	Sector	Formulae/Variables applicable
1	Primary Education	<ul style="list-style-type: none"> • Number of school-aged children 100%
2	Health Services	<ul style="list-style-type: none"> • Total population: 70% • Number of poor residents: 10% • District medical vehicle route: 10% • Under-five mortality: 10%
3	Agriculture Extension	<ul style="list-style-type: none"> • Number of villages: 80% • Rural population: 10% • Rainfall index: 10%
4	Water Services	<ul style="list-style-type: none"> • Number of unserved rural residents: 90% • Equal shares: 10%
5	Local Roads	<ul style="list-style-type: none"> • Road network length: 75% • Land area (capped): 15% • Number of poor residents: 10%
6	General Purpose Grant	<ul style="list-style-type: none"> • Total population: 50 % • Total number of rural residents: 30 % • Fixed lump sum: 10 % • Total number of villages: 10 %

111. The use of formula-based allocations provides LGAs with greater stability and transparency in their budget allocations and should facilitate more effective and accountable financial planning and budgeting processes. In budgeting and spending of block grant resources, LGAs continue to be required to comply with a number of general conditions specific in Government Laws and Regulations, as

well as specific sectoral block grant conditions specified by the respective line ministries.

112. Individual councils are responsible for determining the allocation of resources of each grant within the formula-based ceilings allocated to them, recognizing expenditure commitments and the needs of each sector. As a result, all existing and any new posts in the council's budget must be fully fundable within the LGA budget financing constraints.

113. LGAs should prepare the personal emoluments (PE) budget based on identified actual strengths and manning level required to perform the functions as set in the strategic plan, within the budgetary ceilings. Each LGA should compile their PE budget, along with the OC budget, into the recurrent budget sections of the MTEF document, which along with the development budget sections of the MTEF document should be submitted to MOFEA for scrutinization, consolidation and finally for approval by the Parliament.

114. In budgeting for existing commitments for PE, Councils should take existing payroll figures including Employer's contribution to the respective pension funds and other contributions. The final approved council budget will be adjusted appropriately based on any scale increases during the finalization of the Central Government Budget. The amounts to be released for PE will be subject to the approved budget and monthly payroll printouts sent to respective LGA.

115. Councils that have completed the restructuring process should not provide PE Funds for staff identified for redundancy and it has been agreed with PMO-RALG and PO-PSM that they will be terminated before June 2009. Where they are expected to be terminated thereafter, PE should be provided for at least 6 months in 2009/10.

116. Staff identified for transfer under the restructuring process should be budgeted for in the council in which they are currently employed, unless their transfer has been agreed and the new council has accepted them. Estimates of the costs of transfers should be noted in the council budget documents and brought to the attention of MoFEA and PMO-RALG for financing as appropriate.

Other transfers (subventions)

117. Government subventions for implementation of activities and projects under programmes such as the TB and Leprosy Programme, and TASAF II will continue to be channelled through respective MDAs.

Allocation of Recurrent Block Grants

118. **Block Grant for Education:** The purpose of the Education Block Grant is for the effective administration and delivery of primary, secondary and adult education at the council level, including school operating costs. The following conditions will guide the use of the education block grant funds for primary and secondary education during the medium term:

- i. LGAs should abide by all standards and procedures in the delivery of primary and secondary education as set forth by the MoEVT;
- ii. LGAs should budget within the Other Charges (OC) element, the cost of national examinations, at an amount not less than the actual amount incurred in the last year;
- iii. LGAs should budget a capitation grant for primary schools at an average of Tshs. 8,000 per enrolled pupil per annum including those in special schools; the budgeting for this should be done at school level and the capitation fund should be used for text books, teaching and learning materials, maintenance, minor repairs, furniture, and school administration;

- iv. LGAs should budget a capitation grant for secondary schools at an average of Tsh. 20,000.00 per enrolled student per annum; the budgeting for this should be done at school level and the capitation fund should be used for text books, teaching and learning materials, maintenance, minor repairs, furniture, and school administration;
- v. LGAs should budget an average of Tsh. 1,500.00 per student per school day for meals in boarding secondary schools;
- vi. The school-level capitation should be distributed between the schools in the LGA in accordance with the number of pupils/students enrolled in each of the schools;
- vii. The use of OC funds at the school level should be on the basis of school approved plans and budgets;
- viii. Allocation for school administration, including allowances and transportation should not exceed 10 percent of school-level OC funds;
- ix. School level OC funds should not be spent on capital infrastructure, such as construction of classrooms or teachers' houses; and
- x. Each LGA should strictly avoid debts and spend from the available resource envelope only. The first charge priority in the allocation of funds should include outstanding statutory debts owed to employees and suppliers. LGAs should not commit any expenditure where funds are not available.

119. **Block Grant Allocation for Health:** The purpose of the Health Block Grant is to provide funds for the operation and delivery of primary health care services at council level, including district hospitals, health centers, and dispensaries, as well as for local health programmes such as immunization and health education.

120. Funds for drugs and medical supplies required for local health facilities will be allocated to each LGA but the actual releases will go directly to the Medical

Stores Department (MSD). The MoHSW will continue with overall responsibility of coordinating the quality and availability of drugs and medical supplies in line with implementation of the National Health Policy, 1997 as revised in 2007.

121. Each LGA will be allocated the Health Block Grant in line with the Comprehensive Council Health Plan Guidelines issued by MoHSW. The allocation is based on two types of specific block grant conditions, which are:-

- i. **Allocation per cost centre**, such as DMOs' office, Council's and Voluntary Agencies' Hospitals, Health Centres, Dispensaries and Community interventions.
- ii. **Allocation by type of expenditure**, such as allowances, transport, training and maintenance. The allocation guidance by cost centres and type of expenditure should follow the arrangement set in the CCHP guideline.

122. The following conditions must be followed by councils in the use of the health block grant funds:-

- i. LGAs should adhere to the regulations and policies issued by the Government in the delivery of preventive and curative health services.
- ii. LGAs should set their own performance objectives and targets within the context of the Guidelines for Preparation of Comprehensive Council Health Plan, taking into account the interventions, conditions and priorities set in each cost centre.
- iii. LGAs should only budget PE funds for employees in the Designated District Hospitals (DDH) and Voluntary Agencies Hospitals (VAH) who are recruited through LGA's and MoHSW's arrangements. Employees working under the terms of other employers apart from the Government will continue be paid by the former employer. The OC for DDH, VAH and other Health Facility will be financed by the Government based on the priority areas of support as agreed by the respective LGA in the CCHP.

iv. The budget for drugs and medical supplies will be purchased from MSD under the curative sub vote (the cost centre for DMO's Office). All funds for drugs and medical supplies will be deposited with MSD so as to enable bulk purchases and distribution. LGAs will order from MSD depots according to their requirements and within their budget allocation ceilings.

123. Block Grant for Agricultural and Livestock Development Services:

The purpose of the Agriculture Block Grant is to enable LGAs to administer and deliver effective agricultural and livestock extension services and thereby increase productivity and food security within their areas of jurisdiction. LGAs should allocate Agriculture Block Grant funds to cover the recurrent cost of providing basic training and support to local farmers and for assistance in livestock development. The following are sector specific conditions to guide the allocation of the grant:

- v. LGAs should allocate Agriculture Block Grant funds to the maximum of 20% for the administration of agricultural and livestock extension activities at the district level.
- vi. LGAs should allocate at least 80% of Agriculture Block Grant for funding agriculture and livestock extension activities at the Ward and Village levels, in accordance with the provisions of the District Agriculture Development Plan (DADP).

124. Block Grant for Council Roads. The purpose of the Road Block Grant is to provide funding for the core maintenance of council roads as well as meeting the costs of administering the councils Engineering Department. The Road Block Grant recognizes that substantive local road maintenance activities are funded through the Roads Fund Grant and other sources. LGAs should use the Road Block Grant funds to cover the cost of maintaining the existing local road network and not for capital development purposes

125. **Block Grant for Water:** The purpose of the Water Block Grant is to provide recurrent funding for local water activities, including the monitoring of local access to potable water and implementation of new local water schemes for unserved communities. Once implemented, the actual operation and maintenance (O&M) of water schemes is to be handed over to autonomous local water providers such as user groups, local water boards, or incorporated water authorities. Councils should ensure that water users establish funds for the operation and maintenance of water supply schemes from user fees or community resources, though the LGA may decide to provide support as additional funding from time to time.

126. The following instructions should be adhered to by each LGA in preparing their plans and budgets for the use of Water Block Grant:-

- i. LGAs should abide by all standards in the monitoring and support of local water delivery as set forth by the Ministry of Water and Irrigation.
- ii. LGAs should allocate the Water Block Grant funds to cover the recurrent cost of monitoring local access to potable water across the district and the administrative elements of implementing new local water schemes to unserved communities.
- iii. LGAs may allocate expenditure not exceeding 20% of the total grant for supporting post-construction maintenance of water schemes in addition to the maintenance funded from community resources.
- iv. LGAs may allocate expenditure not exceeding 60% to finance activities to promote ownership of water schemes among communities and to support their sustainability.
- v. Urban councils should use the Water Block Grant funds to improve water access for unserved or underserved peri-urban areas.

127. **The General Purpose Grant:** The General Purpose Grant (GPG) is an unconditional, equalizing grant whose purpose is to support council

administration. It enables LGAs with low revenue bases to provide some additional local services, particularly outside the grant-aided sectors. Since the GPG is intended to cover basic council administration costs as much as possible, local own source revenues should be used to fund local service delivery as well as development projects based on local community priorities. GPG is directed to such non grant aided sectors such as Planning, Community Development, Trade, Cooperatives, Natural Resources, Lands and Cultural Development.

Other Recurrent Transfers (Subventions) to LGAs

128. **Health Sector Basket Fund (HSBF):** The purpose of the HSBF is to supplement the OC funds provided under the Health Block Grant for the operation and delivery of primary health care services at the council level, including district hospitals, health centres, and dispensaries, as well as local health programmes such as immunization and health education. The Health Sector Basket Fund allocates financial resources based on the same formula as the Health Block Grant and carries the same limitations on its use as for the Health Block Grant.

129. **Road Fund:** The Road Fund resources are shared between Central Government (70%) and the Local Government level (30%). During the medium term, the formula described above for the Road Block Grant will be applied in allocating the ceilings for the 30% share from the Roads Fund. Each LGA will be allocated funds and the transfer will be effected by PMO-RALG directly from Treasury to the respective LGA bank accounts. The funds received by PMO-RALG from the Roads Fund Board for distribution to LGAs are to be used to meet the maintenance costs of road network within the LGA's respective jurisdiction.

130. **HIV and AIDS Subventions:** LGAs play a critical role in addressing the HIV and AIDS pandemic in Tanzania. The National Multi-Sectoral Framework

(NMSF) recognises that many activities can only be successfully implemented at the local level, whether they are targeting prevention, care and treatment or mitigating the impact of HIV and AIDS. As a result, the Government has derived a mechanism to increase ownership and accountability at the LGA level for the planning and implementation of HIV and AIDS interventions, through the introduction of a grant from TACAIDS to LGAs.

131. The TACAIDS subvention for HIV and AIDS for the medium term of 2009/10 – 2011/12 will be allocated based on the following formula: population (70%), the number of poor residents (10%); district medical vehicle route (10%), and the council's estimated HIV/AIDS prevalence rate (10%). LGAs are responsible for budgeting these resources to local prioritized targets and activities.

132. The following conditions are applicable on the use of the Block Grant for HIV and AIDS:-

- i. Each LGA should have a functioning Council Multi-Sectoral HIV and AIDS Committee.
- ii. LGAs should have an existing plan and budget consistent with the guidance from TACAIDS, PMO-RALG and the MoHSW.
- iii. LGAs should abide by all technical and professional regulations of MoHSW and MLYD, including the delivery of Voluntary Testing and Counselling services.
- iv. Each LGA should ensure that HIV and AIDS targets and activities are developed and coded within their MTEF as "Objective A" to enable tracking of expenditure. TACAIDS has developed the "minimum package of interventions" which encompasses key areas including prevention, care and impact mitigation activities, as earmarked in the National Multi-Sectoral Framework of 2008 – 2012;

- v. All activities developed under "Objective A" should be implemented and reported accordingly by the Council Director assisted by the HIV and AIDS Coordinator, whereby transparency, participation and accountability must be observed through Multi-Sectoral Committees at all levels;
- vi. The allocation ranges given above are for the overall budget and therefore; funds should not be used for long term or costly training as well as any assets whose unit cost exceeds the value of two million (Tshs. 2,000,000); and
- vii. Purchase of drugs is only allowed when the council has evidence that MSD drug items are out of stock at the time of order. RMO and regional pharmacist should verify and approve the procurement procedure.

Development funds

133. Similar to the recurrent sectoral block grants, LGAs will also continue to receive development transfers through the Local Government Development Grant (LGDG) system. The LGDG System includes both discretionary Council Development Grants (CDG) and Capacity Building Grants (CBG) as well as sector-specific development grants for agriculture (ASDG), water (WSDG), health (HSDG) and education (ESDG). All LGDG System funds are allocated on formula basis and are released based on an annual performance assessment of each LGA.

I. The Local Government Development Grant (LGDG) System

134. The Government has been implementing a unified system known as the Local Government Development Grant (LGDG), heretofore known as the Local Government Capital Development Grant (LGCDG). This LGDG System provides discretionary and sector-specific development funding to LGAs. During the medium term the Government will harmonize development projects and use the LGDG system as the main mechanism of channelling all development funds to LGAs.

135. Under the LGDG system, Government has established a performance-based grant system which allocates funding based on the annual performance assessment of LGAs in nine key areas as identified in the LGDG assessment manual. The System seeks to promote compliance with national policies and regulatory frameworks as well as creating an incentive system that allows for adjustment of the annual grant allocation to each LGA depending on the level of achievements against the set of minimum conditions and performance indicators.

136. The development transfers under the LGDG System adhere to the following five common principles:-

- i. The allocations are based on an objective, equitable, efficient and transparent formula;
- ii. The allocations are performance-based and subject to a common performance assessment;
- iii. The rules of the LGDG system are universally applied and all councils that qualify should receive their allocations in strict accordance with the allocation formula;
- iv. There is only a single PMO-RALG managed approval and disbursement process for all windows of the LGDG system, guided by a single LGDG System Steering Committee.; and
- v. The LGDG system transfer resources, in combination with other recurrent and development grants and own source revenues, is to be spent by the LGAs based on their own local level planning and budgeting priorities to promote local governance, autonomy, accountability and ownership.

137. The LGDG will flow to LGAs through Council Development Grants (CDGs), previously known as the Capital Development Grants (CDGs) and the Capacity Building Grants (CBGs), as well as sector specific grants integrated into the system. In 2009/10 the sector-specific grants include four Sector Development Grants for Agriculture, Water, Education and Health. During the medium term, it

is expected that a separate sector window for roads will also be available to facilitate the flow of development funding for roads to the LGAs.

Council Development Grants (CDG)

138. The Council Development Grant (CDG) is provided to assist LGAs construct and rehabilitate infrastructure, according to locally-defined priorities against a broad investment menu, with a view to empowering communities, improving service delivery and reducing poverty.. Those not meeting the minimum conditions will only receive 25% of the CDG amount but under strict supervision of PMO-RALG and the RS.

139. The CDG will be allocated on the following formula: 70% is distributed to LGAs in proportion to the size of population, 10% is distributed to LGAs in proportion to the (capped) land area, and 20% is distributed to LGAs in proportion to the estimated number of poor residents in each council area.

