2017

Five years Medium Term Strategic Plan for the Public Finance Management Reform Program Phase V 2017-2022

The United Republic of Tanzania

Ministry of Finance

FIVE YEAR MEDIUM TERM STRATEGIC PLAN FOR THE PUBLIC FINANCE MANAGEMENT REFORM PROGRAMME (PFMRP) PHASE V 2017/18 - 2021/22

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ABBREVIATIONS AND ACRONYMS

ACGEN	Accountant General
AWPB	Annual Work Plan and Budget
BD	Budget Division
BF	Basket Fund
CAG	Controller and Auditor General
CoFoG	Classification of Functions of Government
CSOs	Civil Society Organisations
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System
DFID	Department for International Development (UK)
DMO	Debt Management Office
DP	Development Partner
DPG	Development Partner Group
DPS PFM	Deputy Permanent Secretary, PFM
EFT	Electronic Funds Transfer
FISMD	Financial Information Systems Management Division
FYDP II	Five Year National Development Plan
GAMD	Government Asset Management Division
GDP	Gross Domestic Product
GIZ	German Agency for International Development
HCMIS	Human Capital Management Information system
HOR	House of Representatives
IAGD	Internal Auditor General's Division
ICT	Information and Communications Technology
IFMS	Integrated Financial Management System
IPSAS	International Public Sector Accounting Standards
JICA	Japan International Cooperation Agency
JSC	Joint Steering Committee
JSM	Joint Supervision Mission
LGA	Local Government Authority
LGRCIS	Local Government Revenue Collection and Information System
M&E	Monitoring and Evaluation
MDAs	Ministries, Departments and Agencies

MOFP	Ministry of Finance and Planning
MOFPZ	Ministry of Finance and Planning, Zanzibar
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NAOT	National Audit Office of Tanzania
OCAGZ	Office of the Controller and Auditor General, Zanzibar
OTR	Office of the Treasury Registrar
PAD	Policy Analysis Division
PBB	Programme Based Budgeting
PBO	Parliamentary Budget Office
PC	Planning Commission
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFM	Public Finance Management
PFMRP	Public Finance Management Reform Programme
PIC	Programme Implementation Committee
PMIS	Procurement Management Information System
PMU	Procurement Management Unit
PO-RALG	President's Office Regional Administration for Local Governments
PPRA	Public Procurement Regulatory Authority
PST	Permanent Secretary to the Treasury
RS	Regional Secretariat
RAS	Regional Administrative Secretary
RGZ	Revolutionary Government of Zanzibar
SBAS	Strategic Budget Allocation System
SO	Strategic Objective
TISS	Tanzania Inter_Bank Settlement System
TDV	Tanzania Development Vision
TSA	Treasury Single Account
TWG	Technical Working Group
URT	United Republic of Tanzania
ZDV	Zanzibar Development Vision
ZRB	Zanzibar Revenue Board

FOREWORD

The Government has been implementing the Public Finance Management Reform Program in phases since 1998. So far four phases of the PFMRP have been concluded with some remarkable outcomes in managing public financial resources. The reform focus has been ensuring that financial resources are prudently managed and controlled so as to enable quality service delivery as well as attaining national economic development aspirations. Attaining these endeavors has been a noble task of the PFM reform which to some extent enabled the Government to meet our stakeholders' expectations.

The Public Financial Management Reforms (PFMRP) is increasingly placed in the broader agenda of development and quality public service delivery. In order to achieve these ends, the United Republic of Tanzania pragmatically designed the Public Financial Management reform as a strategy to positively impact in the domain of planning and budgeting, budget execution, reporting, accountability and transparency, resource mobilization, and budget control, which encompasses auditing, and oversight functions. The Public Finance Reform Programme Phase V strategy covers a period of five years (2017/18– 2021/22).

PFMRP Phase V strategy has been developed in line with the Tanzania Development Vision 2025, and Zanzibar Development Vision 2020, the National Five Year Development Plan (2016/17 – 2020/21), MKUZA II. It has also been developed basing on the Scoping Report and Strategic Roadmap Study of January 2017 and the 2017 Public Expenditure and Financial Accountability Assessment (PEFA). The Scoping Report and Strategic Roadmap Study and the PEFA Report of January 2017 were aimed at evaluating the public finance reforms successes, challenges and way forward in Tanzania public finance management. Despite the successes achieved, there were still challenges to be addressed such as fiscal and tax policy making process and budget financing, budget credibility and predictability of financial resources that inhibits effective budget execution.

The Public Finance Management Reform Programme Phase V Strategy recommends core activities to achieve the overall goal of transparency, accountability, efficiency, and fiscal discipline in the management of public resources. The PFMRP Phase V strategy will implement among other Objectives namely: Improved Macro Economic Management to provide the basis for credible budget; efficient use of resources in alignment with national priorities; Planned, timely and accurate reporting of the budget execution; PFM effective control and oversight functions by oversight institutions; Improved Public Financial Management systems and outcomes in Local Governments and improved PFM and outcomes in Zanzibar

Among the achievements obtained during the implementation of the previous phases of PFMRP include: Enhancement of PFM Legal and Regulatory Frameworks; participatory budgeting process; institutionalization of internal audit functions in MDAs, Regional Secretariats, and Local Government Authorities (LGAs); enhancement of oversight function by the Parliament and Controller and Auditor General; Improvement of PFM in Local Government Authorities; improved institutional capacity in areas of planning and budgeting, auditing, and Procurement. Other PFM reform achievements were in designing and operationalising of a number of financial management systems including Integrated Financial Management Systems; Human Capital Management information System; Local Government Revenue Collection Information System, Commonwealth Secretariat Debt Recording and Management System and Procurement Management Information System.

The Government of the United Republic of Tanzania with the theme of Nurturing Industrialization for Economic Transformation and Human Development and ***Hapa Kazi Tu*** is committed to these reforms. The intention is that the primary objectives of economic development and improvement in service delivery are achieved. I am pleased with the pace of reforms initiative that has been underway to achieve economic development and improved service delivery.

I take this opportunity to acknowledge the untiring efforts of all stakeholders including Development Partners, Component Managers, and Task Force that spent their time in the preparation of this strategy as a cornerstone of reforms agenda of the government for the next five years of phase V of the Program.

Dr. Philip I. Mpango (MP)
MINISTER FOR FINANCE AND PLANNING

EXECUTIVE SUMMARY

Introduction

The Five Year Strategic Plan for the Public Finance Management (PFM) Reform Programme (PFMRP) Phase V will provide the United Republic of Tanzania (URT) with a strong basis to achieve the vision set out in Tanzania's Development Vision (TDV) 2025 and the second Five Year Development Plan (FYDP II). The **purpose** of the programme is to enable the URT to undertake comprehensive PFM reforms in pursuit of improved PFM outcomes at the central government and local government level. The implementation period for this programme is five years, from July 2017 to the end of June 2022.

The main actors are the core PFM institutions of URT, including the Ministry of Finance and Planning (MOFP), the Planning Commission (PC) the Public Procurement Regulatory Authority (PPRA), National Audit Office of Tanzania (NAOT), Parliamentary Budget Office (PBO), President's Office, Regional Administration and Local Government (PO-RALG), all 26 Regional Administrations, Zanzibar Ministry of Finance and Planning (MOFPZ), Zanzibar Revenue Board (ZRB) Office of the Controller and Auditor General, Zanzibar (OCAGZ) and the House of Representatives, Zanzibar.