140. All LGAs will be classified on an aggregate performance score with minimum passing scores in each functional area. Each LGA will get a minimum amount of CDG ranging from 25% to 100% depending on the assessment performance. LGAs classified as "Very Good" performers will receive 100% of the allocation, those classified as "Good" will receive 80% while those classified as "Poor" will receive 50% of the allocation. LGAs which fail to meet the minimum conditions will receive 25% of the LGDG allocation, subject to strict oversight from PMO-RALG and RSs.

141. PMO-RALG and the RS will identify the causes for non-compliance for those LGAs which fail to meet the minimum conditions and take corrective and disciplinary actions. Those LGAs will also prepare a "LGDG Compliance Action Plan" which identifies the problems, identifies the necessary remedial action to bring the LGA into compliance, and identifies a timeline of action with clear milestones to enable the council to monitor progress towards attaining full

compliance to the minimum standards the following year. The LGA will be monitored by the RS on a monthly basis and by the PMO-RALG on a quarterly basis.

Capacity Building Grants (CBG)

142. The LGDG System also provides a discretionary Capacity Building Grant (CBG) to assist LGAs improve their capacity and performance. All LGAs should meet the following conditions related to the CBG:

- i. They should have acceptable capacity building plans;
- ii. They should have satisfactorily accounted for previous CBG disbursements;

143. LGAs shall use the CBG to fund a wide variety of activities such as the “eleven standardized course”, prioritized on-the-job trainings, technical assistance, study of other LGAs’ best practices and working tools. As set out in the LGDG System Implementation and Operations Guide, a minimum of 40% of the CBG should be utilized at sub-district level for Ward, Village and *Mtaa* levels. LGAs that do not meet the LGDG Minimum Conditions will receive 100% CBG but with close supervision by PMO-RALG and the RSs based on the agreed compliance action plan.

Utilization of LGDG

144. The LGDG can be used for a broad range of investments in infrastructure and service provision within the mandates of the LGAs. The CDG grant is a non-sectoral discretionary development transfer to LGAs for development expenditures in new infrastructure or rehabilitation of existing stock. LGAs should adhere to the following guidelines in the utilization of LGDG funding:-

- i. LGAs should, from own sources and GPG, budget at least 5% of the grant amount to be allocated to the projects expected to be funded from the CDG;

- ii. The CDG grant should not be used to fund routine recurrent operations and maintenance activities, but a portion can be used to provide equipment and supplies needed for initial development projects to be fully operational upon completion;
- iii. Up to 15% of the CDG funds may be utilized to cover costs of planning, appraisal, monitoring and supervision to ensure a strong planning and project implementation at the local levels;
- iv. It is expected that up to 80% of the CDG funds would be spent within the key poverty reduction areas of health, education, water and sanitation, roads and agriculture;
- v. 50% CDG investments should be identified and implemented at the Villages or Mitaa level through the procedures set out in the Planning and Budgeting Guidelines for Villages and Mitaa; and
- vi. LGAs should not spend more than 60% of CBG funds for activities of the Higher Local Government (HLG).

Agriculture Sector Development Grant (ASDG)

145. The Government has been providing funds to LGAs for agricultural development under the Agricultural Sector Development Programme (ASDP) to implement the Agricultural Sector Development Strategy (ASDS). Development activities under the ASDP at district level are to be implemented by each LGA, based on a District Agricultural Development Plans (DADP) which is part of the Council Strategic Plan.

146. The majority of ASDP expenditures at LGA level are funded through the following three types of fiscal grant transfers:-

- (a) District Agricultural Development Grant (DADG);
- (b) Agricultural Extension Block Grant (A-EBG); and
- (c) Agricultural Capacity Building Grant (A-CBG).

147. Consistent with the LGDG System, these agriculture development grants are allocated by formula and released to LGAs based on the LGDG performance assessment results. As with the discretionary CDG grant, LGAs are assessed and classified into performance categories which will determine the amount of the Agriculture Development Grant to be received, which will range from 50% to 100% of the formula-based entitlement as per the LGDG Assessment Manual.

District Agricultural Development Grant (DADG):

148. LGAs will receive the DADG to fund local agricultural development expenditures, Each LGAs will be allocated DADG funds of either 50%, 80% or 100% depending on its LGDG performance assessment. A LGA not meeting the minimum conditions will receive 50% but under strict close supervision from PMO-RALG and RS as per the 2008 LDGD Assessment Manual.

149. The DADG will support implementation of community priorities identified in the DADPs on a cost-sharing basis, with beneficiaries contributing additional labour and materials in varying proportions, depending on the nature of the investment. All activities and investments will be identified in accordance with local needs, as determined through local participatory planning and budget processes, and in line with the LGDG system.

150. Types of investments which could qualify for financing include: environmental investments; public infrastructure, such as rural roads; small-scale irrigation schemes; group or community investments of a small scale productive nature; group or community investments in risk bearing (locally) innovative equipment. Others include agricultural inputs (seeds, fertilizers and agro-chemicals), that would ordinarily not be eligible for cost-sharing, unless they are part of participatory technology development activities.

Agricultural Extension Block Grant (A-EBG)

151. The A-EBG is a sub-component of the ASDG which supports the shift to contracting of services with greater control over resource allocation decisions by farmers. It will provide funding for both public extension services, as a Government contribution, and for Non State Actors. The latter will be engaged through agreements and contracts directly between farmer groups or through local government outsourcing. It will be financed through the existing discretionary, formula based Agricultural Extension Block Grant in line with the performance assessment and conditions as outlined in the 2008 LGDG Assessment Manual.

Agricultural Capacity Building Grant (A-CBG)

152. The A-CBG is a sub-component of the ASDG which provide financing of LGAs capacity building in the context of Agricultural Development. The A-CBG will be used to improve functional areas to meet the minimum conditions and to improve on the performance criteria in subsequent years to access higher resource transfers. Each LGA will receive a capacity building grant. LGAs which do not meet the minimum conditions will receive funds under close supervision by PMO-RALG and RS in collaboration with the Ministry of Agriculture, Food Security and Cooperatives.

153. The initial focal areas of the capacity building grant should be on improving district agricultural planning, agricultural investment appraisal and review, agricultural services reform, and enhancing stakeholder engagement. LGAs should develop a capacity building plan to systematically identify the capacity building priorities to be funded through the CBG.

154. The DADG, the A-EBG and the A-CBG of the ASDP will be allocated according to the same formula as the Agriculture Recurrent Block Grant: Number of Villages - 80%; Rural Population - 10%; and Rainfall Index - 10%. The

allocation to be received by each LGA will depend on performance assessment whereby "Very good" performers will receive 100%, "Good" performers will receive 80%, "poor" performers will receive 50% while "failed" performers (those not meeting the minimum conditions) will receive 50% under strict oversight by PMO-RALG and the RS.

Water Sector Development Grant (WSDG)

155. The Government has been implementing a Water Sector Development Program (WSDP), which includes a component on Rural Water Supply and Sanitation Program (RWSSP). The objective of the RWSSP is to strengthen decentralized planning, project preparation, funding, implementation and management through local governments as well as developing and implement strategies for sanitation, hygiene promotion and communication.

156. Consistent with the D-by-D policy, the Government established a LGDG Water Sector Development Grant (WSDG) for the RWSSP consisting of a "Water Sector Development Grant" (WSDG-CDG) and a "Capacity Building Grant" (RWSSP-CBG

157. The WSDG CDG is allocated based on a formula whose variables are the total unserved population which attracts 70% of the grant pool and technological options which attracts 30% of the grant pool. The release of the Water Sector Development Grant (WSDG) funds will be determined by the level of performance status. LGAs classified as "Very Good" will receive 100%. LGAs classified as "Good" will receive 80% while LGAs classified as "Poor" will receive 50%. LGAs which fail to meet the minimum conditions are classified as "Failed" and will receive 50% but with close supervision from PMO-RALG and RS, in collaboration with the Ministry of Water and Irrigation.

158. The WSDG CBG is allocated on an equal lump-sum basis. All LGAs will be allocated 100% of the RWSSP-CBG. However, those councils not meeting the minimum conditions will be subject to strict supervision from PMO-RALG and RS, in collaboration with the Ministry of Water and Irrigation.

159. The WSDG CDG funds can be used for implementation of infrastructures such as drilling of boreholes, construction of dams, installation of pumps, construction of piped systems, and construction of demonstration latrines.

160. WSDG-CBG funds can be used in creating and strengthening District Water Sanitation Teams (DWSTs) within LGAs, enabling them to prepare RWSS Plans and appraise RWSS Projects proposed by communities. This will involve rehabilitation and construction of offices, logistical support (vehicles, motorcycles, computers, photocopiers and fax machines). Likewise the fund will be used in ICT operations; monitoring of RWSS services delivery; building community capacities to properly maintain and operate their facilities; and promoting hygiene, sanitation, and HIV and AIDS mitigation and prevention.

Health Sector Development Grant (WSDG)

161. The Health Sector Development Grant (HSDG) is a window for providing earmarked health-related development funds to the LGAs in a harmonised, predictable, accountable and cost-effective manner. The grant will be used for implementing the Primary Health Services Development Programme (Mpango wa Maendeleo wa Afya ya Msingi – MMAM).

162. The HSDG funds will be allocated according to the same formula as the Health Recurrent Block Grant, which accounts for 70% Population, 10% Number of poor residents, 10% Council medical vehicle route, and 10% Under-five mortality.

163. The Health Sector Development Grant, consistent with the LGDG System, is allocated based on formula and released to LGAs based on the LGDG performance assessment process. LGAs which are classified as "Very Good" will receive 100%, "Good" will receive 80% and "Poor" will receive 50%. Those LGAs not meeting the minimum LGDG conditions will receive 50% but under strict oversight by PMO-RALG and RS, in collaboration with the Ministry of Health and Social Welfare.

Education Sector Development Grant (ESDG)

164. The Education Development Grant (ESDG) is designed to support LGAs in improving the accessibility and quality of primary, secondary and adult education. The ESDG resources are to be used to fund the education development priorities as identified through a local participatory planning approach. These include construction / rehabilitation of primary education infrastructures such as class rooms, administration buildings, school-related wash rooms/latrines, desks, chairs and other education-specific development investments.

165. The ESDG funds are allocated 70% based on the number of school-aged children in each LGA, 20% based on the classroom shortage (the gap between the number of classrooms required and the actual number of classrooms, as determined by MoEVT) and 10% based on the level of poverty. All LGAs are eligible to receive the ESDG funds and the actual release is dependent on the level of assessment performance attained during the assessment exercise.

166. The Education Sector Development Grant, consistent with the LGDG System, is allocated based on formula and released to LGAs based on the LGDG performance assessment process. LGAs which are classified as "Very Good" will receive 100%, "Good" will receive 80% and "Poor" will receive 50% of the formula-based allocation. Those LGAs not meeting the minimum LGDG

conditions will receive 50% but under strict oversight by PMO-RALG and RS, in collaboration with the Ministry of Education and Vocational Training.

Other Special Development Grants and Funds to Local Governments

167. In addition to development transfers under the LGDG System, some LGAs will receive a variety of other development grants limited to specific regions (area-based programmes), sectors and purposes. These transfers cover the following among others:-

- i. Participatory Agriculture Development Empowerment Project (PADEP);
- ii. District Agriculture Sector Investment Project (DASIP);
- iii. Urban Development and Environmental Management (UDEM);
- iv. Participatory Forest Management (PFM);
- v. Sustainable Wetland Management (SWM);
- vi. Tanzania Social Action Fund (TASAF); and
- vii. UNICEF Grant Support

168. Each of the special development grants is earmarked for specific purposes and allocated based on purpose-specific criteria. These development funds should be allocated, planned and budgeted in accordance with the Local Government Acts and relevant financial management regulations as well as the specific conditions attached to each special development grant as determined by the specific sector ministries, PMO-RALG and MOFEA. LGAs which receive these special development grants should consult the specific requirements and regulations and hold discussions with PMO-RALG and the various sector ministries for guidance as required and appropriate.

Specific Budgetary Issues and guidance

169. During the medium term plan, RSs and LGAs will be guided by the general instructions provided in Chapter Nine (Institutional Responsibilities) of this

document. They are however also expected to observe the following specific instructions as appropriate:-

- i. Each LGA is required to adhere to principles of good governance in line with participation, transparency and accountability in carrying out its functions. Early communication of relevant information to relevant stakeholders and quality submission of plans and budgets are important;
- ii. LGAs should make provisions for enhancing capacities in planning and budget of Council, Ward and Village or Mtaa level;
- iii. Each LGA should submit its plans and budgets to PMO-RALG and MOFEA through the respective Regional Secretariat;
- iv. Each LGA should ensure that all financial resources from own sources, intergovernmental transfers (recurrent and development), subventions and other development sources are shown in the MTEF Document and geared towards financing approved Council expenditure plans.
- v. Each LGA is required to budget funds that could not be spent during the last financial year so that it could continue being used for activities that the funds were budgeted for. This procedure should be done to ensure that the unused funds are reported, and the funds form part and parcel of the budget for new financial year.
- vi. LGAs' Internal Audit Units should be provided with adequate recurrent (OC) budget and strengthened so as to carry out their functions effectively and efficiently.
- vii. RAs should budget for and jointly conduct monitoring and supportive supervision of all LGAs in the region. All funds for monitoring of LGAs should be harmonized and budgeted under one Department dealing with LGAs (i.e. Sub Vote 2005) in order to conduct the exercise jointly and avoid overlaps and duplication.
- viii. LGAs should budget for moving expenses of employees that are expected to be transferred during the particular year. All transfers should be limited to a maximum of 3% of the total number of employees per annum.

CHAPTER THREE

IMPLEMENTATION OF PUBLIC SECTOR REFORMS

170. This chapter reviews the status of the implementation of cross cutting and governance related reform programmes. The review highlights achievements and challenges encountered during the period under review and these will be the basis for the medium term focus.

Public Service Reform Programme II

171. The PSRP II whose thrust is towards Performance Results and Accountability was designed to create an efficient public service that will be capable of delivering better services to the people and to enhance performance and accountability of MDAs.

172. **Achievements:** During the period under review, the following achievements were registered:

- i. A Reform Coordination Unit (RCU) was established in the Chief Secretary's office to enable the Chief Secretary to monitor the aggregate performance and oversee coordination of the core reform programmes;
- ii. MDAs' capacity to implement the programme was enhanced, and subsequently all Ministries were able to prioritize, and developed their own reform plans which were incorporated in their MTEF budgets; and
- iii. Review of the Policy Development Management Process at the Centre of the Government was finalised.

173. **Challenges:** Some of the challenges facing the programme may be summarized as follows:

- i. Ensuring effective reform coordination;
- ii. Matching economic growth and public service expansion;
- iii. Attracting and retaining requisite staff in the public service; and

- iv. Ensuring equity and efficiency in public service delivery especially to underserved areas.

Local Government Reform Programme

174. **Achievements:** LGRP has been implemented over the last ten years (1998 – 2008). During the period under review the following are some of the achievements that have so far been registered:

- i. Improvement in local government financial management as evidenced by increasing number of LGAs with clean certificates issued by the Controller and Auditor General;
- ii. Increased own revenue collection in LGAs as a result of improved administration of sources of revenue leading revenue from shillings 61.4 billion in 2006/07 to shillings 79.6 billion in 2007/08;
- iii. Increased awareness of people in demanding for transparency and accountability in government spending; and
- iv. Increased number of women in leadership positions at the LGA level.

175. **Challenges:** Despite the achievements made, following are some of the challenges;

- i. Ensuring legal framework that is D by D compliant;
- ii. Enhancing capacity of LGAs and LLGAs to implement the Local Government Reforms; and
- iii. Devolving effectively to local level human resource management;

176. After completion of LGRP I the Government designed a follow-on phase Local Government Reform Programme II (D by D) 2008 to 2013; this will be implemented along side embedding D by D Policy across Government.

Embedding D by D Across Government

177. **Achievements:** The achievements registered in the implementation of Government's policy of D by D at various levels are summarized as follows:

- i. LGAs have a greater sense of ownership and accountability that serve to strengthen local autonomy and governance;
- ii. Enhanced participatory planning and budgeting has engendered preparation of more comprehensive councils' development plans;
- iii. Reduced number of channels through which financial resources are sent to LGAs thus lowering transaction costs and strengthening financial accountability; and
- iv. Enhanced predictability of funds flow to LGAs which enables planning with greater precision.

178. **Challenges:** The Government remains committed to the overall principles of D by D policy. However, there are challenges that need to be addressed to enable continuous successful implementation of the policy and these include:

- i. Strengthening monitoring, evaluation and reporting at all levels;
- ii. Streamlining D by D responsibilities in all MDAs;
- iii. Undertaking capacity building for LGAs to effectively discharge their mandates;
- iv. Integrating LGRP with the other governance reforms;
- v. Enabling disadvantaged and under-served LGAs to attract and retain qualified staff; and
- vi. Ensuring equitable distribution of resources and public service delivery at all levels.

Public Financial Management Reform Programme III

179. After the completion of the review of the Public Financial Management Reform Programme II (PFMRP II) strategic plan, the government is currently implementing phase III of the programme. The overall objective of the program

has remained to ensure efficiency, effectiveness, transparency, and accountability in the use of public financial resources.

180. Achievements:

During the period under review, PFMRP II attained the following achievements:

- i. Completion of the guiding strategic vision of PFMRP Phase III, which aims at excelling, sustaining financial management and accountability;
- ii. Improved quality of MTEF submissions and clear linkages between sector policy priorities and resource allocation;
- iii. Introduction of performance based indicators for monitoring and reporting;
- iv. Improved coordination and linking with other governance reforms;
- v. Enhanced capacity building of External Audit Staff;
- vi. Increased compliance to the Public Procurement Act, Cap 410; and
- vii. Improved dialogue structure through JAST alignment of DPs support to Government priorities.

181. Challenges: PFMRP II has been faced with various challenges including:

- i. Improving cash flow predictability to enable better prioritization in resource allocation;
- ii. Improving collection of domestic revenues;
- iii. Harmonization and rollout of systems and tools such as SBAS, IFMS, RIMKU, and PlanRep for effective budget management and reporting;
- iv. Strengthening internal and external audit functions and financial control systems;
- v. Improving public procurement functions; and
- vi. Improving control of public investments and enhancing accountability for increased revenue proceeds to finance Government budget.

Legal Sector Reform Programme

182. The overall objective of the LSRP is to ensure timely and effective dispensation of justice. The Programme was recently reviewed and a number of findings and recommendations were recorded.

183. **Achievements:** The following are among the key achievements registered:

- i. Enactment of the National Prosecution Service Act of 2008;
- ii. Separation of duties and responsibilities between the Ministry of Constitution and Justice and the Attorney General's Chambers;
- iii. Construction of 34 new primary courts and major rehabilitation of six Primary Courts, High Court, and the Court of Appeal;
- iv. Improved legal services delivery through training, recruitment and appointment of Judges and Magistrates;
- v. Imparted modern investigation techniques to the Police Forces; and
- vi. Completed rehabilitation of the AGC's Zonal offices in Tanga, DSM, Songea, Shinyanga, Moshi and Mwanza.

184. **Challenges:** Despite the above achievements, there are challenges that have affected the pace of the Programme implementation, and these include:

- i. Coordination of the programme involving fifteen institutions with different mandates;
- ii. Retaining legal personnel;
- iii. Speeding up of court cases;
- iv. Capacity building at all levels across the legal sector institutions; and
- v. Increasing the pace of reviewing out dated laws;

National Anti-Corruption Strategy and Action Plan II

185. The second phase of the National Anti-Corruption Strategy and Action Plan (NACSAP II) has the overall goal of reducing corruption, particularly grand

corruption to barest minimum through public awareness, deterrence, investigations, prosecutions and judicial convictions.

186. **Achievements:** The implementation of the NACSAP II has registered the following achievements, among others:

- i. Increased level of involvement from other Stakeholders especially non state actors in the fight against corruption;
- ii. More Civil Society Organizations from grass-roots level working on good governance, corruption and budget tracking have already been identified to form the Civil Society Anti-Corruption Coalition;
- iii. Formulation of integrity committees at MDAs, RSs and LGAs; and
- iv. Increased participation of CSOs in Public Expenditure Reviews and Participatory Service Delivery Assessment (PSDA), which both aim at tracking flow and expenditure of funds at the local government levels and assessing the performance of LGAs in delivering services to the public.

187. **Challenges:** Implementation of NACSAP II has faced the following challenges:

- i. Creating awareness to the civil society on their roles and responsibilities in relation to good governance and preventing and combating corruption at large;
- ii. Creating awareness and dissemination of the content of the new Prevention and Combating of Corruption (PCC) Act No. 11 of 2007;
- iii. Empowering Civil Society Organizations so that they can develop and implement collective work plans;
- iv. Facilitating the formulation of Media's Code of Ethics and inculcating integrity in the media industry; and
- v. Enabling and encouraging investigative journalism.

Coordination of the Reforms

188. The implementation of public sector reforms has had some challenges related to coordination. To address those challenges, the Government established a Reforms Coordination Unit (RCU) under The President's Office in 2007/08, and it is charged with the following tasks:

- i. To periodically review programme design and to liaise with reform programme management in order to identify overlaps, conflicts, and areas of synergy;
- ii. To monitor and evaluate progress in the programmes, and thus ensure they are operating effectively and meet the needs of their clients; and
- iii. To act as a Secretariat of the various mechanisms governing cross-cutting reforms, including the Steering Committee for all Core Reforms and the Public Sector Reform Coordinators Management Working Group.
- iv. The unit will from time to time issue guidelines and instructions aimed to improve coordination of public sector reforms

CHAPTER FOUR

THE PUBLIC INVESTMENTS

189. This chapter presents the implementation of the public enterprise reforms. It highlights management of public investments, contribution to Government revenue, challenges and the way forward.

190. The government owns various investments in different sectors. According to the Treasury Registrar Statement of Government Investments there are 244 listed Government Parastatals, Institutions and Agencies under different Ministries. Out of which, 64 are commercial and 180 are non commercial. The total value of the Public Investments have increased from Tshs. 4.1 trillion in year 2007 to Tshs. 5.1 trillion as at 30th June, 2008.

Parastatal Reforms

191. In 1992, the Government went through the process of restructuring of public enterprises as part of the wide ranging reforms in the Government's stance on the management of the economy. The Government decided to divest ownership of some parastatals, while those which had to be retained were subjected to appropriate restructuring. Models used were privatization through sale of assets or shares, concessions and joint venture. Other includes Management contract and liquidation. For commercial loss making enterprises the models used are asset sale, share sale or joint venture. For utilities the option used was through concession and those with huge unrecoverable debts were liquidated. The Restructuring and Privatization of Government enterprises were aimed at increasing revenue, productivity and reduction of financial burden to the Government.

Management of Public Investments

192. Management of government enterprises is governed by different enactment. These include: The Treasury Registrar (Powers and Functions) Ordinance No. 35 of 1959 as amended; The Public Corporations Act Cap 257 as amended; The Public Finance Act Cap 348 as amended; The Public Service Act Cap. 298; and The Executive Agencies Act, Cap. 245. The Government's thrust is to ensure improved performance and sustainability of the public institutions and strengthening the monitoring and evaluation mechanism.

Contribution of Public Investments to the Government Coffers

193. The public investments have been contributing to the government coffers through paying dividends, corporate tax, other taxes and levies in the case of commercial enterprises. However, there are some government institutions which have been established to regulate and oversee certain activities or areas. The legislations establishing the respective institutions have empowered them to impose various levies, charges and fees. As a result, these institutions have been able to collect a lot of revenues and spend part of the proceeds to finance their operations, while the rest have been accumulating in their bank accounts as surpluses. Despite creating enormous surpluses, these institutions have neither been paying dividends nor corporate tax to the government because of the nature of their establishing legislations.

194. In view of this, the government has resolved to tap such revenues from these institutions by empowering the Minister responsible for Finance to access the surpluses generated through the Finance Act, 2008.

195. Following the restructuring of various Government Parastatals the performance have improved in terms of dividends/surpluses contributions to the government coffers. Government institutions which have been contributing dividends/surplus for the last three and have been able to repay their loans are;

NMB, TCC, TBL, TPA, TCRA, CELTEL (T), NHC, Gaming Board of Tanzania, TPDC, TANAPA, CHC and Tanzania Standard Newspapers. A summary of revenue collection for four years is as follows:-

Table 4.1: Revenue Collection from Public Institutions

ITEM	2004/05	2005/06	2006/07	2007/08
Dividends	13,051,091,771.15	12,208,498,673,.50	13,389,709,984.98	57,147,501,890.90
Principal & Interest	25,059,355,758.18	12,178,605,209.84	12,664,740,769.78	11,503,625,043.26
Other Proceeds & Remittances	3,500,000,000.00	36,309,197,460.00	330,000.00	8,300,000,000.00
TOTAL	41,610,447,529.33	60,696,301,343.34	26,054,780,754.76	76,951,126,934.1

196. The amount collected in respect of dividends, loan repayments and other proceeds as at 30th June 2008 shows that, the total collection of Government revenue collected by the Treasury Registrar during the year 2007/08 was Tshs 76,951,126,934.16 compared to Tshs 26,054,780,754.76 collected during 2005/06.

197. The increase in revenue realized in 2007/08 was due to dividends from BOT and remittances of surpluses from TANAPA, Ngorongoro Conservation Area Authority, Gaming Board of Tanzania, CHC and SIMU 2000, compared to year 2006/07 whereby remittances were from LART only . Furthermore, in 2007/08 more Institutions joined the list of dividend payers such as Celtel Tanzania, East African Cables, TSN, and TIPER. Taking into consideration the changes in legislations through the Finance Act, 2008 it is anticipated that contribution to the Government coffers will improve as more Institutions will be required to contribute their surplus.

198. **Achievements:** During the implementation of the public institutions' reforms, notable achievements have been realised. These include:

- i. Increased domestic and foreign private investments;
- ii. Increased productivity and improved performance of enterprises;
- iii. Increased revenue flows to the public coffers through the receipt of taxes and privatization proceeds;

- iv. Increased Government's investments value from National Institutions from Tshs 4.1 billion in 2006/07 to Tshs 5.1 billion in 2007/08.
- v. Improved services and quality products;
- vi. Use of improved modern technology to privatized public enterprises;
- vii. Empowerment of indigenous to acquire ownership in privatized enterprises and
- viii. Increased employment opportunities in the privatized enterprises in line with salary improvement.

199. **Challenges:** Despite the aforementioned achievements, the following challenges need to be addressed:

- i. Reducing budgetary burden on the Government to non-viable institutions;
- ii. Ensuring that public enterprises that underwent divestiture continue to meet the intended objectives for which they were established;
- iii. Sustaining the public enterprises divestiture momentum;
- iv. Ensuring effective oversight of parastatals and Government Institutions
- v. Existence of conflicting statutes establishing and governing operations of public institutions;
- vi. Ensuring that the remaining public institutions are adequately capitalized;
- vii. Reducing the debt burden borne by public institutions;
- viii. Strengthening the internal management of public institutions including the oversight role of the Management Boards;

200. **Way Forward**

- i. To undertake review of the privatization exercise so as to enable the Government to benefit from the divestiture of the Public Institutions;
- ii. To put in place an effective system for monitoring expenditures against realizable incomes;

- iii. To harmonize the various statutes establishing and governing operations of public institutions;
- iv. To institute an arrangement whereby public institutions will enter into Management contract with the Government;
- v. To seek other avenues for capitalizing public institutions;
- vi. To limit borrowing and offering of guarantees to projects with due diligence and proper evaluation;
- vii. To undertake capacity building and orientation while enhancing accountability for Management and Board Members;
- viii. To institute regulatory mechanisms of public institutions' salary structures; and
- ix. To amend the respective legislations establishing public institutions in order to empower the Treasury to access surpluses.

CHAPTER FIVE

THE MEDIUM- TERM PUBLIC INVESTMENT PLAN

201. This chapter provides an overview of areas that need special focus as highlighted in CCM Election Manifesto 2005, MKUKUTA and other policy documents. It addresses the current public investment gap by guiding Development Budget to strategic areas of intervention in physical infrastructure including: transport and communication; irrigation; power supply; logistical hub for fuel distribution; and ICT. Other strategic areas include Spinning-off Benefits from the Natural Resources Wealth, Skills Development and Industrial Transformation.

The Need for the MPIP

202. Unlike the first two decades after independence, the development agenda from the mid 1980s has largely been dominated by various programmes which were designed to address specific issues. These programmes have resulted into socio-economic achievements. Although the economic growth has steadily improved, the resulting, macroeconomic gains have not adequately been translated into micro economic drivers which have substantial impact on improvement of people's lives.

203. In view of the present socio- economic situation, there is need to re-align and refocus the development agenda in terms of Government interventions into priority areas, particularly investments in physical infrastructure that can accelerate economic growth. To this end, the Government has resolved to formulate the Medium Term Public Investment Plan (MPIP) in order to take into account of the existing gap in the public investment. It seeks to guide public investments to strategic areas of interventions, thereby catalysing increased participation of private and development partners to support the realisation of

the country's development agenda. In particular, this Plan seeks to significantly remove infrastructural bottlenecks so as to catalyse sustainable economic transformation and enhance the country's international competitiveness.

Socio-economic Challenges

204. Economic and social reforms have brought in a dramatic change in the national economic management landscape. The Government ceded to the private sector the direct role in productive and commercial undertakings. However, this objective of making the private sector the engine of growth and economic development has so far not been realized. There has not been effective participation of the people in exploiting the available socio-economic opportunities due to poor and inadequate infrastructure. This poses a number of challenges which need to be addressed to consolidate the achievements and move Tanzania to a higher level of production frontier. The challenges include:-

- i. Developing low-cost energy to make Tanzania a destination for producing efficient and competitive goods and services as well as a source for competitive energy supplies within the region;
- ii. Making Tanzania a transportation and communication hub by improving country- wide and regional interconnectivity through rehabilitation and construction of strategic ports, roads, railways, selected airports and electronic communication networks;
- iii. Achieving economic transformation through rapid industrial development, enhancing technological innovation and modernization to enable expansion of human and physical productivity; and improving basic and human resources;
- iv. Strengthening and improving export competitiveness through improving productivity and quality,
- v. Enhancing both domestic economic resilience to withstand various shocks, and global competitiveness;

- vi. Increasing and expanding Government revenue, and formulating appropriate spending strategies to sustain a widening expenditure base;
- vii. Enhancing financial deepening through the establishment of long-term development financing and addressing structural impediments to lending; and
- viii. Leveraging the proceeds from the finite, non-renewable resources to transform the economy. These resources, being non-renewable, call for efficient use, with particular focus to developing capacity for enhanced competitiveness in the global arena.