PFM reforms in Tanzania

Since the mid-1990s, URT has been undertaking reforms in PFM to strengthen the management and control of public finances, and promote financial governance and accountability. Revenue mobilisation has improved significantly, wasteful expenditure is being systematically reduced and these savings are being channelled into development expenditure.

Despite this progress, it is recognised that further deepening of the reforms is required. The PFM challenges relate to budget credibility, a mismatch between approved budgets and expenditure outturns, misuse of public finances, inadequate enforcement of procurement and financial regulations, and inadequate financial allocations to development budget. Other challenges included low mobilisation of LGAs' own revenue and unsecured funding for priority investments. The cash rationing system inhibits effective budget execution and funds do not flow in a timely and predictable manner to spending entities. The lack of regular and comprehensive reporting impedes the URT's ability to take corrective measures. There are stand-alone financial systems which are not integrated. Incomplete valuation of government assets inhibits the preparation of comprehensive financial statements.

Reform priorities

A set of reform priorities have been identified as the basis for PFMRP V. These are: strengthening macro-economic management; (fiscal and tax policies) and ensuring stable financing of the budget; improving budget preparation and credibility, strengthened budget execution, accounting and financial reporting; improving financial accountability in relation to compliance with internal controls and procurement regulations; better external oversight and audit of PFM, and improving PFM systems and outcomes in local government and Zanzibar. These priorities have been validated by the findings of the 2017 PEFA assessment for the mainland.

PFMRP V is based on **a set of solid foundations** that build on the good practices and lessons learned from earlier phases and address the identified shortcomings. It is based on clearly articulated political commitment and agreement to an overall PFM reform strategy, with clearly defined roles accountability for all stakeholders. It takes a problem led and action oriented approach. Programme planning is prioritised, sequenced and linked to other reform initiatives and development plans.

Overview of PFMRP V

The **goal** of PFMRP V is to promote sustainable PFM reforms to enable economic development and improved public service delivery. The strategy is predicated on the programme achieving seven Strategic Objectives (SOs). These are:

1. Strategic Objective 1: Improved macro-economic management (prudent fiscal, tax and debt policies) provides the basis for a credible budget,
2. Strategic Objective 2: Resources efficiently allocated on a medium term basis in alignment with national priorities,

3. Strategic Objective 3: Budget executed as planned and timely and accurate reporting is available,
4. Strategic Objective 4: Strengthened internal controls and better procurement practices contribute to improved financial accountability,
5. Strategic Objective 5: Effective control and oversight of PFM functions by oversight institutions,
6. Strategic Objective 6: PFM systems and outcomes in Local Governments are improved,
7. Strategic Objective 7: PFM systems and outcomes in Zanzibar are improved.

Under each SO, there is a set of sub objectives under which different reform activities will be designed for implementation. Performance indicators and specific targets have been developed for each SO and sub objective.

The anticipated benefits from this programme include (as identified by the relevant PFM institutions during detailed planning): an improvement of the revenue to GDP ratio from 14.8% to 18%, an increase in actual budgeted revenue collected from 90% to 95%, a reduction in the value of public debt from 34.2% to 32.7% as a proportion of GDP, a credible budget meeting international standards of transparency, a significant reduction in the level of arrears, a reduction on the variation between planned and actual disbursement of budgeted funds from 20% to 5%, improvements in the implementation of audit recommendations and improved compliance with procurement regulations. PFM performance in all areas of the PFM cycle in local government and Zanzibar will also be measurably and sustainably improved.

Approach and management arrangements

PFMRP V is results-led programme, with interventions based on an agreed set of PFM reform priorities in pursuit of clearly defined and measurable performance targets. Building sustainable capacity remains a high priority.

Robust and effective programme management and implementation arrangements have been put in place, including: High level engagement on PFM issues through a strategic dialogue mechanism; Joint Steering Committee (JSC) to provide strategic oversight, guidance and direction; Technical Working Groups (TWGs); a LGA Programme Implementation Committee (PIC); and a PFMRP Secretariat in MOFP to support efficient and effective implementation and review of PFMRP V.

A robust system for Monitoring and Evaluation (M&E) of the Goal, Strategic Objectives, sub-objectives and their associated performance targets are in place to support successful implementation by collecting, analysing and disseminating information against the Programme M&E framework.

Financing and financial management

The Programme is jointly financed by URT and Development Partners (DPs). Financial management processes will ensure that Programme resources are used for the intended purposes, the budget is executed as planned, and quality financial management reports are produced on a timely basis. The CAGs in the mainland and Zanzibar will undertake financial and performance audit of the Programme in accordance with the prevailing public audit legislation, and the relevant International Standards on Auditing (ISAs), and the relevant regulatory authorities will undertake procurement audits.

Risk management

The key risks identified are: that government support for PFMRP is not timely, inadequate levels of strategic dialogue mean that the programme does not focus on agreed PFM priorities, URT is not able to provide committed financial contributions, non-technical considerations influence decision making on resource allocation, capacity and absorption constraints put pressure on delivering PFMRP activities, capacity building activities are not sustainable, and a lack of coordination and agreement between DPs on the PFM reform agenda leads to different priorities and approaches being presented to URT. Mitigating measures have been identified for all risks and the risk assessment analysis will be reviewed and updated on a regular basis.

CHAPTER 1

INTRODUCTION

1.1 Background

This document sets out the Five Year Strategic Plan for the Public Finance Management Reform Programme (PFMRP) Phase V. This programme has been designed to provide URT with a stronger basis to achieve the vision set out in Tanzania's Development Vision (TDV) 2025 and the second Five Year Development Plan (FYDP II), which requires sustainable growth and macro-economic stability, and to support achievement of the Zanzibar Development Vision (ZDV) 2020 and MKUZA III Success in delivering theses visions is dependent on having a robust PFM system which is able to accurately identify and maximise available resources for public expenditure, can allocate those resources efficiently and effectively in line with policy priorities and is able to ensure that resources are spent on the intended purposes, and properly accounted for. A strong PFM system is also the basis for meeting international standards in PFM performance.

This Phase V strategy builds on the gains made from earlier Phases of the reform process, which have delivered significant gains both in terms of strengthening the core PFM functions and processes, but also in improving domestic revenue collection and making a significant contribution to recent macro-economic growth and stability.

1.2 Purpose of the PFMRP V

The purpose of the programme is to enable the Government of Tanzania (URT) to undertake a comprehensive set of public finance management (PFM) reforms to strengthen the legal environment, policies, systems, processes and institutional capacity in pursuit of improved PFM outcomes at the central government and local government level and in Zanzibar. The design of this Programme is informed by an analysis of PFM reform progress to date, the current situation and the identification of remaining PFM challenges.

Successful implementation will enable URT to achieve tangible and sustainable results in PFM systems and outcomes, by delivering the planned results in a set of seven high level Strategic Objectives (SOs) that are directly linked to the specific PFM challenges identified as part of Programme design.

1.3 Main actors

The main actors in PFMRP are the core PFM institutions of URT and Zanzibar. This will include the following:

(a) The Ministry of Finance and Planning in mainland Tanzania - Policy and Analysis Division (PAD), Accountant General's Department (ACGEN), Budget Division (BD), Debt Management Office (DMO), Financial Information Systems Division (FISMD), Government Assets Management Division (GAMD), Internal Auditor Generals' Division (IAGD), and Office of the Treasury Registrar (OTR)

(b) Other beneficiaries include the Planning Commission (PC), the Public Procurement Regulatory Authority (PPRA), the National Audit Office of Tanzania (NAOT), the Parliamentary Budget Office (PBO), President's Office, Regional Administration and Local Government (PO-RALG) and all 26 Regional Secretariats.

(c) From Zanzibar it will include the Ministry of Finance and Planning (MOFPZ), Zanzibar Revenue Board (ZRB), Office of the Controller and Auditor General, Zanzibar (OCAGZ) and the House of Representatives (HOR), Zanzibar.

1.4 Implementation period

The implementation period for this programme is five years, from July 2017 to the end of June 2022.

CHAPTER 2:

SITUATIONAL ANALYSIS

2.1 PFM reforms in Tanzania – progress to date

2.1.1 Overview of progress

Since the mid-1990s, URT has been undertaking reforms in PFM aimed at strengthening the management and control of public finances, and promoting good financial governance and accountability. The reforms were undertaken through four phases of the Public Finance Management Reform Programme (PFMRP). Significant milestones have been achieved across the PFM cycle during this period.

Despite this progress, it is recognised that further deepening and institutionalisation of the reforms is required. The first external review of PFMRP II in 2006 identified a lack of strong organisational arrangements for robust coordination as a key shortcoming of the design of PFMRP II. It was also established that there was weak commitment and ownership of reforms amongst the PFMRP key stakeholders. This weakness was considered as one of the reasons for low commitment of spending authorities to achieve planned targets and also lack of strategic orientation in programme planning and reporting.

PFMRP III was launched in 2008 to address these weaknesses and to operationalise and institutionalise the tools, techniques, methods, and procedures which were developed under PFMRP II in the Ministries, Departments and Agencies (MDAs) and Local Government Authorities (LGAs).

An independent mid-term review of the PFMRP III programme in November 2009 recommended that a comprehensive medium-term PFMRP strategy be developed to focus on PFM priority issues and improvements in major processes. It needed to be sufficiently integrated and sequenced to effectively secure improvements in PFM, including institutional arrangements and coordination. Preparation of a medium term strategic plan was completed in 2012, and became the basis for the PFMRP IV.

The PFMRP IV strategy was launched in 2012 with the aim of strengthening cross-cutting PFM functions and enforcing good financial governance. The reform priorities under PFMRP IV were also informed by the findings from a Public Expenditure and Financial Accountability (PEFA) Assessment undertaken in 2009.

Public finance is at the centre of reform efforts of the URT and the Revolutionary Government of Zanzibar (RGZ). A range of intervention measures has been initiated under the new administration since November 2015. Revenue mobilisation has improved significantly and the government has cracked down on tax evasion. Non-priority expenditure is being systematically reduced and these savings are being channelled towards financing of development expenditure.

Most of the fiscal policy challenges faced relate to budget credibility (ambitious resource envelope and expenditure plans, accumulation of budget arrears, and inadequate budget control), a mismatch between approved budgets and expenditure out-turns, misuse of public finances as frequently revealed by reports of the Controller and Auditor General (CAG), inadequate enforcement of procurement and financial regulations, and inadequate financial allocations to development budget. Other challenges included low mobilisation of LGAs' own revenue and unsecured full funding for priority investments and limited private sector participation.

2.1.2 PFM developments

There has been a **broadly positive trajectory of PFM performance in Tanzania** over the last 20 years. Sustained Gross Domestic Product (GDP) growth and macro-economic stability has been complemented by significant improvements in revenue generation from domestic sources. There is a robust legal and regulatory framework for PFM, and the budget preparation process has steadily become more orderly and participatory.

The scope and coverage of the Integrated Financial Management System (IFMS) has been increased, and considerable progress has been made in the transition to International Public Sector Accounting Standards (IPSAS) Accrual accounting standards. The internal audit function has been institutionalised in all MDAs, RSs and LGAs, and the public procurement function now has a strong legal and regulatory framework. The performance of the Controller and Auditor General (CAG) has been significantly enhanced. Gradually, PFM reforms have also seeped into lower levels of government, particularly to the Local Governments.

There has been significant strengthening of the legal and regulatory framework for PFM including the Public Audit Act No. 11 of 2008 to enhance operational independence of the National Audit Office, the Public Finance Act No. 6 of 2001 and its amendment in 2010, the Public Procurement Act No. 7 of 2011 as amended in 2016, the Local Government Finance Act, the Budget Act No 11 of 2015 and the Government Loan Guarantee and Grant Act 2017.

The status and institutional capacity of a number of key PFM institutions have also been improved, most notably ACGEN, the National Audit Office of Tanzania (NAOT), the establishment of the independent Internal Auditor General's Division (IAGD) and associated audit committees, the Office of the Treasury Registrar (OTR), establishment of an Assistant Accountant General responsible for Local Government Authority Finances and the establishment of a full set of institutional arrangements to support the procurement function.

Technical developments as a result of PFM reforms have included the migration and adoption of Government Financial Statistics (GFSM 2001 – economic classification) and Classification of Functions of Government (CoFoG), introduction and expansion of financial management systems to automate various key PFM processes (including the IFMS, the Human Capital Management Information system (HCMIS), the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS), specialist audit software, and the Procurement Management Information

System (PMIS), the introduction of the Strategic Budget Allocation System (SBAS) as a tool to support planning and budgeting, and the use of IFMS by all sub-treasuries, MDAs and LGAs. Preliminary work is also on going to establish a Treasury Single Account (TSA) by identifying and closing down government bank accounts in commercial banks, guiding duration of deposits in commercial bank on transit to Central Bank and replacing manual cheque dominated mode of payment by introducing electronic mode of payment through the Tanzania Inter-Bank Settlement System (TISS) and Electronic Funds Transfer (EFT). There is ongoing work for integrating key financial management information systems and the establishment of Government Electronic Payment gateway for the sake of improving management and visibility of non-tax revenue collection.

There is also greater transparency in the PFM system – this includes stronger parliamentary scrutiny of the budget process, publication of budget documents, budget execution reports, tax exemption reports, CAG audit reports, and Citizens' Budget.

For Zanzibar, the latest PEFA Assessment report notes significant progress in improving PFM performance in areas such as budget preparation and execution, strengthening of internal controls and improved external audit coverage.

2.2 Key challenges

Despite the positive progress, it is clear that there are still PFM challenges to be addressed. These challenges exist across different stages of the PFM cycle.

1. At macro level, there are challenges in the fiscal and tax policy making process which ultimately affects budget implementation. Thus, there is a need to continue strengthening fiscal management policies and practices including debt and cash management.

2. Budget credibility remains a key issue. The cash rationing system inhibits effective budget execution and funds do not flow in a timely and predictable manner to spending entities. The high level of arrears further constrains allocation and financing.

3. There is significant scope for greater transparency in the preparation of the budget and there are continuing delays in introducing Programme Based Budgeting (PBB).

4. The lack of regular and comprehensive reporting impedes the government's ability to take corrective measures.

5. There are stand-alone financial systems which are not integrated.

6. Incomplete valuation of government assets inhibits the preparation of comprehensive financial statements.

7. There is continuing need to strengthen the design of, and compliance with, internal controls and strengthening of the internal audit function.