Strategic Interventions for the Medium Term

205. The overall goal over the next five years of implementing this Medium Term Public Investment Plan (MPIP) is to broaden the country's sources of economic growth, through setting up a roadmap that will ensure Tanzania's socio-economic opportunities are exploited fully and efficiently. This will be achieved through directing strategic scarce public investment resources into economic physical infrastructure that will facilitate the shift of current production frontier to a higher level, and reduce income poverty. Parallel to that, skills development to improve the quality of the labor force from being predominantly unskilled and semi-skilled to a skilled and efficient industrial labour force will be enhanced.

Objectives of the Plan

206. The main objectives to the process are to transform Tanzania into accessible and better infrastructure networks as well as attain low cost energy services that attract more domestic capital and inflow of foreign direct investment into the country. More specifically, the focus of the Plan over the next five years will be in the following investment priority areas:

- i. Rehabilitation and construction of new transport and communication infrastructure (railways, road, ports) to make Tanzania a transportation hub and international trade gateway;

- ii. Generation, transmission and distribution of low cost energy to attract large and energy intensive industries and other efficiency seeking industrial and commercial undertakings;
- iii. Rehabilitation and development of new irrigation infrastructure to attain food self sufficiency and make Tanzania a grain reserve and source of industrial feedstock in the region;
- iv. Effective utilization of the country's mineral wealth and leverage its gain for the development of infrastructure; and
- v. Improvement of the current labour force to acquire the necessary skills for technological and industrial revolution.

Strategic Investment Direction

Improvement of Supportive Transport and Communication Infrastructure

207. To make Tanzania a transportation and communication hub and an international trade gateway, by improving country - wide and regional interconnectivity through rehabilitation and construction of strategic ports, roads, railways, selected airports and electronic communication networks. This will enhance our position in the region as competitive gate way to serve most of the hinterland made up of several landlocked countries.

Irrigational Infrastructure

208. Though the dominance of agriculture in the Tanzania's GDP seems to be declining, with a surge in the growth of mining and tourist activities, for some years to come the sector will remain of crucial importance in poverty reduction. Agriculture is the livelihood lynchpin for more than 70 percent of Tanzania's population. As such, a percentage growth in agriculture has a significant impact in GDP growth and its distribution. This important sector has, however, unfortunately been the subject of wills of nature, with little being invested to hedge it from adversaries. Concerted effort will be taken to relieve the sector

from the vagaries of nature, by increasingly investing in expanding capacity for irrigational infrastructure. This Plan aims to make Tanzania self sufficient in food and industrial feed stock and export the surplus, there is a need to improve existing and develop new water harvesting and agriculture irrigation infrastructure.

Reliable and Affordable Power Supply

209. Energy, and electricity in particular, is critical to socio-economic development. Tanzania, being endowed with a variety of rich energy sources, is potentially the future house of electrical power for the region. Proven power sources include availability of biomass, coal, hydro, natural gas, geothermal, solar, and wind. Despite this diversity of energy sources, hydro has remained the dominant electrical power source of Tanzania. Nonetheless, the hydrological system has, in recent years, increasingly become unreliable, following long and frequent spells of droughts, leading to prolonged crises on the power supply system.

210. In view of the above situation, future power generation, transmission and distribution is to ensure that Tanzania has the most reliable, sufficient, least cost, efficient, high quality and secure power supply infrastructure in the region so as to attract large and energy intensive industries and other efficiency seeking investments.

Logistical Hub for Fuel Distribution in the Region

211. Tanzania will leverage its strategic geographical location to become the regional logistical hub for fuel distribution to the landlocked neighboring countries; increasingly taking advantage of the growing fuel business in the East and Central African markets; in the process, yielding substantial economic and social development spin-offs. Expected benefits include; ensuring all time strategic fuel reserves for the country, especially in times of acute shortages,

ensuring price stability, enhanced negotiation capability with competitive bulky procurement and transportation, and mainstreaming Tanzania in the petroleum business to foster growth.

212. The focus will be on promoting the construction of a 1000 km oil pipeline linking Dar Es Salaam, on the Indian Ocean coast line, and Mwanza, on the Lake Victoria shore line; as well as promoting the building of an oil refinery in Dar Es Salaam with a capacity to process up to 200,000 barrels of crude per day.

Spinning-off Benefits From the Mineral Wealth

213. The Plan aims to leverage the country's mineral wealth for the development of the infrastructure. In the medium term, mineral explorations will be intensified to establish techno-economic feasibilities and commercial viabilities to enable informed negotiations with potential mining investors. As to enhance benefits accrued from mineral extraction activities to the country, the focus will be on value addition along with increased participation of locals in related activities. As most of the pertaining resources are obtainable in remote areas with no or inadequate supportive infrastructure for industrial development, concerted efforts will be undertaken to spur infrastructure development targeting in those areas. Prospecting and exploration is the prerogative of the state.

Skills Development

214. There has been profound expansion of schooling intakes for all levels of education in recent years, albeit, Tanzania remains with the lowest cohort of entry and completion to secondary through tertiary levels in the region. Moreover, there has been consistent concern on the quality of working skills and ethics. This has reduced the effects of economic growth being passed over to real employment growth, particularly at technical and administrative posts. MPIP will keenly create a pool of skilful and technical labour force so as to meet the

envisaged increased requirements for technological catch-up, industrial transformation and international competitiveness.

Information, Communication Technology - ICT

215. Considering its geographical location, Tanzania stands a good chance to stake a strategic claim in ICT infrastructure business, providing related services to the neighbouring countries. As such, investment in backbone ICT infrastructure for local and international telecommunications has enormous potential benefit for the country in terms of revenues realised from providing her neighbouring inland countries with connectivity access; hence reduced costs and improved access to various services and markets. In the medium term, the focus will be to leverage Tanzania's strategic location to become the nucleus of backbone ICT infrastructure and broad band connectivity in the region.

Industrial Transformation

216. Tanzania will invigorate her pace to industrialize in tandem with the objective of Vision 2025, of becoming a semi industrialized middle income country at the turn of the first quarter of the 21st Century. This will be achieved through fast track investment flows for development of industrial parks through provision of prior serviced industrial plots. The process will focus on creating conducive environment both for attracting the flow of investment capital into the sector, as well as enhancing international competitiveness, the provision of operational supportive infrastructure specific for industrial development will be of fundamental importance.

Project Selection Criteria and Financing

217. All projects will be selected on the basis of agreed criteria and financing thereof will be done through the normal Government budget process. In addition, financing will be sourced from domestic revenues and domestic borrowing; Official Development Assistance and foreign borrowing. However,

prior to inclusion in the government budget, a thorough assessment of the projects will be done to establish their viability, estimated costs, potential impact and their sustainability.

The way forward

218. In order to effectively implement the MPIP, adequate resources need to be allocated to the growth driver projects and be ring-fenced each year for implementation. Successful and sustainable implementation of MPIP will largely depend on, among others, consistency in policy, strategy, and program/project implementation; changing the mind-set; political will of key stakeholders; and appropriate policy interventions. Thus, through the finalization of the public-private partnership policy, the private sector will be guided to participate in strategic areas of public investment; and provide mentoring to budding SMEs; hasten the implementation of Second Generation Financial Sector Reforms to avail critically needed medium and long-term development financing to the economy; and articulate inclusive policies to mainstream and empower the majority indigenous Tanzanian in owning, managing and operating emerging socio-economic opportunities. Additionally, necessary legal provisions will be enacted to sustain the institutional framework for development planning in order to enhance institutional memory and capacity building.

CHAPTER SIX

MEDIUM TERM OBJECTIVES AND FOCUS

219. This chapter sets out government commitments in the medium term period 2009/10 – 2011/12. The commitments and interventions are in line with the Vision 2025, MDGs, MPIP, MKUKUTA, Sector policies, and the CCM 2005 Election Manifesto. The main focus is on scaling up and accelerating economic growth to support social services delivery with the view of reducing poverty in the country. The implementation of set commitments pays attention to the need to sustain prudent and stable macroeconomic frameworks, good governance and accountability at all levels. It also take cognisance of the current global economic crisis which has already trickled down to the Tanzanian economy. Measures identified specifically focus on enhancing productivity, building productive capacities and generating stimulus to the economy, strengthening economic competitiveness and reducing cost of doing business at microeconomic level.

220. Considering the challenges noted in the previous chapters, macroeconomic policies need to continue focusing on increasing the pace of growth as a basis for sustainable development. The Government is therefore committed to:

- i. Maintaining macroeconomic stability;
- ii. Scaling up resources for developing infrastructure;
- iii. Improving access and quality in the area of social services delivery; and
- iv. Promoting private sector investment particularly in the productive sectors.

Macroeconomic Assumptions and the Medium Term Outlook

221. In the medium term (2009/10-2011/12) key macroeconomic assumptions underlying macroeconomic projections and policy targets are as follows:

- (i) Macroeconomic stability will be sustained;
- (ii) Priority projects as stipulated in MPIP will be implemented;

- (iii) Increase in momentum of implementing MKUKUTA;
- (iv) Increase growth rate of agricultural sector (crops, livestock, hunting and forestry) and fisheries sector;
- (v) Current macroeconomic reform achievements will be sustained and continued improvement of the socio-economic reforms;
- (vi) Domestic revenue collection will be enhanced;
- (vii) Increased progress in private sector development;
- (viii) A supportive monetary policy;
- (ix) Foreign inflows will stay on course; and
- (x) Strengthened monitoring and evaluation to ensure effective use of public resources.

Sectoral Assumptions and Outlook

222. **The Agricultural economic activity** is expected to expand following the improvement of irrigation infrastructure, continued implementation of the Agricultural SDP, rehabilitation of rural roads, rationalisation of license fees for forestry and hunting activities and improvements in extension services. The growth rate is projected to rise to 5.9 percent by the year 2012 from the estimated level of 3.3 percent for 2008. The share of the agricultural economic activity to overall GDP is expected to continue declining, as the industry and service economic activities continue growing, and hence increase their respective shares in the overall GDP.

223. **The fishing economic activity** is expected to grow to 6.5 percent by 2012, from the estimate of 4.3 percent in 2008, in response to increased demand for fish and fish products in both domestic and foreign markets, and implementation of supply-enhancing sector policies. Indeed, subsequent to the Government's resolve to modernise fishing activities, as well as curbing illegal fishing practices, domestic fish production is expected to rise substantially in the medium term.

224. **The industry and construction economic activity** is poised for higher growth, projected to maintain an average of above 9.0 percent in the next three years. Growth is expected to accrue from all its sub-activities. In particular, improved performance of the manufacturing sub-activity will result from improved power supply, implementation of the SME policy including agro processing and the Tanzania Trade Integrated Strategy (TTIS) and other supportive trade policies.

225. **The construction sub-activity** will continue its strong growth path, buoyed by increased investment in infrastructure, especially in roads, bridges, water supply projects, commercial and residential buildings and other land developments.

226. **The electricity and gas sub-activity** has emerged from a negative growth experienced during the 2006 power crisis, and is now poised for expansion following major reforms in the sub-activity. Other assumptions include implementation of the Rural Energy Master Plan, under which the Rural Energy Agency (REA) and the Energy Fund were established, and enactment of a law providing for private sector participation in power generation to meet the growing demand for power in the country.

227. With major investments in the **mining and quarrying sub activity** being at their peak, growth is expected to decline from an average rate of 12.7 percent in the past three years to 7.9 percent in 2009 and increase gradually to 9.3 in 2012 as production in most mines stabilizes to installed capacities.

228. **The services economic activity** is projected to continue growing by an average of 8.0 percent in the medium term. Growth is expected to be driven by increased export promotion initiatives, construction of new hotels, improvements and scaling-up of investments in transport and communication infrastructure.

The activity will also be bolstered by expansion of education and health services, increased demand for financial intermediation in response to growth of other economic activities in the country, and sustained implementation of public service reforms.

Macroeconomic Projections and Policy Targets

229. Despite the anticipated effects of the global financial crisis, the economic outlook for the period 2009/10 - 2011/12, appears generally promising. Drivers of the growth include implementation of the MKUKUTA, MPIP, the Second Generation Financial Sector Reforms, and improvement of the business environment to promote investment.

Government Finance

230. Government revenue efforts aim at ensuring that the recurrent expenditure will be entirely financed from domestic revenues, while gradually building up savings for financing development projects. Recent developments and ongoing strengthening of tax administration, provide the basis for an upward outlook in revenue collection. The gains realised in recent years are expected to continue, with the revenue to GDP ratio estimated at 17.7⁵ percent in 2008/09. The ratio is projected at 17.0 percent in 2009/10, and thereafter increasing to 17.2 percent in 2010/11, and 17.5 percent by 2011/12.

231. Total expenditure is estimated at 27.7⁶ percent of GDP in 2008/09 and is projected to decline in the medium term to 25.9 percent in 2009/10 and further to 24.6 by 2011/12. However, the growth rate will progressively increase from 13.0 percent in 2009/10 to 15.7 percent by 2011/12. The recurrent expenditure is expected to decline in the medium term, from 16.8 percent of GDP in 2009/10 to 15.6 percent in 2011/12, consistent with government's objective of covering

⁵ According to the revised National Account estimates. The likely outturn based on the actual figures up to December 2008 is 16.8 percent

⁶ According to the revised National Account estimates. The likely outturn is expected at 26.1% of GDP

the entire recurrent budget by domestic resources while gradually building up savings for financing infrastructure projects. However, the wage bill will be maintained at the level of not less than 6.0 percent of GDP partly due to new recruitments and payment of civil servants' salary adjustments. Local development expenditure is estimated to rise from 3.3 percent of GDP in 2009/10 to 4.4 percent by 2011/12.

Monetary Development

232. In recognizing the presence of high inflationary pressures in the economy that have been triggered by the high international oil prices, and the recent increase in food prices and Government spending, the Government will strengthen its vigilance on liquidity management in order to mitigate the second round effects of exogenous factors on domestic prices. The Government will also continue to improve the efficacy of the existing monetary policy instruments, and enhance the conduct of open market. This will require restricting the annual growth rate of broad money supply (M2) to 21.2 percent by end June 2009.

233. Correspondingly, the annual growth of extended broad money supply (M3) and broad money supply (M2) are projected at 22.1 percent and 24.9 percent respectively by end June 2009. The relatively higher growth in money supply is largely attributed to increase in demand for money experienced in the recent past, following expansion in economic activities, coupled with government intention to draw down its deposits to the tune of TZS 150 billion for infrastructure development. As a result, credit to the private sector is projected to slow down to about [30] percent by end June 2009, from an average of above [44.6] percent registered in June 2008.

Inflation

234. In the wake of recent increases in fuel and food prices, the inflation target has been revised upwards to 7.5 percent by June 2009 from 7.0 percent

targeted earlier. Thereafter, inflation is targeted to decline slowly, reaching 6.0 percent by June 2010 on the assumptions that: the price of food and oil will stabilize; the exchange rate will remain stable; weather will remain favourable; and prudent monetary and fiscal policies will prevail.

235. The macroeconomic projections and policy targets for the period 2009/10– 2011/12 are as follows:

- (i) Attain a real GDP growth rate of 7.0 percent in 2009, 7.3 percent in 2010 and 7.5 percent by 2012;
- (ii) Control Inflation at below 7.5 percent by end June, 2009;
- (iii) Increase domestic revenue collection to the equivalent of 17.0 percent of GDP in 2009/10, 17.2 percent in 2010/11, and 17.5 percent in 2011/12;
- (iv) Contain the growth rate of M_2 within limits of 24.9 percent in 2008/09 and 22.9 in 2009/10, consistent with GDP growth and inflation targets;
- (v) Maintain adequate official foreign reserves sufficient to cover a minimum of five months worth of imports of goods and non-factor service; and
- (vi) Maintain a market determined realistic exchange rate, with Bank of Tanzania's interventions exclusively limited to smoothing wide fluctuations and/or liquidity management purposes.