8. Continuing the procurement reforms to ensure value for money and better contract management is imperative.

9. Parliamentary oversight could be more robust. NAOT is still not fully independent, and compliance with NAOT recommendations is still weak in many areas.

10. There are still significant fiscal risks to URT from some public bodies.

11. PFM remains weak or undeveloped in many regions and LGAs. While most of the PFM reforms have been focused on central government institutions, limited resources have been directed towards LGAs. Phase IV initiated improvements in PFM in LGAs and this effort now needs to be scaled up. At the LGA level, particular emphasis should be given to revenue management, enhancement of financial management practices, improved procurement function and more transparency.

12. In Zanzibar, there is a need to improve the pace of implementation of planned reform activities in order to achieve the potential gains in performance. Remaining weaknesses identified include; the high level of external finance still by passing the MOFPZ exchequer, weak payroll systems and controls, budget and accounts presentations are not fully compliant with GFS standards and annual financial statements are not in full compliance with IPSAS. There are high levels of non-compliance with procurement regulations, and legislative participation in budget formulation and oversight/follow-up to CAG's observations and recommendations remains limited.

2.3 Constraints to reform

Based on analysis of experience to date, it can be concluded that, in the **Tanzania context, the constraints** to effective and sustainable reforms in previous Phases of PFMRP have been as summarised in Box 1 below:

Box 1 Summary of Constraints to Reform

1. Strong focus on technical outputs did not always translate into effective results and outcomes
2. Obtaining clear government articulation of, and commitment to a specific PFM reform strategy for addressing key challenges such as budget credibility, fund flows etc
3. Lack of regular strategic engagement and oversight to ensure that the Programme continues to be in line with GOT priorities
4. Varying levels of focus on delivery of component activities, with some components not actively engaging with the Programme
5. Achieving the necessary culture and behavioural change to ensure compliance with, and acceptance of the reforms to ensure their sustainability
6. Ensuring that there is effective communication and coordination between the different PFM reform beneficiaries
7. The inability of GOT to meet their financial commitments to the programme
8. There have been delays in the enactment of some key legislation and this affected some of the key programme outcomes
9. Capacity limitations and procurement challenges affected implementation of various technical interventions

As a result of a number of studies on experience in PFM reform a number of critical success factors have been identified as shown in Box 2 below. The approach to the evaluation of PFMRP IV and the design of PFMRP V, took these issues into account.

Box 2: Effective PFM reform programmes have these characteristics:

1. They are policy led, problem and results focused and based within a medium term view
2. Strong local leadership, ownership and strategic oversight
3. "Reform" activities are integrated into everyday work
4. The reform elements are well coordinated, and appropriately sequenced, recognising that it is important to get the basics right before moving to more sophisticated approaches
5. Upstream reforms are complemented by downstream reforms – in a decentralised system, LGA reforms matter more and more
6. They recognise that PFM is as much about systems, processes and people (changing attitudes and behaviours) as about policies. Technical outputs are good, but not the whole story
7. There is continuity of approach and understanding of the dependencies and links within the system
8. They engage wider stakeholders – private sector, research institutes, think tanks etc.

2.4 Lessons learned

The key lessons learned in relation to programme design and management, and taken into account in development of this Strategy are summarised below.

1. The need to improve the effectiveness of the higher level programme management committees, and strengthen the process of high level policy dialogue on PFM reform issues

2. Designing the programme approach around agreed PFM priority challenges and focussing on core PFM institutions

3. The need to have a more robust results based focus in the programme and define explicitly measurable targets and identify the relationship between programme activities and the intended results

4. Ensuring that there is sufficient engagement from all implementing agencies
5. Building into programme design a stronger focus on sustainability of reforms
6. The need to take a more strategic, coordinated, sustainable and innovative approach to capacity building
7. Addressing the fact that the programme has had a strong focus on technical interventions, but has been less focussed on the critical issues of culture, attitude and behaviour change, which is the element of a reform programme which supports compliance with, and sustainability of improvements

2.5 Key reform priorities

In light of the key PFM challenges identified, a set of reform priorities have been identified to address them under PFMRP V. These are outlined in Table 2.1 below.

These have been validated by the findings of the 2017 PEFA assessment for the mainland, which has identified issues to be addressed in the areas of: budget reliability (all aspects of out-turn against budget); budget transparency, (particularly in the comprehensiveness of budget documentation and public access to information); public investment management; the system for transfer of funds to LGAs; debt management strategy; macro fiscal sensitivity analysis, the fiscal impact of policy proposals; absence of a medium term and policy perspective in the budget process, predictability of in-year budget allocations; expenditure arrears; procurement management; compliance with expenditure rules and procedures; implementation of internal audit recommendations; bank reconciliations; quality of financial reports; external audit follow up and the independence of the CAG.

A comparative analysis between the low scoring areas in the PEFA assessment and the planned activities and results in PFMRP V shows that if successfully implemented, PFMRP V will address the weaknesses identified.

It can be seen that there is a high level of consistency between these findings and the reform priorities identified as part of the design of PFMRP V.

A PEFA assessment for Zanzibar is due to take place during 2017. The results of this assessment will be reviewed by MOPF Zanzibar and the PFMRP Secretariat to determine the extent to which PFMRP V support is already planned, or can be adapted to address any weaknesses identified.

Table 2.1 Summary of PFM reform priorities

Macro-economic management, (fiscal and tax policies) and financing of the budget 1. Development of a medium term fiscal strategy and financing roadmap 2. Addressing weaknesses in the comprehensiveness and quality of fiscal and tax policy 3. Improving the accuracy of revenue and cash flow forecasting 4. Continued strengthening of debt management practices to achieve and maintain sustainable levels
Budget preparation and credibility 1. Strengthening the evidence base for policy making 2. Completing the transition to PBB 3. Continuing the process of making the budget process more transparent and policy based 4. Ensuring that credible revenue figures are used as the basis for expenditure planning by continued capacity building in planning and budgeting 5. Eliminating the high levels of arrears and putting in place sustainable measures to prevent future accumulation 6. Improving the coverage, quality and transparency of budget documentation

Budget execution, accounting and reporting

1. Improving cash flow management to ensure that funds are disbursed in accordance with the budget
2. Strengthening and reinforcing commitment and expenditure controls
3. Full integration of all electronic financial management information systems
4. Completion of the on-going transition to IPSAS accruals accounting standards
5. Completion of the introduction of outstanding modules in the IFMS system
6. Improving the quality and frequency of IFMS reporting
7. Improving the ability to effectively identify, record, account for and value URT assets
8. Establishment of the Treasury Single Account

Financial accountability – internal controls and procurement

1. Further strengthening of, and compliance with internal controls
2. Undertaking external assessments of internal controls and internal audit performance
3. Institutional strengthening and improving the impact of Internal Audit
4. Continued institutional strengthening and development of modern processes (such as e- procurement) to improve value for money and transparency in procurement
5. Further institutional strengthening of the OTR to reduce fiscal risks from public bodies

External oversight and audit of PFM performance

1. Continued improvement in the impact of Parliamentary oversight
2. Further institutional strengthening of the NAOT
3. Improving the impact of CAG oversight and compliance with audit recommendations
4. Strengthening OTR PFM oversight performance role for public bodies

Local government (mainland)

1. Ensuring greater predictability of LG revenues from both central and local sources
2. Improvements in the quality of LGA Strategic Plans and Budgets and improved budget execution
3. Improving the Fiscal Transfer mechanism and monitoring of fiscal transfers from central government
4. Automated revenue management systems adopted by all LGAs
5. Improved practices in bank reconciliations, imprest retirement, and benchmarking
6. All LGAs comply with procurement norms, Laws, Rules and Regulations and PPRA benchmarks
7. LGAs financial reporting and utilisation of financial reports from IFMS improved
8. Improved levels of implementation of external and internal audit recommendations
9. Improved transparency and accountability measures, financial disclosure norms developed and implemented

Zanzibar

1. To continue to strengthen the link between national development plans, Strategic Plans and resource allocation
2. Ensuring that budget and accounts presentations are fully compliant with GFS standards and annual financial statements are not in full compliance with IPSAS
3. Reducing the high level of external finance still bypassing the MOFPZ exchequer
4. Strengthening payroll systems and internal controls
5. Reducing the high levels of non-compliance with procurement regulations
6. Improving the quality and impact of oversight and follow up of PFM performance

2.6 PFM reform foundations and principles

In developing this reform strategy, the opportunity has been taken to make changes to strengthen the technical and institutional focus, the impact and how this is measured, the approach to decisions about which technical areas to include, and the most effective intervention strategies. These changes will make the programme as a whole more effective and more sustainable.

The design of PFMRP V has been based on the need to ensure that the programme is grounded in addressing a set of identified PFM performance improvement priorities. The approach to programme design had the following steps to ensure that it will be a problem and results-based programme capable of delivering sustainable PFM reforms.

1. Understanding the PFM environment,
2. Identifying PFM challenges,
3. Defining reform priorities and the desired results,
4. Developing programme objectives, interventions and performance measures,

PFMRP V is based on **a set of solid foundations** that build on the good practices of earlier phases and address the identified shortcomings. The foundations are:

1. It is built around clearly articulated political commitment and agreement to an overall PFM reform strategy, and the goal and planned results of the programme,
2. There are clearly defined roles and responsibilities and accountability for all stakeholders,
3. A regular and effective mechanism for strategic dialogue is in place,
4. It takes a problem led and action oriented approach,
5. It takes a more strategic and sustainable approach to behaviour change, capacity development and performance improvement,

6. Programme planning is prioritised, sequenced and linked to other reform initiatives and development plans to ensure that reforms are effectively implemented,

7. Interventions will be based on introducing best fit standards and approaches,

To maximise the impact of programme investments, a set of criteria for determining whether programme support will be provided in specific areas has been adopted. These include:

1. It addresses a significant PFM weakness
2. It supports the achievement of national development policies,
3. It is a genuine reform activity,
4. The proposed results are achievable and sustainable,
5. It complies with URT or RGZ laws or relevant international standards.

CHAPTER 3

OVERVIEW OF PFMRP V

3.1 Goal

The **overarching goal** of PFMRP V is:

To promote sustainable PFM reforms in Tanzania that will enable economic development and improved public service delivery.

To achieve this goal, the programme will focus on effective macro-fiscal management, budget control and execution, public expenditure management and financial accountability and oversight functions in Central Government, Local Government and Zanzibar. This will, in turn, foster strengthened fiscal and tax policies for revenue mobilisation and fiscal prudence, enhanced public expenditure on key economic and social sectors, better efficiency in public spending and build greater financial accountability and transparency.

3.2 Strategic Objectives and Sub Objectives

To realise this goal, the strategy is predicated on the programme achieving seven Strategic Objectives (SOs). These are:

1. Strategic Objective 1: Improved macro-economic management (prudent fiscal, tax and debt policies) provides the basis for a credible budget,

2. Strategic Objective 2: Resources efficiently allocated on a medium term basis in alignment with national priorities,

3. Strategic Objective 3: Budget executed as planned and timely and accurate reporting is available ,

4. Strategic Objective 4: Strengthened internal controls and better procurement practices contribute to improved financial accountability,

5. Strategic Objective 5: Effective control and oversight of PFM functions by oversight institutions,

6. Strategic Objective 6: PFM systems and outcomes in Local Governments are improved,

7. Strategic Objective 7: PFM systems and outcomes in Zanzibar are improved.

Under each SO, there is a set of sub objectives under which different reform activities will be designed for implementation. Performance indicators and specific targets have been developed for each SO and sub objective, and progress will be reviewed against these indicators. The SOs and their associated sub objectives are elaborated below.

Strategic objective 1 (SO1): Improved macroeconomic management including prudent fiscal, tax and debt policies provides the basis for a credible budget.

A prudent macro-fiscal regime is fundamental to establishing a sound PFM system. Enabling a medium term fiscal strategy with prudent fiscal and tax policies is necessary for developing credible budget frames and financing them through realistic revenue mobilisation targets, external and domestic borrowing and other sources. Improving revenue and cash flow forecasting will be critical for predictable and timely fund flows to spending entities and reduce the need for cash rationing on a monthly basis. Better debt management will contribute towards an effective smoothening of cash flows while ensuring debt sustainability and debt servicing. Management of public liabilities and investments is also critical given their effect on overall revenue as well as fiscal risks.

To achieve this objective, the programme will focus on the following sub objectives:

1.1 Comprehensive and sound macro-economic (fiscal and tax) policies,
1.2 Development and implementation of a medium term financing strategy,
1.3 Quality of revenue and cash flow forecasting improved,
1.4 Debt management policies and processes provide the basis for debt sustainability,
1.5 Effective management of public liabilities and investments,

Strategic objective 2 (SO2): Resources efficiently allocated on a medium term basis in alignment with national priorities

One of the key objectives of a good PFM system is that it achieves allocative efficiency – meaning that resources are allocated in line with national policy priorities. In order to achieve this, a government must be able to accurately estimate the level of resources that will be available for public expenditure over the medium term, have a policy led planning process, which ensures that there is clarity about policy objectives and their relative priorities, and that the actual budget process of allocating resources to different activities takes direct account of agreed plans. The process should also meet the essential requirements of transparency and accountability.

This SO addresses those issues by providing support to the ongoing process of strengthening the resource allocation process to make it more clearly and transparently aligned to policy priorities by adopting the current good practice approaches of MTEF development and budget process. The high level of arrears is one of a number of factors which impacts on the actual availability of funds for new expenditures. This SO will address both the current expenditure arrears, and put in place measures to prevent recurrence. It will also provide support to improved transparency and accountability by ensuring that budget documents meet international standards in terms of content and presentation, that they are effectively scrutinised by Parliament prior to approval and that they are published in a timely manner.

To achieve this objective, the programme will focus on the following sub objectives:

2.1 Robust, medium term, results based planning and budgeting process
2.2 Budget documents provide detailed and relevant information
2.3 Budget documents are published in a timely manner
2.4 Timely verification and clearance of arrears
2.5 Strengthening quality of budget scrutiny by Parliament

Strategic objective 3 (SO3): Budget executed as planned and timely and accurate reporting is available

Another important objective of a PFM system is that public expenditure actually takes place in accordance with the approved plans and budget, and that budgeted funds are made available to all government entities on a timely basis. Revenues, expenditure and public assets should be effectively managed and accurately recorded in line with international accounting standards and should be made publicly available on a timely basis. This requires a government to have robust accounting and reporting arrangements in place.
Challenges still remain in terms of making the budgeted funds available on a timely basis, which means that spending entities will not be able to implement their planned activities in order to achieve the policy priorities. The supporting financial management systems can be improved to provide a stronger basis for effective expenditure management and financial reporting. This SO will provide support to URT to address all of these challenges, by strengthening budget execution and reporting processes, systems and practices.