Table 6.1: GDP Growth (Actual and Projection)

ECONOMIC ACTIVITY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agriculture, Hunting and Forestry	4.9	3.1	5.9	4.3	3.8	4.0	3.3	2.4	3.8	5.3	5.9
Crops	5.6	3.2	6.6	4.4	4.0	4.5	3.2	2.3	3.9	5.5	6.1
Cash Crops	13.7	8.6	10.7	-0.2	2.8	3.7	4.0	3.3	2.3	2.9	5.6
Food Crops	4.4	2.3	5.9	5.2	4.3	4.6	3.0	3.6	4.4	5.9	6.2
Livestock	2.8	2.2	4.1	4.4	2.4	2.4	3.7	2.7	2.9	4.5	4.7
Hunting and Forestry	3.3	3.0	2.7	3.6	4.6	2.9	3.7	3.6	4.0	5.6	5.9
Fishing	6.8	6.0	6.7	6.0	5.0	4.5	4.3	4.0	4.5	6.1	6.5
Industry and construction	9.4	10.9	10.9	10.4	8.5	9.5	9.6	9.5	9.0	8.5	8.5
Mining and quarrying	16.9	17.1	16.0	16.1	15.6	10.7	11.9	7.3	7.3	8.2	9.3
Manufacturing	7.5	9.0	9.4	9.6	8.5	8.7	9.0	9.6	9.5	8.1	7.1
Electricity, gas	6.2	7.2	7.5	9.4	-1.9	10.9	4.4	6.4	7.7	8.6	9.7
Water supply	2.8	4.5	5.2	4.3	6.2	6.5	6.3	7.2	8.3	8.8	9.5
Construction	11.9	13.8	13.0	10.1	9.5	9.7	11.3	11.5	9.3	8.7	9.7
Services	7.7	7.8	7.8	8.0	7.8	8.1	8.9	8.1	7.8	7.7	7.7
Trade and repairs	8.3	9.7	5.8	6.7	9.5	9.8	10.3	8.4	7.7	7.7	7.8
Hotels and restaurants	6.4	3.2	3.6	5.6	4.3	4.4	4.7	-0.5	0.2	2.6	5.2
Transport	5.9	5.0	8.6	6.7	5.3	6.5	6.5	6.7	6.6	6.7	6.8
Communications	10.4	15.6	17.4	18.8	19.2	20.1	21.0	19.8	18.7	18.3	18.8
Financial intermediation	10.1	10.7	8.3	10.8	11.4	10.2	11.0	10.0	9.3	9.4	9.5
Real estate and business services	7.1	6.5	6.8	7.5	7.3	7.0	8.1	8.3	8.0	8.2	8.2
Public administration	9.2	9.6	13.6	11.4	6.5	6.7	7.8	7.8	7.8	3.7	4.8
Education	7.0	2.8	4.0	4.0	5.0	5.5	7.2	6.2	5.7	5.6	3.8
Health	8.6	8.7	7.8	8.1	8.5	8.8	9.2	6.7	5.9	5.7	3.8
Other social and personal services	2.1	2.0	3.0	2.6	3.7	3.2	3.2	3.6	3.4	3.5	3.5
Gross value added before adjustments	7.2	6.9	7.8	7.4	6.8	7.3	7.5	6.9	7.1	7.3	7.5
less FISIM	8.7	11.7	10.1	11.8	14.9	15.3	13.9	10.5	10.5	10.5	10.5
Gross value added at current basic prices	7.2	6.9	7.8	7.4	6.7	7.2	7.5	6.9	7.0	7.2	7.4
add Taxes on products	7.2	6.9	7.8	7.4	6.8	6.9	7.4	8.3	8.4	8.7	8.9
GDP at market prices	7.2	6.9	7.8	7.4	6.7	7.1	7.5	7.0	7.1	7.3	7.5

Table 6.2: Shares to Overall GDP (Percentage)

ECONOMIC ACTIVITY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agriculture, Hunting and Forestry	28.6	28.7	29.5	27.6	26.2	25.8	25.4	24.0	22.7	21.8	20.9
Crops	21.4	21.8	22.4	20.5	19.2	19.0	18.7	17.8	17.1	16.5	15.9
Cash Crops	1.8	1.9	2.1	2.5	2.2	2.0	1.7	1.6	1.5	1.4	1.4
Food Crops	19.6	19.9	20.2	18.0	17.0	17.1	17.0	16.2	15.6	15.1	14.6
Livestock	4.8	4.7	4.8	5.0	4.8	4.7	4.6	4.3	4.0	3.7	3.5
Hunting and Forestry	2.4	2.3	2.3	2.2	2.2	2.1	2.0	1.8	1.7	1.6	1.5
Fishing	1.7	1.6	1.5	1.4	1.3	1.3	1.3	1.2	1.1	1.1	1.0
Industry and construction	19.6	21.0	20.8	20.8	20.8	21.2	21.3	21.8	22.3	22.6	22.9
Mining and quarrying	2.1	2.4	2.6	2.9	3.2	3.5	3.4	3.4	3.4	3.5	3.5
Manufacturing	8.3	8.3	8.1	7.9	7.8	7.8	7.8	8.0	8.3	8.4	8.4
Electricity, gas	2.0	1.9	1.8	1.7	1.5	1.6	1.6	1.6	1.6	1.6	1.6
Water supply	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Construction	6.8	8.0	7.9	7.8	7.8	7.8	8.1	8.4	8.6	8.7	8.9
Services	44.2	42.7	42.0	42.5	43.3	43.3	43.3	43.7	44.2	44.5	44.8
Trade and repairs	12.4	12.0	11.4	11.0	11.4	11.5	11.8	12.1	12.3	12.6	12.8
Hotels and restaurants	2.6	2.4	2.3	2.5	2.6	2.7	2.8	2.6	2.4	2.3	2.2
Transport	5.0	4.8	4.6	4.4	4.3	4.2	4.2	4.2	4.2	4.1	4.1
Communications	1.2	1.3	1.5	1.7	2.1	2.3	2.4	2.6	2.9	3.2	3.5
Financial intermediation	1.7	1.7	1.6	1.7	1.7	1.6	1.6	1.6	1.6	1.7	1.7
Real estate and business services	9.7	9.4	9.1	9.5	9.6	9.5	9.3	9.4	9.6	9.7	9.9
Public administration	7.2	7.2	7.7	8.0	8.0	7.9	7.8	7.8	7.9	7.7	7.5
Education	2.0	1.8	1.7	1.6	1.5	1.4	1.3	1.3	1.2	1.2	1.2
Health	1.5	1.4	1.4	1.5	1.5	1.6	1.6	1.6	1.6	1.5	1.5
Other social and personal services	0.8	0.7	0.7	0.7	0.7	0.6	0.6	0.5	0.5	0.5	0.5
Gross value added before adjustments	94.1	94.0	93.7	92.3	91.7	91.6	91.3	90.8	90.4	90.0	89.6
less FISIM	-0.9	-0.9	-0.9	-0.9	-0.9	-1.0	-1.1	-0.8	-0.7	-0.6	-0.5
Gross value added at current basic prices	93.3	93.1	92.8	91.4	90.7	90.7	90.2	89.9	89.7	89.4	89.1
add Taxes on products	6.7	6.9	7.2	8.6	9.3	9.3	9.8	10.1	10.3	10.6	10.9
GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

MKUKUTA

236. MKUKUTA has been implemented since 2005/06 and is expected to be completed by 2009/10. Notable progress has been recorded in many areas, particularly in the social services sectors. Broad areas of focus for resource allocation will be on transport infrastructure, agriculture, energy, manufacturing, social services and governance.

Cluster I: Growth and reduction of Income poverty

Agriculture

237. Major areas of intervention during the medium term will be on the implementation of ASDP and DADPs, including the following:

- i. Promoting production of food to be self sufficient;
- ii. Providing targeted subsidies on agricultural inputs including fertilizers to farmers;
- iii. Promoting agro-processing e.g. fruit processing; textile and spinning, leather;
- iv. Facilitating production of breeder seeds in research institutions and corresponding improved seed multiplication;
- v. Continuing with construction and rehabilitation, and improving productivity of existing irrigation schemes;
- vi. Strengthening other research institutions, centres and related training institutions;
- vii. Establishing agriculture credit bank;
- viii. Promoting the use of mechanized appropriate technology in farming practices such as tractors, power tillers and ox-drawn ploughs;
- ix. Training and recruitment of extension staff, and improving their working environment;
- x. Promoting agricultural quality production and linking producers with domestic and international markets; and
- xi. Facilitating investment in agriculture by putting in place long term financing and appropriate risk mitigation mechanisms.

Livestock

238. The focus of the government on the medium term, is to improve livestock productivity by employing the following measures:

- i. Providing targeted subsidies on livestock inputs;
- ii. Continuing with construction and rehabilitation of livestock infrastructures such as dams, cattle dips, abattoirs, and markets;
- iii. Improving genetic resources including artificial insemination centres;
- iv. Training and recruiting extension staff and providing working tools;
- v. Continuing with land use planning;
- vi. Improving livestock products and marketing;
- vii. Improving livestock services needs in newly immigrated areas;
- viii. Strengthening livestock record keeping;
- ix. Increasing the use of traditional crops (cassava, sorghum and millet) in local feed production; and
- x. Promoting livestock traceability as a tool of disease control, surveillance, food safety and market accessibility.

Fisheries

239. During the medium term, the Government will focus on the following areas of interventions:

- i. Reviewing the Fisheries Policy of 1997 and Legislation to address current and emerging issues;
- ii. Improving fishing infrastructures including construction of fish receiving stations and cold storage facilities;
- iii. Combating illegal fishing practices, trafficking of fish and fisheries products across the borders, and promoting environmental conservation
- iv. Promoting fish farming, and strengthening aquaculture production and services;

- v. Improving the collection, processing, analysis and dissemination of fisheries information;
- vi. Strengthening fisheries research and training institutes;
- vii. Improving safety, quality and standards of fishing and fisheries products for the local markets and maintaining existing and acquire new international markets;
- viii. Establishing and strengthening collaborative fisheries management initiatives in all water bodies; and
- ix. Developing human resource capacity for sustainable fisheries management.

Transport

240. Choice and sequencing of New Transport Sector Projects will be guided by the First Phase of Transport Sector Investment Programme (TSMP)-2006-2016. Specifically, focus will be on the following areas:

- i. Continue with construction of roads that will link with regional network as highlighted in CCM Election Manifesto in order to promote exports and support manufacturing. These roads include Singida-Babati-Minjingu, Dodoma-Babati, Manyoni-Itigi-Tabora-Kigoma, Kigoma-Kidahwe-Uvinza, Mwandiga-Manyovu, Geita-Usagara, Sumbawanga-Kasesya-Kasanga, Tunduru-Songea-Mbambabay, Mbeya-Chunya-Makongolosi, Masasi-Mangaka, Ndundu-Somanga, Unity Bridge, Kilwa road (Dar Es Salaam), Kidatu-Ifakara, Marangu-Tarakea-Rongai, and Tanga-Horohoro.
- ii. Rehabilitation of trunk, regional, essential rural roads and ports; completion of Songwe Airport and modernization of Mafia, Arusha, Mwanza, Bukoba, Musoma and Kigoma Airports; and
- iii. Developing and operationalising a PPP policy, and an institutional regulatory framework that will enable the private sector to actively engage in transport infrastructure development.

Energy

241. Focus will be on the following areas:

- i. Completion of district electrification projects to the remaining district headquarters consistent with CCM Election Manifesto 2005 such as some districts in Kigoma, Rukwa, Mtwara and Lindi Regions;
- ii. Rural electrification including support of Rural Energy Agency (REA) and Rural Energy Fund (REF);
- iii. Strengthening, up-grading and expanding the national grid with other grids in the Region;
- iv. Tariff Equalisation Facility for Mtwara and Lindi regions;
- v. Expansion of Mnazi Bay and Songo Songo gas processing facilities;
- vi. Implementing guarantee schemes in the energy sector;
- vii. Promoting investments in petroleum exploration and to participate in Production Sharing Agreement (PSA) negotiations;
- viii. Establishing a strategic oil reserve; and
- ix. Facilitating TPDC to engage in petroleum trade, invest in the downstream petroleum/gas projects, revamping TIPPER oil refinery and construction of oil pipeline from DSM to Mwanza.

Manufacturing

242. The focus for the manufacturing sector during the medium term will be:

- i. Improving access to advanced and appropriate technology;
- ii. Improving infrastructure and provision of skilled labour;
- iii. Continue with the process of preparing an Integrated Industrial Development Framework;
- iv. Promoting SMEs and supporting the expansion and deepening of value addition through agro-processing;
- v. Supporting institutions to develop and transfer appropriate, user and environment friendly technologies; and

- vi. Development of basic industry.

Trade

243. In efforts to improve both internal and foreign trade, the Government will focus on the following over the medium term:-

- i. Promoting entrepreneurship skills development and market linkages;
- ii. Promoting and facilitating development of marketing infrastructure;
- iii. Facilitating Tanzania's Strategic position in international trade arrangements;
- iv. Improving access to financial capital;
- v. Diversifying exports in line with international market standards; and
- vi. Improving legal and regulatory environment for doing business.

Minerals

244. During the period 2009/10- 2011/12, the Government will focus on the following priority areas:-

- i. Promoting investment in minerals exploration and value addition activities;
- ii. Implementing the small-scale mining development strategy;
- iii. Ensuring environmental conservation in mining sites; and
- iv. Facilitating geological survey to collect and analyse geo-scientific data and construction of core sheds;

Lands and Human Development

245. The Government will focus on implementing the on going activities in the following areas:-

- i. Establishment of Land Bank to cater for both local and foreign investors in Agriculture;

- ii. Continuing with implementation of Land Act No. 4 and Village Land Act No. 5 of 1999;
- iii. Facilitation of Land Use Planning in Rural and Master Plans in Urban areas; and
- iv. Continuing to demarcate and survey village boundaries.

Cluster II: Improved Quality of Life and Social Well Being

246. In order to address the challenges and meet the objectives noted under cluster II, the following priority measures are identified for resource allocation:

Education

247. The Government will continue to improve education service delivery through implementation of national education programs such as PEDP, SEDP, TDP, and COBET. The focus will be on the following areas:

- i. Finalisation of the preparation of the Higher Education Development Programme (HEDP);
- ii. Facilitating special schools;
- iii. Promoting sciences and mathematics subjects as well as providing special requirements for technical schools;
- iv. Rehabilitating basic infrastructure(lecture theatre, hostels, classrooms, and ICT network), and providing teaching and learning facilities in higher learning institutions;
- v. Promoting vocational training aimed at empowering people to be self employed in each District;
- vi. Strengthening supervision and monitoring of PEDP and SEDP in Councils;
- vii. Encouraging community participation in the implementation of PEDP and SEDP to ensure sustainability;

- viii. Sustaining implementation of PEDP and SEDP by improving quality in teaching and teaching facilities, as well as working and learning environment;
- ix. Expanding opportunities for higher learning while addressing gender disparities;
- x. Strengthening capacity in the management of human and financial resources at all levels; and
- xi. Addressing issues of education service delivery in underserved areas.

Health

248. The government will put more emphasis on the implementation of Primary Health Service Development Program (MMAM) by phases and other health sectoral programmes. Major focus will include:

- i. Enhancing the quality and access to health services including maternal health care services;
- ii. Improving human resource capacity at all levels;
- iii. Constructing, rehabilitating and equipping health facilities with basic equipments;
- iv. Continuing with implementation of National Multi-Sectoral HIV and AIDS Programme as well as encouraging voluntary HIV testing and counselling;
- v. Scaling up provision of immunization services;
- vi. Prevention and treatment of malaria;
- vii. Scaling up proven non-ARV interventions, including TB preventions and treatment of opportunistic infections in PLWHA;
- viii. Ensuring recruitment of staff and strengthening capacity of Health Management Information System (HMIS);
- ix. Rehabilitation and expansion of training institutions; and

- x. Addressing issues of health service delivery in underserved areas.

Water and Sanitation

249. The Government will continue implementing the National Water Sector Development Strategy with major focus on the following:

- i. Implementing Rural Water Supply and Sanitation Programme in 10 villages in each district council;
- ii. Completion of water projects in Misungwi, Mpwapwa, Kongwa, , Simanjiro (Okesmet), Same and Mwanga, and rehabilitation of Makonde project (Masasi, Newala, Nanyumbu and Nachingwea);
- iii. Promoting rain water harvesting and construction of water wells;
- iv. Strengthening water infrastructures in Dar Es Salaam and Dodoma urban;
- v. Deploying adequate professional staff in particular Regions and LGAs;
- vi. Enhancing capacity for undertaking M&E functions;
- vii. Developing the National Sanitation and Hygiene Policy; and
- viii. Promoting rain water harvesting and enhancing proper environmental practice particularly in water catchments area.

Cluster III: Governance and Accountability

Governance

250. The Government will focus on the following priority areas:-

- i. Instilling ethics and integrity in professions;
- ii. Strengthening the monitoring of public resources at all levels;
- iii. Improving working environment and conditions;

- iv. Enhancing public awareness on the strategies to combat corruption;
and
- v. Scaling up control and monitoring of borders.

Public safety and rule of law

251. Areas of focus include the following:-

- i. Strengthening community policing initiatives;
- ii. Enhancing capacities of law enforcers;
- iii. Improving working and living environment for law enforcers;
- iv. Strengthening security along borders;
- v. Promoting the use of ICT; and
- vi. Sensitizing public on human rights and their obligations.

Fight against corruption

252. Government will continue to strengthen efforts in fighting corruption through the following interventions:-

- i. Combating corruption in a more scientific way;
- ii. Strengthening anti-corruption mechanisms at all levels;
- iii. Introducing systems of integrity, accountability and transparency at all levels;
- iv. Mainstreaming and empowering the Private Sector, CSOs and other non-state actors into the anti-corruption processes; and
- v. Enhancing the capacity of PCCB and other relevant institutions to implement NACSAP II.

Public Sector Reforms

253. **Public Service Reform Programme Phase II:** In respect to PSRP II, focus will be on the following areas:

- i. Adopting the new Public Pay Policy and strategy to address pay in line with the recommendations of the Presidential Commission;
- ii. Undertaking capacity building in respect of policy development and management in the entire public service;
- iii. Strengthening instruments for accountability;
- iv. Operationalization of E-Government Agency,
- v. Computerisation of systems and the development of a standardised records management system across MDAs;
- vi. Continuing with organisation and efficiency (O&E) reviews of MDAs;
- vii. Strengthening of the Reform Coordination Unit;
- viii. Facilitating policy dialogue between MDAs and non-state actors;
- ix. Continuing to popularise the use of client service charters, and complaints handling mechanisms; and
- x. Continuing cleaning Human Resource Database and Government payroll.

254. **Local Government Reform Programme II (D by D):** LGRP II (D by D) will focus on the following issues:

- i. Improving leadership and management in LGAs;
- ii. Building capacity at all levels of Local Government;
- iii. Reviewing and amending relevant laws to make them D by D compliant;
- iv. Sensitizing the public to demand on accountability for service delivering and resource use;
- v. Enhancing accountability, monitoring and evaluation;
- vi. Expediting the process of reviewing laws and regulations that will lead to effective decentralized management of staff by LGAs; and
- vii. Putting in place infrastructure that will increasingly attract and retain qualified staff in underserved areas.

255. **Legal Sector Reform Programme:** LSRP will focus on the following issues:

- i. Harmonizing conflicting laws;
- ii. Continuing with modernization of investigation and prosecution systems;
- iii. Finalizing Code of Conduct for Legal Aid Service Providers and establishing Legal Aid Literacy Network;
- iv. Providing and promoting legal aid services to the disadvantaged;
- v. Continuing with construction and rehabilitation of court buildings specifically primary courts;
- vi. Continuing with construction and/or rehabilitation of court buildings;
- vii. Continuing with public education activities aimed at enhancing public knowledge on on-going legal sector reforms; and
- viii. Establishing M & E system for the LSRP.

The Public Financial Management Reform Programme (PFMRP) III:

256. In respect of PFMRP III, focus will be on the following:

- i. Harmonizing PFM systems, tools and processes to minimize overlaps and duplication; and
- ii. Improving performance reporting to ensure achievement of value for money and enhancing transparency and accountability at all levels.

257. **Second Generation of Financial Sector Reforms (SGFSR):** The focus in respect of SGFSR will be on:

- i. Establishing a framework for lease and mortgage financing;
- ii. Establishing credit information data bank and regulatory framework for credit information bureau;
- iii. Revising the Land Acts to allow for foreclosure on mortgaged land; and
- iv. Harmonizing regulatory framework and investment guidelines for pension funds.

Cross Cutting Issues

258. **Gender:** Regarding gender, the focus will be on the following:

- i. Operationalizing the women's bank; and
- ii. Providing capacity building to gender focal points for expediting gender mainstreaming across sectors.
- iii. Continue with mainstreaming gender into policies, plans and strategies at all levels;
- iv. Conducting of sensitization on gender issues including pertinent issues such as fight against gender violence and reducing women work loads:
- v. Continue collecting and analysing gender-disaggregated data; and
- vi. Undertaking affirmative actions to address gender imbalances in accessing higher education as well as the nature of discipline specializations.

259. **Environment:** Priority areas will be on:

- i. Implementing the Marine and Fresh Water Bodies Strategy;
- ii. Implementing the National Waste Management Strategy;
- iii. Continuing with implementation of the Strategy for Urgent Actions on Land Degradation and Water Catchments (SUA-LWC);
- iv. Continuing with implementation of the Environmental Management Act (EMA) of 2004;
- v. Continuing with implementation of the multilateral environmental agreements; and
- vi. Raising awareness on environmental issues.

Social Protection

260. Emphasis will be to implement the National Social Protection Framework, and in particular:

- i. Enhancing the coordination of programmes addressing the needs of the most vulnerable groups;

- ii. Ensuring access to education and health services to poor and most vulnerable people (poor disabled, orphaned and most vulnerable children);
- iii. Ensuring due exemptions of treatment fees for patients over 60 years; and
- iv. Facilitating availability of soft term loans (for income generating activities) to poor people who are physically active to engage in economic activities.

Employment and Economic Empowerment

- 261. In the medium term the focus will be on following areas:
 - i. Continuing with implementation of programmes that create economic opportunity for citizens such as MKURABITA and BEST programmes;
 - ii. Strengthening JK Fund so as to enable more people to access credit;
 - iii. Harmonization of inflow to LGAs (Women Development Fund, Youth Development Fund, Mwananchi Fund, etc);
 - iv. Creating favourable working conditions to encourage PPP;
 - v. Reinstatement of compulsory National Service Training;
 - vi. Strengthening institutions handling micro-finance schemes to enable grassroot to access more credits; and
 - vii. Finalizing establishment of the Women's Bank.

National Population Census 2012

- 262. The focus in this respect will be on the following:
 - i. Undertaking capacity building for NBS and collaborators;
 - ii. Undertaking a cartographic work involving delineation of enumeration and supervision areas; and
 - iii. Producing maps as part of the preparation for the 2012 National Census.

CHAPTER SEVEN

RESOURCE ENVELOPE AND EXPENDITURE FRAMEWORK 2009/10 – 2011/12

263. This chapter puts in focus how the projected resource envelope will be allocated among priority areas so as to address the challenges facing the nation as a whole. During the year under review, a number of achievements were realised as a result of maintaining a sound macroeconomic stability, good performance in domestic revenue collection and continued good relations with the Development Partners.

264. The government remains committed to strengthen domestic resource mobilisation in the medium term so as to significantly reduce donor dependency while maintaining budget credibility. The continued improvement in tax administration, increased economic activities coupled with the reforms in tax policy and increased compliance, will contribute to the realisation of the medium term objectives.

265. In the medium term, domestic revenue has been projected at 17.0 percent of GDP in 2009/10, from 17.7 percent in 2008/09 and is expected to reach 17.5 percent in 2011/12 . Foreign assistance is projected at 8.9 percent of GDP in 2009/10 from 9.1 percent in the current financial year, and a further decline to 5.3 percent is envisaged in the medium term. Overall resource envelope in 2009/10 is projected to decline to 25.9 percent of GDP, equivalent to a decline of 0.2 percent compared to 2008/09. This trend will persist and reach 22.8 percent in 2011/12, primarily on account of the projected decline in foreign assistance. The government will continue with its policy of zero domestic borrowing for budget financing over the MTEF period.

266. Consistent with the resource envelope, total expenditure in the medium term is projected to decline by 3.1 percent, from 25.9 percent of GDP in 2009/10 to 22.8 percent of GDP in 2011/12. The recurrent expenditure which is currently 17.7 percent of GDP, is expected to be 16.8 percent of GDP in 2009/10 and estimated to decline to 15.6 percent in 2011/12. This is consistent with government's intention of financing the recurrent expenditure from domestic revenues, while steadily building its savings for financing infrastructure projects from domestic sources. Total development expenditure is estimated at 9.1 percent of GDP in 2009/10, a slight decline from 9.3 percent of GDP in 2008/09, and further decline by 1.8 percent is projected in the medium term. Notwithstanding the projected decline in total development expenditure, locally financed development expenditure is estimated to rise from 3.3 percent of GDP in 2009/10, to 4.4 percent in 2011/12. Consolidated Fund Services (CFS), and Wages and Salaries are projected to be around 2.3 percent and 5.6 percent of GDP respectively in 2009/10, compared to 2.6 percent and 5.9 percent of GDP in 2008/09. The government will continue to improve the overall public service pay in order to attract and retain highly qualified employees especially in the highly underserved areas. The expenditure on goods and services (OC) will be maintained at a level sufficient to cover government operations in priority areas, while freeing more resources to cater for development projects, in line with MKUKUTA growth objectives. Table 7.1 and 7.2 below outlines major categories of resource envelope and expenditure framework, both in absolute terms and as a percentage of GDP.

Table 7. 1: Budget Frame for 2008/09 - 2010/12 (In Million TShs.)

	2008/09	2008/09	2009/10	2010/11	2011/12
	Budget	Likely Outturn	Ceilings	Projections	Projections
I. TOTAL RESOURCES	7,218,130	6,981,700	8,139,281	9,070,931	9,978,437
Domestic revenue	4,728,595	4,492,166	5,347,126	6,382,593	7,660,911
Programme loan and grants	812,113	812,113	907,698	919,542	1,071,965
Project loans and grants	1,063,808	1,063,808	1,098,640	959,011	620,975
Basket Support Loans	212,656	212,656	197,476	183,095	101,834
Basket Support Grants	206,126	206,126	313,179	339,216	305,305
HIPC relief-Multilateral	0	0	0	0	0
MDRI (IMF)	66,322	66,322	83,764	0	0
MCC (MCA-T)	68,511	68,511	191,397	287,474	217,447
Non Bank Borrowing	0	0	0	0	0
Bank Borrowing	0	0	0	0	0
Adjustment to cash	0	0	0	0	0
Privatisation Funds	60,000	60,000	0	0	0
Financing Gap	0	0	0	0	0
II. TOTAL EXPENDITURE	7,218,130	6,981,700	8,139,281	9,070,931	9,978,437
RECURRENT EXPENDITURE	4,726,650	4,490,220	5,292,342	5,897,965	6,817,648
CFS	681,911	681,911	729,412	874,279	958,458
Debt service	361,386	361,386	408,857	491,506	556,546
Interest	282,359	282,359	325,879	404,379	457,484
Amortization	79,027	79,027	82,978	87,127	99,063
Others	320,525	320,525	320,555	382,773	401,912
Recurrent Exp.(excl. CFS)	4,044,739	3,808,310	4,562,930	5,023,686	5,859,191
o/w Salaries & wages	1,570,324	1,570,324	1,774,891	2,222,513	2,625,537
Other Charges	2,324,415	2,087,986	2,220,195	2,434,499	2,649,977
Designated Items	150,000	150,000	567,844	366,674	583,677
DEVELOPMENT EXPENDITURE	2,491,480	2,491,480	2,846,939	3,172,966	3,160,789
Local	940,380	940,380	1,046,247	1,404,171	1,915,228
Foreign	1,551,100	1,551,100	1,800,692	1,768,796	1,245,561
o/w MCC (MCA-T)	68,511	68,511	191,397	287,474	217,447

Table 7. 2: Budget Frame for 2008/09 - 2010/12 (Accounting) as % Of GDP

	2008/09	2008/09	2009/10	2010/11	2011/12
	Budget	Likely Outturn	Cellings	Projections	Projections
I. TOTAL RESOURCES	27.0%	26.1%	25.9%	24.5%	22.8%
Domestic revenue	17.7%	16.8%	17.0%	17.2%	17.5%
Programme loan and grants	3.0%	3.0%	2.9%	2.5%	2.4%
Project loans and grants	4.0%	4.0%	3.5%	2.6%	1.4%
Basket Support Loans	0.8%	0.8%	0.6%	0.5%	0.2%
Basket Support Grants	0.8%	0.8%	1.0%	0.9%	0.7%
HIPC relief-Multilateral	0.0%	0.0%	0.0%	0.0%	0.0%
MDRI (IMF)	0.2%	0.2%	0.3%	0.0%	0.0%
MCC (MCA-T)	0.3%	0.3%	0.6%	0.8%	0.5%
Non Bank Borrowing	0.0%	0.0%	0.0%	0.0%	0.0%
Bank Borrowing	0.0%	0.0%	0.0%	0.0%	0.0%
Adjustment to cash	0.0%	0.0%	0.0%	0.0%	0.0%
Privatisation Funds	0.2%	0.2%	0.0%	0.0%	0.0%
Infrastructure Bond	0.0%	0.0%	0.0%	0.0%	0.0%
II. TOTAL EXPENDITURE	27.0%	26.1%	25.9%	24.5%	22.8%
RECURRENT EXPENDITURE	17.7%	16.8%	16.8%	15.9%	15.6%
CFS	2.6%	2.6%	2.3%	2.4%	2.2%
Debt service	1.4%	1.4%	1.3%	1.3%	1.3%
interest	1.1%	1.1%	1.0%	1.1%	1.0%
amortization	0.3%	0.3%	0.3%	0.2%	0.2%
Others	1.2%	1.2%	1.0%	1.0%	0.9%
Recurrent Exp.(excl. CFS)	15.1%	14.3%	14.5%	13.6%	13.4%
o/w Salaries & wages	5.9%	5.9%	5.6%	6.0%	6.0%
Other Charges	8.7%	7.8%	7.1%	6.6%	6.1%
Designated Items	0.6%	0.6%	1.8%	1.0%	1.3%
DEVELOPMENT EXPENDITURE	9.3%	9.3%	9.1%	8.6%	7.2%
Local	3.5%	3.5%	3.3%	3.8%	4.4%
Foreign	5.8%	5.8%	5.7%	4.8%	2.8%
o/w MCC (MCA-T)	0.3%	0.3%	0.6%	0.8%	0.5%

Revenue Policies and Initiatives

267. The government has continued to place emphasis on resource mobilisation, both from domestic and foreign sources, with the aim of scaling up investment in various priority interventions. In the medium term, the government will consolidate on the achievements made to date in implementing revenue policies and identify new policy measures to foster higher revenue collections.