To achieve this objective, the programme will focus on the following sub objectives:

3.1 Cash flow management ensures that fund flows are predictable and timely
3.2 Regular accounts reconciliations and follow up
3.3 Government financial reports and statements in line with IPSAS standards
3.4 Asset management policies and processes provide the basis for effective asset management
3.5 ICT systems provide an effective and efficient basis for budget execution and reporting

Strategic objective 4 (SO4): Strengthened internal controls and better procurement practices contribute to improved financial accountability

Internal controls are the set of rules and practices which guide efficient and effective PFM. Their purpose is to ensure that there is a sound basis for the day to day operations of revenue collection and expenditure management in line with good practice accounting standards and to minimise the risks of inefficient management, misallocation or misappropriation of public funds. Public procurement represents a significant percentage of public expenditure, and it is therefore essential that it is guided by a strong legal, and regulatory framework, and that compliance with those regulations is enforced.

URT has made significant progress in strengthening the internal controls framework, establishing a robust internal audit function to review the quality of internal controls and the level of compliance with those controls, and in strengthening the institutional framework. However, there is still scope to build on all of these developments to further strengthen PFM practices in general through strong internal audit and procurement functions so that there is improvement in the level of compliance with internal audit recommendations, and the extent to which efficiency and value for money is achieved in procurement. The newly launched E-procurement system should provide the scope for significantly improved efficiency in both the procurement process and outcomes.

To achieve this objective, the programme will focus on the following sub objectives:

4.1 Strengthened financial controls and regulations
4.2 Internal Audit capacity and systems improved
4.3 Internal Audit reports enable improved compliance and financial management
4.4 Procurement activities carried out in line with regulations and agreed plans
4.5 e-Procurement enabled to ensure efficiency in procurement

Strategic objective 5 (SO5): Effective control and oversight of PFM functions by oversight institutions

Accountability to the public and other stakeholders (such as investors and DPs) for the use of public funds is an essential feature of a sound PFM system. This includes ensuring that there is an effective external review function which reviews and reports on PFM performance on a comprehensive and timely basis, having in place a robust process for Parliamentary review of audit reports, and that audited bodies comply with any audit recommendations on a timely basis. Accountability also applies to the ability of the general public, through CSOs, to be engaged in PFM issues in order to represent the views of the public.

There is scope in Tanzania to continue the process of strengthening external oversight institutions (NAOT and OTR) and to improve the quality and impact of external scrutiny and follow up of weaknesses identified in PFM systems and performance by providing support to Parliament and citizens in their role of holding the government accountable.

To achieve this objective, the programme will focus on the following sub objectives:

5.1 Parliamentary oversight promotes improved PFM performance and public accountability
5.2 Oversight of public bodies provides assurance on operations and increasing financial returns to government
5.3 NAOT provides comprehensive audit coverage and produces timely audit reports
5.4 Timely and comprehensive follow up of audit reports ensures weaknesses are systematically addressed
5.5 Civil society and the media are actively engaged in PFM issues

Strategic objective 6 (SO6): PFM systems and outcomes in mainland Local Governments are improved

An essential foundation for an effective PFM system is that regions and local governments have robust financial management systems and practices. There is a need for significant support to build both strong PFM practices and capacity across LGAs to ensure that all the objectives of a strong PFM system are achieved across the country. Performance at local government level is currently hampered by significant resource constraints as a result of both the slow pace of central government releases of approved funds to lower levels and the current low levels of LGA own source revenues.

Phase IV of PFMRP provided support to ten mainland regions across a range of PFM performance improvement interventions with some significant successes. Standard systems, process and capacity building approaches have been developed, which will now be extended to all regions.

To achieve this objective, the programme will focus on the following sub objectives:

6.1 Improved resource allocation, planning and budgeting,
6.2 Improved revenue management and enhanced revenue mobilisation,
6.3 Effective budget execution and reporting by LGAs,
6.4 Improved expenditure management in LGAs including accounting, internal controls, procurement,
6.5 Improved oversight, audit and transparency.

Strategic objective 7 (SO7): PFM systems and outcomes in Zanzibar are improved

The PFM reforms already implemented in Zanzibar provided support for a range of interventions to build the legal and regulatory environment, systems and processes and human capacity. Progress has been made in a number of key areas including strengthening the planning and budgeting process by initial implementation of PBB across all MDAs and in strengthening the external scrutiny mechanisms.

There is the need to continue the reform process across all areas of the PFM cycle to institutionalise progress made to date and to continue to address remaining challenges, in particular in developing PFM capacity.

To achieve this objective, the programme will focus on the following sub objectives:

7.1 Tax and non-tax policies provide the foundation for maximizing revenues
7.2 Robust, medium term, results based planning and budgeting process
7.3 Budget is executed as planned and timely and accurate reporting is done
7.4 Full compliance with financial controls and regulations and improved procurement
7.5 Comprehensive audit coverage and produces timely audit reports and improved legislative oversight

Detailed programme design is based around these high level objectives and respective sub-objectives. The detailed M&E framework is given in Appendix 1.

3.3 PFMRP V Results Framework

The anticipated benefits from this programme are summarised in Table 3.1 below, which shows intended results against each of the SOs, compared to current performance. A more detailed results framework is given in Appendix 1.

Table 3.1: Summary of PFMRP V Results

PFM CHALLENGE	STRATEGIC OBJECTIVE	BASELINE (2017)	RESULT (2022)	LEAD AGENCY
Macro-economic management, (fiscal and tax policies) and financing of the budget	Strategic objective 1: Improved macroeconomic management including prudent fiscal, tax and debt policies provide the basis for a credible budget	Revenue to GDP ratio 14.8% Variance in revenue composition from budget was 8.0% Actual revenue was 90% of budgeted revenue No medium term financing strategy in place Present value of Public Debt as a % of GDP is 34.2% 10% of major public investment proposals analysed in a systematic way each year	Revenue to GDP ratio of 18% Variance in revenue composition from budget of 5% Actual revenue is 95% of budgeted revenue Comprehensive medium term financing strategy provides economic stability Present value of Public Debt as a % of GDP is 32.7% 90% of major public investment proposals analysed in a systematic way each year	PAD/ PC

PFM CHALLENGE	STRATEGIC OBJECTIVE	BASELINE (2017)	RESULT (2022)	LEAD AGENCY
Budget preparation and credibility	Strategic objective 2: Resources efficiently allocated on a medium term basis in alignment with national priorities	Limited application of MTEFs and PBB Arrears as % of GDP are 5% MTEF documents not clearly linked to Medium Term national policies and strategies	MTEF approach and PBB fully implemented Arrears as % of GDP are 1% 95% of MTEF documents prepared on Medium Term national policies and strategies	BD