Domestic Revenue

268. The Government recognises that for a long term sustainable growth and adequate levels of service delivery, domestic revenue collection should grow at a rate faster than the GDP growth. The balance needs to be maintained in taxation policy in a manner that does not jeopardise the growth in business and investment.

269. In order for the government to achieve the stated policy objectives, efforts will be directed in the following areas:

- i. Improve tax Administration by implementing the TRA's Third Corporate Plan, which focuses on promoting compliance and accountability among the taxpayers and tax collectors;
- ii. Widening of the tax base by registering new taxpayers and improve tax compliance level;
- iii. Instituting improved management and control of tax exemptions;
- iv. Establishing additional Large Taxpayers Units for medium sized taxpayers in order to facilitate collection of more revenue in the medium term;
- v. Automating the tax system through e-filing, and electronically submitting tax returns to TRA so as to improve tax revenue collection and ease the process involved in tax payments;
- vi. Strengthening supervision of excise and customs duties in order to increase collection from these sources;

- vii. Strengthening the ITAX audit and debt management modules as part of a programme to build integrated capacity for tax law enforcement;
- viii. Increasing the contribution of Non tax revenue from the current level of about 1 percent of GDP to at least 3 percent of GDP in the medium term.

Foreign Resource

270. As stated in the JAST, the Government continues to advocate on General Budget Support (GBS) as a preferred foreign funding modality because of its comparative advantages over others mainly in terms of Government ownership over resource allocation, and its full integration in the national budget, public financial management, and accountability systems.

271. Project and basket funding modalities are expected to be fully in line with national priorities, strategies and programmes, and rely on Government structures for implementation. However, lack of aid predictability remains a challenge for the Government to strategically plan and effectively prioritize development projects.

Government budget and MKUKUTA Financing

272. The Government has made considerable efforts to strengthen the links between policies and budget. These linkages are a milestone towards ensuring a more credible budget framework which reflects medium term policy objectives. For the past years, since the adoption of MKUKUTA, these linkages have been facilitated by the Strategic Budget Allocation System (SBAS).

273. The Government has allocated 3,667.6 billion, equivalent to 73.5 percent of total budget for financing MKUKUTA interventions in 2009/10. Further, within MKUKUTA, 51.2 percent has been allocated for Cluster 1, while 29.2 percent is for Cluster 2 and 19.5 percent for Cluster 3. In the medium term, it is envisaged

that more resources will be directed to MKUKUTA intervention particular in cluster 1 through the implementation of projects identified under MPIP. Table 7.3 below indicates the proposed cluster allocations, and additional details by Cluster goals are given in table 7.4.

Table 7.3: Proposed Resource Allocation (OC and Development - In Million Tshs)

	2008/09 Ceiling	% of Total MKUKUTA	2009/10 Ceiling	% of Total MKUKUTA	2010/11 Projection	% of Total MKUKUTA	2011/12 Projection	% of Total MKUKUTA
Cluster 1	1,245,186.2	48.3%	1,879,327.7	51.2%	2,269,243.9	54.6%	2,243,019.4	53.4%
Cluster 2	880,472.3	34.1%	1,072,746.3	29.2%	1,217,822.1	29.3%	1,277,437.4	30.4%
Cluster 3	455,295.6	17.6%	715,529.9	19.5%	670,425.4	16.1%	676,312.6	16.1%
Total MKUKUTA	2,580,954.1	100%	3,667,603.8	100.0%	4,157,491.4	100.0%	4,196,769.5	100.0%
%ge MKUKUTA	66.9%		73.5%		75.5%		73.7%	
Non MKUKUTA	1,278,057.8		1,321,162.5		1,352,696.5		1,500,566.3	
Grand Total	3,859,011.9		4,988,766.3		5,510,187.9		5,697,335.8	

Table 7.4: Summary of cluster goals (Figures are in Million Tsh)

	2009/10					
	OC	Requirement		OC	Ceiling	
	Dev - L	Dev - F	OC	Dev - L	Dev - F	
Cluster 1 : Growth and Income Poverty Reduction						
Ensuring sound economic management	249,257.6	65,023.1	13,753.7	211,177.6	19,234.9	39,461.9
Promoting sustainable and broad-based growth	404,254.2	165,096.8	154,885.9	257,822.7	349,980.2	245,905.7
Improved food quality, safety, availability and accessibility at household level in urban and rural areas	16,993.9	30.0	119.6	5,149.7	22.5	725.3
Reducing income poverty of both men and women in rural areas	106,311.6	337,277.7	334,255.8	82,530.6	188,888.0	278,212.0
Reducing income poverty of both men and women in urban areas	5,351.6	13,431.4	7,869.8	4,923.7	13,256.5	13,108.4
Provision of reliable and affordable energy to consumers	19,712.6	79,531.8	198,330.2	18,809.5	79,531.8	70,586.7
Cluster 1 Total	801,881.5	660,390.8	709,215.0	580,413.8	650,913.8	648,000.1
Cluster 2 : Improvement of quality of life and social well being						
Ensuring equitable access to quality primary and secondary education for boys and girls, universal literacy among men and women and expansion of higher, technical and vocational education	221,990.8	51,410.3	53,895.3	179,145.6	39,247.2	130,370.9
Improved survival, health and well-being of all children and women and of especially vulnerable groups	24,053.8	2,699.0	5,738.9	21,786.0	1,323.3	156,590.5
Increased access to clean, affordable and safe water, sanitation, decent shelter and a safe and sustainable environment and thereby, reduced vulnerability from environmental risk	8,512.6	26,952.2	223,658.9	7,679.5	26,444.7	184,925.9
Adequate social protection and rights of the vulnerable and needy groups with basic needs and services	1,680.5	126.0	12,300.0	1,514.4	115.6	71,590.1
Systems in place to ensure effective universal access to quality public services that are affordable	101,554.6	51,140.8	71,264.6	91,005.5	20,655.2	140,351.7

and available

Cluster 2 Total	357,792.3	132,328.3	366,857.6	301,131.1	87,786.0	683,829.2
Cluster 3 : Governance and Accountability						
Structures and systems of governance as well as the rule of law are democratic, participatory, representative, accountable and inclusive	141,262.6	8,285.7	5,755.2	77,440.0	7,501.8	25,313.9
Equitable allocation of public resources with corruption effectively addressed	83,882.1	15,640.8	65,874.2	58,274.3	10,346.8	151,306.4
Effective public service framework in place to provide foundation for service delivery improvements and poverty reduction	385,952.9	121,240.2	30,407.2	191,283.0	14,370.4	55,548.4
Rights of the poor and vulnerable groups are protected and promoted in the justice system	22,218.0	12,385.6	1,110.9	19,434.6	10,934.8	0.0
Reduction of political and social exclusion and intolerance	2,357.0	500.0	0.0	884.1	212.4	0.0
Improved personal and material security, reduced crime, eliminate sexual abuse and domestic violence	73,174.7	13.4	305.0	65,875.3	3.8	24,532.8
National cultural identities enhanced and promoted	1,694.7	750.0	0.0	1,517.2	750.0	0.0
Cluster 3 Total	710,542.0	158,815.7	103,452.5	414,708.5	44,119.9	256,701.5
TOTAL	1,870,215.8	951,534.8	1,179,525.1	1,296,253.4	782,819.7	1,588,530.7

CHAPTER EIGHT

PERFORMANCE MONITORING, EVALUATION AND REPORTING

274. The success of government policies and programs depend to a great extent on the effectiveness of the system for performance monitoring, evaluation and reporting. Government has been strengthening such a system to enhance transparency and accountability in the execution of its budget for quality service delivery. This chapter highlights the progress made so far in attaining the desired results under the existing performance framework, it summarizes challenges, identifies key actions for improving monitoring, evaluation and performance reporting.

275. **Achievements:** During the year under review, the following achievements were recorded:

- i. Analytical Reports on MKUKUTA outcome indicators trends under its MKUKUTA Monitoring Master Plan (MMMP) were prepared on time;
- ii. All government institutions were trained on the key areas of performance measurement and outcome indicators; and
- iii. MDAs, Regions and LGAs have linked their institutional plans to MKUKUTA through the Strategic Budget Allocation System (SBAS) and PLAN REP.

276. **Challenges:** The Government will continue to address the following challenges:

- Enhancing capacity to analyse the magnitude and dynamics of MKUKUTA outcome indicators against realized results;
- Disseminating and communicating MKUKUTA achievements to all stakeholders; and

Enhancing the capacity of MDAs, RSs and LGAs in developing performance outcome indicators and timely reporting.

The Way Forward

277. In the medium term, the government plans to implement the following:
- i. Institutionalising and further improving the performance framework to all stakeholders;
 - ii. To enhance the capacity of MDAs, RSs and LGAs in monitoring, evaluation and reporting;
 - iii. To strengthen MKUKUTA Communication Strategies;
 - iv. To strengthen data collection, analysis and dissemination;
 - v. To strengthen national capacity in research and analysis; and
 - vi. To strengthen policy dialogue processes and enhancing participation of key stakeholders.

Specific Instructions

278. While preparing and overseeing the implementation of their budgets MDAs, RSs and LGAs should adhere to the following:
- i. To re-revisit their institutional Strategic Plans based on the MTSPBM;
 - ii. To ensure participation in planning and budgeting processes at all levels;
 - iii. To strengthen monitoring and evaluation functions in the Policy and Planning Departments;

Documentation of Strategic Plans

279. All MDAs, RSs and LGAs are required to ensure proper documentation of their strategic plans and MTEFs. The following Forms were designed to capture all key information on the institution's Strategic Plans and MTEFs.

280. **Form No.14A (PBF 4.1): Summary of the Strategic Plan:** This Form is intended to capture institution's planned Objectives, Strategies, Sub votes

Targets as well as Outcome Performance Indicators for the period of three years. The form should be prepared and attached to the approved Strategic Plan for internal use.

281. **Form No. 7: Results Framework:** This Form is designed to capture the institution's projected results over the three years planned period including baseline information, indicator values and types as well as source of data or means of verification on performance monitoring and reporting. Each institution is required to fill in this Form for submission together with other Budget documents.

282. **Form No. 3A: 3 Year MTEF Target Value Form for Recurrent and Development Expenditures:** This form is intended to capture institutional target values on yearly basis. It should be filled by each institution.

283. **Form No.11A: Current Year MTEF Target Value Form (Recurrent & Development Expenditures)** to facilitate monitoring of the target values on quarterly basis, each institution is required to fill in the current year MTEF Target Value Form for Recurrent and Development Expenditures.

Operational Planning Forms

284. Institutions are also reminded to comply with the Operational Planning Forms based on the format provided in the new performance framework. These forms are:

- i. Form 11B (R): Annual Cash Flow Plan for Recurrent Budget;
- ii. Form 11B(D): Annual Cash Flow Plan for Development Budget;
- iii. Form 11C(R): Action Plan for Recurrent Budget;
- iv. Form 11C(D): Action Plan for Development Budget;

Performance Reporting

285. All institutions should prepare performance reports and submit to PMO, PMO-RALG and MoFEA timely. Agencies are required to submit such reports to their parent Ministries on time to enable consolidation of the information into the main report for submission to the three ministries mentioned above. MDAs and RSs are reminded to submit their ***Commulative Quarterly Progress Reports by the 15th of each month*** following the end of a quarter. *LGAs should submit their reports by the 30th of each month* following the end of a quarter. In terms of dissemination, these progress reports are intended for performance monitoring. Reform Coordination Unit under the President's Office should be availed copies of these reports.

286. MDAs, RSs and LGAs are required to prepare ***Annual Performance Reports*** and ***3 Years Outcome Performance Reports*** providing feedback on the attainment of key results areas of their strategic plans. These reports should be submitted to ***PMO, PMO-RALG and MoFEA by the 1st of October*** following completion of each financial year. The Annual Performance Reports and the 3 Years Outcome Performance Reports should be made available to the Parliament and disseminated to the public via institution's web site, media or other appropriate fora to enhance transparency and accountability. Detailed descriptions and structure of all reports including their formats are outlined in the MTSPBM and Plan and Budget Guideline Part II.

Performance Reporting Forms

- i. Form 12A: Cumulative Quarterly MTEF Target Monitoring Form;
- ii. Form 12B: Quarterly Cumulative Milestone (Priority) Monitoring Form;
- iii. Form 12C: Outcome Indicator Monitoring Form;
- iv. Form 13A: Quarterly Cumulative Financial Overview Form; and
- v. Form 13B: Quarterly Cumulative Financial Detailed Form

287. In the next financial year, a framework for monitoring implementation of some specific areas or milestones that are of national interest will be prepared. The aim of proposed framework is to ensure that government budget produces expected results and its implementation will be on pilot basis.

CHAPTER NINE

INSTITUTIONAL RESPONSIBILITIES

288. This chapter outlines the institutional responsibilities with respect to the planning and budgeting processes. It highlights the role of Accounting Officers and that of the Plan and Budget Committees.

Responsibilities of Accounting Officers in Budget Preparation and Execution

289. Analysis of cost composition of development projects have shown that, a lot of development projects constitute more recurrent expenditure items as opposed to development items, and hence render it difficult to achieve the desired target. In other words, there are development projects which are really recurrent in nature. While recurrent expenditure items can not be completely avoided in development projects, to cater for administrative costs, Accounting Officers are required to ensure that such administrative costs do not constitute more than 10 percent of total project cost.

290. Accounting Officers are required to engage themselves in the entire process of preparation and execution of institutional plans and budgets, with the following specific responsibilities:

- (i) To ensure that Institutional Planning and Budgeting Committees are strengthened and are also actively involved in the planning and budgeting process, as well as in monitoring, evaluation and performance reporting;
- (ii) To provide clear guidance on policy priorities that should be reflected in institutional plans and budgets;
- (iii) To ensure that plans and budgets are prepared in a participatory manner at all levels to ensure ownership;

- (iv) To ensure that budget estimates are realistic and accurate and include all foreseeable revenues and expenditures;
- (v) To ensure that there is no accumulation of debts and arrears;
- (vi) To ensure that all revenues collected and funds allocated are accounted for in accordance with Public Finance Act 2001 and its subsequent amendments; and
- (vii) To strengthen institutional Policy and Planning Departments;

The Role of the Plan and Budget Committees

291. Budget Committees are vested with a major responsibility of assisting the Accounting Officer in overseeing the processes of planning, budgeting, implementation, monitoring and evaluation. Committees are required to:

- i. Coordinate the preparation of revenue and expenditure budgets;
- ii. collaborate with other MDAs who are implementing intersectoral programmes to avoid duplication in resource allocation;
- iii. ensure adherence to Plan and Budget Guideline requirements;
- iv. consolidate institutional MTEF by ensuring that departmental budget estimates are consistent with institutional priorities; and
- v. ensure timely preparation of performance reports.

292. Institutions are supposed to come up with well formulated and focused plans for the three years of MTEF. In that regard, MDAs, Regions and LGAs should be guided by the following checklist:-

- i. Ensure the use of medium term strategic plan and budget guideline manual;
- ii. ensure resources are allocated on the basis of declared government policy commitments, macro and sector priorities and decisions for 2009/10 – 2011/12 as outlined in the Medium Term Plan Objective and Focus of this document

- iii. ensure that the allocation of resources addresses MKUKUTA as well as cross cutting issues such as HIV and AIDS, NACSAP II, gender and environment;
- iv. ensure that milestones are well identified and costed in order to help an institution to be able to get tangible outputs within the MTEF period;
- v. ensure that core activities and items are fully funded and **within the given resource ceiling**;
- vi. to ensure that the thrust of development budget is to allocate resources to prioritized projects; and
- vii. ensure that there is clear demarcation between Recurrent and Development Budget so as to avoid double funding for similar activities.

Expenditure Control and Cost Reduction

293. In ensuring accountability in using public recourses, Accounting Officers are required to adhere to the approved budget. MDAs, Regions and LGAs will have to exercise a high degree of financial discipline. This year budget allocation will focus in institutional core activities as outlined in chapter six. Allocation to areas like procurement of vehicles, seminars and workshops, employment allowances, and travel and government hospitality will be scaled down in order to finance core activities. Accounting Officers are therefore required to observe the following:

Government Vehicles and Transportation

294. In this budget procuring of government vehicles is strictly prohibited. Accounting officers are advised not to allocate their resources to procuring vehicles. Funds that will be allocated in this code shall be taken to other important activities. In addition, Accounting Officers need to cut down maintenance and running costs of vehicles.

Seminars and Workshops

295. Seminars and workshops are another source of increasing government expenditures. Many of the seminars and workshops are unnecessary and conducted in very expensive hotels. Starting from this financial year, Accounting officers are required to seek approval for conducting seminars and workshops from Prime Minister's Office. The approved seminars and workshops should be conducted in the existing public institution facilities.

Per diems and Travel Allowances

296. Accounting Officers should satisfy themselves that each expenditure incurred has value for money. For foreign trips be those of national interest and reflect the expected returns.

Furniture

297. Accounting Officers should observe procurement of quality furniture. Of recent there has been a tendency of procuring very expensive imported furniture which are not durable compared to locally manufactured ones. Government procedures on replacement of furniture should be applied and observed.

Government Procurement Systems and Management

298. A big proportion of public expenditure is on procurement of works, goods and services. Accounting officers and Public Procurement Units should take measures to improve supervision and monitoring of purchases.

299. With regard to a letter from the Prime Minister dated 17th January 2009 with reference number PM/P/2/567/47, Accounting Officers in the following sectors are required to allocate adequate resources to the specific priorities:

Agriculture

- i. Providing targeted subsidies on agricultural inputs including fertilizers to farmers;
- ii. Facilitating production of breeder seeds in research institutions and corresponding improved seed multiplication;
- iii. Continuing with construction and rehabilitation, and improving productivity of existing irrigation schemes;
- iv. Implementation of ASDP and DADPs programmes;
- v. Strengthening other research institutions, centres and related training institutions;
- vi. Control of diseases, pests and wild animals;
- vii. Promoting the use of mechanized appropriate technology in farming practices such as tractors, power tillers and ox-drawn ploughs; and
- viii. Training and recruitment of extension staff, and improving their working environment.

Livestock

- i. Providing targeted subsidies on livestock inputs;
- ii. Continuing with construction and rehabilitation of livestock infrastructures such as dams, cattle dips, abattoirs, and markets;
- iii. Improving genetic resources including artificial insemination centres;
- iv. Training and recruiting extension staff and providing working tools; and
- v. Continuing with land use planning.

Fisheries

- i. Improving fishing infrastructures including construction of fish receiving stations and cold storage facilities;
- ii. Combating illegal fishing practices, trafficking of fish and fisheries products across the borders, and promoting environmental conservation
- iii. Promoting fish farming, and strengthening aquaculture production and services; and
- iv. Improving the collection, processing, analysis and dissemination of fisheries information.

Infrastructure

- i. Continue with construction of roads that will link with regional network as highlighted in CCM Election Manifesto in order to promote exports and support manufacturing. These roads include Singida-Babati-Minjingu, Dodoma-Babati, Manyoni-Itigi-Tabora-Kigoma, Kigoma-Kidahwe-Uvinza, Mwandiga-Manyovu, Geita-Usagara, Sumbawanga-Kasesya-Kasanga, Tunduru-Songea-Mbambabay, Mbeya-Chunya-Makongolosi, Masasi-Mangaka, Ndundu-Somanga, Unity Bridge, Kilwa road (Dar Es Salaam), Kidatu-Ifakara, Marangu-Tarakea-Rongai, and Tanga-Horohoro; and
- ii. Rehabilitation of trunk, regional, essential rural roads and ports; completion of Songwe Airport and modernization of Mafia, Arusha, Mwanza, Bukoba, Musoma and Kigoma Airports; and

Energy

- i. Completion of district electrification projects to the remaining district headquarters consistent with CCM Election Manifesto 2005 such as some districts in Kigoma, Rukwa, Mtwara and Lindi Regions;
- ii. Completion of ongoing electrification projects;

Lands and Human Development

- i. Facilitation of Land Use Planning in Rural and Master Plans in Urban areas.

Education

- i. Implementating educational development programs (PEDP, SEDP, TDP, and COBET);
- ii. Finalisation of the preparation of the Higher Education Development Programme (HEDP);
- iii. Facilitating special schools;
- iv. Promoting sciences and mathematics subjects as well as providing special requirements for technical schools;
- v. Rehabilitating basic infrastructure(lecture theatre, hostels, classrooms, and ICT network), and providing teaching and learning facilities in higher learning institutions;
- vi. Promoting vocational training aimed at empowering people to be self employed in each District;
- vii. Strengthening supervision and monitoring of PEDP and SEDP in Councils;
- viii. Encouraging community participation in the implementation of PEDP and SEDP to ensure sustainability;
- ix. Sustaining implementation of PEDP and SEDP by improving quality in teaching and teaching facilities, as well as working and learning environment; and
- x. Addressing issues of education service delivery in underserved areas.

Health

- i. Implementating Primary Health Service Development Program (MMAM);
- ii. Enhancing the quality and access to health services including maternal health care services;

- iii. Improving human resource capacity at all levels;
- iv. Constructing, rehabilitating and equipping health facilities with basic equipments;
- v. Continuing with implementation of National Multi-Sectoral HIV and AIDS Programme as well as encouraging voluntary HIV testing and counselling;
- vi. Strengthening Heart Treatment Centre; and
- vii. Ensuring recruitment of staff and strengthening capacity of Health Management Information System (HMIS).

Water and Sanitation

- i. Implementing Rural Water Supply and Sanitation Programme in 10 villages in each district council;
- ii. Completion of water projects in Misungwi, Mpwapwa, Kongwa, , Simanjiro (Okesmet), Same and Mwanga, and rehabilitation of Makonde project (Masasi, Newala, Nanyumbu and Nachingwea);
- iii. Promoting rain water harvesting and construction of water wells; and
- iv. Strengthening water infrastructures in Dar Es Salaam and Dodoma urban.

Governance

- i. Improving working and living environment for law enforcers;
- ii. Strengthening security along borders;
- iii. Mainstreaming and empowering the Private Sector, CSOs and other non-state actors into the anti-corruption processes; and
- iv. Enhancing the capacity of PCCB and other relevant institutions to implement NACSAP II.

Preparation of Personal Emolument Budget at Institutional Level

300. Preparation of PE should be done in accordance with PE guidelines issued by President's Office-Public Service Management (PO-PSM). MDAs, Regions and LGAs should observe the following:-

- i. recruitment permits should be processed and obtained in time from PO-PSM to ensure the budgeting for PE is carried out smoothly;
- ii. PE preparation for existing employees on payroll, should be based on the most recent wage bill, preferably payroll for March of the current financial year;
- iii. PE preparation for new employees, should be based on recruitment permits granted during PE discussions with PO-PSM;
- iv. Effective from financial year 2009/10, statutory contributions for LAPF and NSSF will be excluded from the PE ceiling. In budgeting for existing PE's commitments, each institution should calculate for employer's contribution to LAPF and NSSF as the way PSPF and NHIF are estimated. This is specific for Central and Local Governments only. Public Institutions will continue with the existing practice;
- v. Adhere to PE submission formats provided in the PBG Part II, i.e. Forms No. 8A-8E and form number 9 should be properly filled in; and
- vi. Ensure that salary adjustments are promptly effected to avoid accumulation of salary arrears.

301. In addition, Public Institutions and Agencies should observe the following in preparing their PE Budgets:-

- i. Ensure that PE budgets are prepared in collaboration with parent ministry
- ii. All public institutions should submit their PE budget (through Forms No. 8A-8E) to the Treasury Registrar for preliminary scrutiny before the General Budget Discussions;

- iii. Ensure that statutory contributions are budgeted for, and are reflected in their respective parent ministry's budget;
- iv. Ensure that PE budgets includes only PE elements; and
- v. Ensure that approval for schemes of service and salary structures are done by March of each current financial year for inclusion in the annual budget.

Preparation of Revenue Estimates at Institutional Level:

302. Of late, most institutions have put more efforts in preparation of the expenditure budget at the expense of the revenue budget. But it is obvious that the expenditure budget can only be implemented if there are revenues. To address challenges in enhancing domestic revenue, the government is in the process of amending Public Finance Act to address challenges especially in collection of non tax revenue from Public Institutions, Agencies and Authorities. During the 2009/10-2011/12 Plan and budget preparations, MDAs, Regions and LGAs should observe the following:-

- i. ensure that revenue sources and potentials are explored and plans for collection are well articulated to meet the challenge of enhancing domestic revenue;
- ii. ensure that revenues from own sources are declared. The Central government is supposed to support the net gap between expenditure and own sources revenue in the case of LGAs, Public Institutions, Agencies and Authorities; and
- iii. ensure that all non-tax revenue potentials are explored and realistic projections are submitted to the Treasury.

Outstanding debts and stock of arrears

303. It has been established that many institutions have accrued debt from employee's statutory allowances and suppliers, including leave travel, moving

expenses, salaries, utilities (water, electricity, and telephone charges). In this regard, MDAs, RSs and LGAs are required to:

- i. Ensure that basic office supplies, employees statutory requirements and utilities are well costed and fully funded within the set ceiling;
- ii. Ensure that project implementation is contracted out in phases. MDAs, Regions and LGAs should ensure that funds are available for a phase before engaging a consultant/contractor; and
- iii. Ensure that accrued debts are considered as first charge within the given resource ceiling.

Ownership and Submission of MTEF Document:

304. It is emphasized that MDAs, RSs and LGAs can only effectively and efficiently attain their Vision, Mission, Objectives, targets and activities if they have in place a well articulated Strategic Plan and an MTEF which are fully owned by the top leadership of an institution. MTEFs that are not fully owned and that are poorly articulated often results in frequent and uncoordinated requests of additional funds from the Treasury. Consequently, MDAs, Regions and LGAs are required to:-

- i. Ensure that MTEFs submitted to MOFEA are fully owned by MDAs top leadership;
- ii. Prepare and submit institutional MTEF document that includes revenue, recurrent and development estimates;
- iii. Ensure that Budget submissions for 2009/10 – 2011/12 adhere to the approved format; and the relevant forms included in Plan and Budget Guidelines Part II are dully filled; and
- iv. Update Institutional MTEFs to accommodate subsequent changes after budget scrutiny sessions. The revised institutional MTEFs should be submitted to the Treasury as soon as the MDAs budget is approved by Parliament.

Implementation of Institutional Plans and Budgets:

305. It is the role of the Accounting Officer and the entire Institutional Budget Committee to coordinate plans and budgets preparation and their implementation. Prior and during implementation of budget MDAs, RSs and LGAs should undertake the following:

- i. Prepare action plan and cash flow for implementation of planned interventions for revenue, recurrent and development budgets; according to the format provided in the PBG Part II;
- ii. Ensure that revenue collected is acknowledged and remitted to the Consolidated Fund;
- iii. Conduct monitoring and evaluation on the implementation of the institutional Strategic Plan and MTEF based Budget;
- iv. Ensure that budget is executed as planned and avoid budget deviation resulting from reallocating funds to activities that are not really contingent;
- v. Conduct periodic inspections on expenditure and revenue collections;
- vi. Prepare and submit physical and financial performance reports as required and as per instructions;
- vii. Ensure proper management of resources at institutional level and address weaknesses pointed out in the Controller and Auditor General's (CAGs) reports;
- viii. Public Institutions/Agencies should submit payroll returns to the Treasury (Budget Department) on quarterly basis for wage bill control purposes);
- ix. Conduct regular inspections on payrolls to ascertain accuracy as well as identifying employees who are supposed to be removed from payroll for any reason like death, retirement and dismissal;
- x. Return to the Treasury all unclaimed salaries on monthly basis through depositing the same into the designated revenue bank Accounts;
- xi. Ensure that unclaimed salaries are not used to fund non-salary expenses; and

- xii. Bring to the attention of the relevant authority cases concerning ghost workers.

306. Regional Secretariats' Plan and Budget Committees are also required to pay attention to their main role of coordinating the plan and budget preparation exercise at the LGAs levels. Additional instructions which are specific to RSs and LGAs are elaborated in chapter three of this document.

307. As D by D is being implemented, the role of Sector Ministries and Regional Secretariats in facilitating, providing technical and backstopping support and advising the LGAs will increasingly be crucial; they should therefore incorporate in their MTEFs activities that will enable them to effectively play this role. In making sure smooth implementation of the D by D policy, MDAs and RSs are supposed as appropriately to undertake the following:

- i. to review their MTEFs for 2008/09 with a view of identifying any activity or project that should be devolved to LGA level along with the attendant financial resources for the year 2009/10;
- ii. to clearly show in their plans and budgets how they intend to take forward the process of amending the sector specific laws and regulations so that they can support D by D implementation;
- iii. to indicate in their MTEF budget the interventions which aim at strengthening sector specialists who are working with the Regional Secretariats and LGAs' capacity to effectively discharge their responsibilities; and
- iv. to strengthen monitoring and evaluation as well as improving information sharing to ensure that LGAs are attaining national standards and that quality assurance is observed.

308. As various cross cutting Public Sector Reform Programmes such as PSRP II, PFMRP III, LSRP, LGRP II (D by D) and NACSAP II are being implemented,

institutions are required to incorporate into their MTEF, activities that are relevant to them for the implementation of these reform programmes. The aim of this approach is to make sure that monitoring and evaluation of the Reforms becomes an integral part of standard MTEF reporting. Each respective parent Ministry under which a reform programme falls will, in collaboration with President's Office (Reform Coordination Unit - RCU), provide the much required coordination, guidance and backstopping support to ensure harmonized implementation and, quality and timely reporting.

Inter – Sectoral Collaboration

309. The attainment of MKUKUTA outcomes invariably needs the contribution of various sectors and actors, hence the need for entrenching coordinated sectoral linkages and sharing of information. All sectors are required to modify their priority sector approach of the PRS into MKUKUTA priority outcome-based approach.

310. In addition to ensuring inter-sectoral collaboration, institutions must ensure full involvement of partners in SWAPs, pooled and basket funding arrangements with a view to identifying funds for MKUKUTA clusters.

311. Meaningful intersectoral collaboration requires well identified and sequenced series of activities. In order to foster such collaboration and thus tap the synergies, coordination is crucial, and this has remained a major challenge. To this end, the PER/GBS/MKUKUTA Cluster Working Groups need to be strengthened and encouraged to work hard toward this goal.