PFM CHALLENGE	STRATEGIC OBJECTIVE	BASELINE (2017)	RESULT (2022)	LEAD AGENCY
Budget execution, accounting and reporting	Strategic Objective 3: Budget executed as planned and timely and accurate reporting is available	Variation between planned and actual disbursement is 20% 28% of MDAs, LGAs & RSs record and value their assets 33,098 URT accounts in commercial banks No public entity has fully adopted IPSAS Audited financial statements for 2014/15 have been published in the MOFP's website	Variation between planned and actual disbursement is 5% 81% of MDAs, LGAs & RSs record and value their assets. Treasury Single Account fully established 95 public entities have adopted IPSAS All audited financial statements, and budget execution reports published on a timely basis	ACGEN / BD

PFM CHALLENGE	STRATEGIC OBJECTIVE	BASELINE (2017)	RESULT (2022)	LEAD AGENCY
Financial accountability – internal controls and procurement	Strategic objective 4: Strengthened internal controls and better procurement practices contribute to improved financial accountability	45% of internal audit recommendations implemented Procurement Compliance level: 71% 20% of MDAs complying to internal audit standard and procedures	60% of internal audit recommendations implemented Procurement Compliance level: 88% 60% of MDAs complying to internal audit standard and procedures	ACGEN / IAGD / PPRA
External oversight and audit of PFM performance	Strategic objective 5: Effective control and oversight of PFM functions by oversight institutions	Revenue from Parastatals was TZS 246.47 billion in 2015/16 NAOT rated at AFROSAI level 3 (peer review) 20% of PAC members are conversant with CAG audit report 37% of CAG recommendations in central and local government fully implemented in 2014-15	Revenue from Parastatals increased to TZS 725.00 billion NAOT retains AFROSAI level 3 and elevated into AFROSAI level 4 (as independently verified) At least 80% of PAC members are conversant with CAG audit report 60% of CAG recommendations in central government fully implemented	NAOT / OTR

PFM CHALLENGE	STRATEGIC OBJECTIVE	BASELINE (2017)	RESULT (2022)	LEAD AGENCY
Local government (mainland)	Strategic objective 6: PFM systems and outcomes in mainland Local Governments are improved	Fund flows to LGAs from central government are about 60% of total budget LGAs own source revenue contribution to domestic revenue is 8% of total revenue More than 10% aggregate expenditure out- turn deviation compared to approved budget	Fund flows to LGAs from central government are at least 80% of total budget LGAs own source revenue contribution to domestic revenue to increase to 15% 5% aggregate expenditure out- turn deviation compared to approved budget 5% of expenditure commitments outside the Epicor/IFMS system	PO-RALG / RAs

PFM CHALLENGE	STRATEGIC OBJECTIVE	BASELINE (2017)	RESULT (2022)	LEAD AGENCY
		28% of expenditure commitments outside the Epicor/IFMS system 65% compliance in procurements 36% of LGAs (67 LGAs) undertake bi-annual financial benchmarking 81% of LGAs have unqualified opinion from the CAG	90% compliance in procurements 100% of LGAs undertake bi-annual financial benchmarking 95% of LGAs have unqualified opinion from the CAG	

PFM CHALLENGE	STRATEGIC OBJECTIVE	BASELINE (2017)	RESULT (2022)	LEAD AGENCY
Zanzibar	Strategic objective 7: PFM systems and outcomes in Zanzibar are improved	Own source revenue to GDP is 14% Revenue collected is 60% of total budget 65% of MDAs and LGAs prepare budgets in line with National Strategies 70% aggregate expenditure out-turn compared to budget 30% voluntary tax compliance	Own source revenue to GDP increases to 20% Revenue collected increases to 95% of total budget 100% of MDAs and LGAs prepare budgets in line with National Strategies 95% aggregate expenditure out-turn compared to budget 80% voluntary tax compliance 100% of the total government funds allocated directly to MDAs	MOFPZ

PFM CHALLENGE	STRATEGIC OBJECTIVE	BASELINE (2017)	RESULT (2022)	LEAD AGENCY
		60% of the total government funds allocated directly to MDAs External debt is 30% of budget 40% of MDAs and LGAs comply with international standards on financial reporting	External debt is 15% of budget 100% of MDAs and LGAs comply with international standards on financial reporting	

3.4 Approach and interventions

PFMRP V has been designed to focus support on core PFM organisations and systems. It is a results-led programme, with reform interventions designed around an agreed set of PFM reform priorities in pursuit of clearly defined and measurable performance targets.

The programme will only support interventions which comply with the agreed programme selection criteria and which can be shown to be likely to deliver measurable and sustainable improvements in PFM systems and outcomes.

Progress will be evaluated on a regular basis to ensure that all programme beneficiaries and effectively implementing their planned reform activities and that the desired results are being achieved.

3.5 Effective communication, and coordination

Effective communication and coordination of the programme is essential to ensure that planned programme results are achieved. PFM reform needs to be a carefully planned and sequenced process, to ensure that the essential system and process improvements provide the basis for improved PFM performance. The design process for this Phase has explicitly identified and taken account of the sequencing and dependencies which exist both within and between different programme SO, to ensure that implementation proceeds smoothly.

Programme management arrangements will ensure that there is effective communication between the different elements and beneficiaries of the programme. There will be a programme communications strategy which will ensure that there is regular communication both within the programme and with the wider set of stakeholders.

3.6 Alignment with other development priorities and reform programmes

The Tanzania Five Year Development Plan II is based on five key principles; facilitating mainstreaming of the poverty reduction agenda into the core of the nation's development planning framework; improving coordination with respect to prioritization, implementation, monitoring, evaluation and reporting; enhancing resource mobilization and utilisation by setting out national key result areas and focusing both domestic and foreign resources on national priorities; aligning national priorities with sector strategies through Medium Term Expenditure Frameworks (MTEFs) and ensuring coherence of Public Expenditure Reviews (PERs) and Sector Reviews with national priorities. All of these principles are either directly related to the PFM reform priorities outlined above, or will be facilitated by addressing them.

There are also a number of other on-going PFM reform programmes including e.g. the support of the Good Financial Governance programme (implemented by GIZ, funded by Germany, EU and Swiss) to improving revenue administration (esp. local level), internal and external audit and social accountability, further technical assistance for IAGD (JICA), specific technical interventions on areas including cash management, and program based budgeting (IMF East Afritac), World Bank Development Policy Operation (DPO) on PFM, and support to local government (USAID PS3). The design of PFMRP has taken these other reforms into account to ensure that all reform initiatives complement each other.

CHAPTER 4:

CAPACITY BUILDING AND KNOWLEDGE MANAGEMENT

4.1 Introduction and experience to date

A significant level of expenditure (about 40% of the programme budget) is spent on capacity building. In previous phases, the approach to capacity building has been very traditional, being largely based on classroom training, in many cases provided by external resource persons. A review of the impact of capacity building (Impact Assessment of PFM Training on Employee Performance April 2016) provided very positive feedback from participants, but also identified the need to see greater transparency in the process of capacity building and more robust evaluation of the impact and sustainability of capacity building investments.

The review also identified a number of issues to be addressed across the capacity building cycle, from course design, the preparation of materials, selection of participants, quality of training provided and lack of evidence of the impact and sustainability of this training.

4.2 Approach

Building competent and sustainable capacity in the core PFM institutions remains a high priority and will continue to be a significant element of the programme approach. However, taking into account experience to date, in Phase V, the programme will deliver capacity building more strategically and consider a wider range of options for developing and sustaining capacity. The approach will include:

1. Developing a Programme Capacity Building Strategy,
2. Developing a Programme Training Plan based on training needs analysis exercises completed by the beneficiaries,
3. Undertaking research into capacity building options and providing advice

on the most effective ways to build capacity,

4. Building relationships with resource persons and training providers,
5. Coordinating capacity building interventions across the programme to prevent duplication,
6. Building a repository of capacity building resources such as copies of all programme funded training materials,
7. Applying robust monitoring and evaluation tools to review the impact of training,
8. An E-learning portal will be established as an alternative way of learning
9. Undertaking programme wide capacity building activities which could include topics such as leadership and management development, change management, and performance management. This could broaden the impact of PFMRP V beyond technical fixes.

CHAPTER 5:

INSTITUTIONAL ARRANGEMENTS

5.1 Introduction

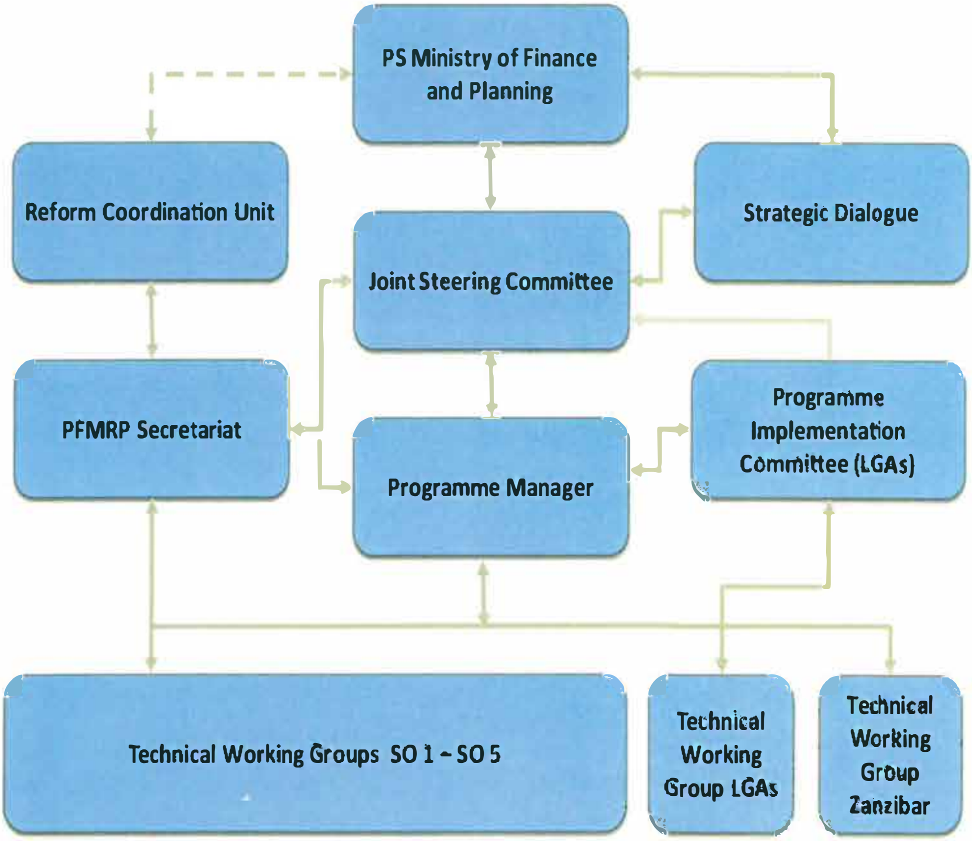
PFMRP V will be a significant reform programme with a wide range of interventions and beneficiaries. Therefore, robust and effective programme management and implementation arrangements will be essential to supporting the achievement of planned programme results. The review of programme management arrangements under PFMRP IV identified a number of possible areas for improvement, including:

1. Adding a high level strategic and policy dialogue mechanism between URT and RGZ, and the Development Partners (DPs) on PFM issues (this could be part of the wider URT-DP dialogue),
2. Clarifying the roles and responsibilities of the high-level programme management committees, to strengthen the performance management and reporting functions,
3. Technical Working Groups (TWGs) organised around each of the Strategic Objectives,
4. Including more cross-programme activities to strengthen the synergies and programme nature of PFMRP V through events such as workshops, lectures and seminars that bring together components to discuss topics of general interest, introductions to good practice or current issues, or problem solving events,
5. Strengthening the management and support arrangements for provision of ad hoc PFM technical advice, capacity building, knowledge management and communications.

The programme implementation structure is summarised in Figure 5.1 below.

The remaining sections of this chapter set out the key elements of the programme management and implementation arrangements.

Figure 5.1: Institutional arrangements for PFMRP



5.2 Strategic dialogue

To strengthen high level engagement on key PFM issues, a strategic dialogue mechanism may be institutionalized either under the auspices of the wider URT-DP engagement which is currently under discussion, or under the PFMRP V rubric. This forum will provide an opportunity for senior officials of the MOFP and DPs to discuss policy level PFM issues and reform priorities. The group will meet at least two times per year and will be chaired by the Permanent Secretary to the Treasury (PST), or the Deputy Permanent Secretary, PFM (DPS PFM).

5.3 Joint Steering Committee (JSC)

PFMRP V will be governed by a Joint Steering Committee (JSC), composed of representatives from URT, RGZ and DPs. It will be chaired by the PST (or DPS) and co-chaired by the Chair of the PFM DP Group.

The members include: Permanent Secretary MOFP; DPS PFM MOFP; Permanent Secretary, President's Office, Regional Administration and Local Government (PO-RALG); Permanent Secretary, MOFP Zanzibar; PFMRP Programme Manager; PFMRP Programme Coordinator; representative from the Reform Coordination Unit; Chair of the PFM DPG; Strategic Objective (Component) Managers; and any other representative invited to attend as required.

The mandate of the JSC is to provide strategic oversight, guidance and direction to the implementation of PFMRP V by: approving the Programme Strategy, the Annual Work Plan and Budget (AWPB), the Annual Procurement Plan, Programme Cash Flow Plans, funds releases, reallocations of funds between areas of the programme, Financial reports, the Communications Plan and the Capacity Building Plan, deciding on recommendations made by the Programme Manager related to the programme's strategic direction, endorsing any PFMRP documents proposed for publication, reviewing and responding to procurement audit and financial audit reports, internal monitoring reports and evaluations on the programme and directing SO (Component) Managers to provide action plans that address any irregularities identified in the audit reports, ensuring the flow of information across the PFMRP and to all stakeholders of PFM reforms.

There will be two JSC meetings per year, the timing of which will be aligned with the programme planning and budgeting and performance reporting schedules.

5.4 Technical Working Groups (TWGs)

PFMRP V is organised around seven Strategic Objectives (SOs). TWGs will be formed for each of the SOs, to provide the forum for discussion of technical issues and progress at this level, to ensure that all elements required to achieve the planned results of the SOs are in place, and that progress is on track.

A lead implementing agency and SO (Component) Manager has been earmarked to monitor implementation and track progress within the respective SO. In order to facilitate this arrangement, the DPs will also identify SO leads that will be the direct counterparts to the URT or RGZ SO leads.

The main mandate of the TWGs is to provide a forum for detailed technical discussions in order to build consensus on implementation issues prior to, and in order to inform JSC meetings.

5.5 Programme Secretariat

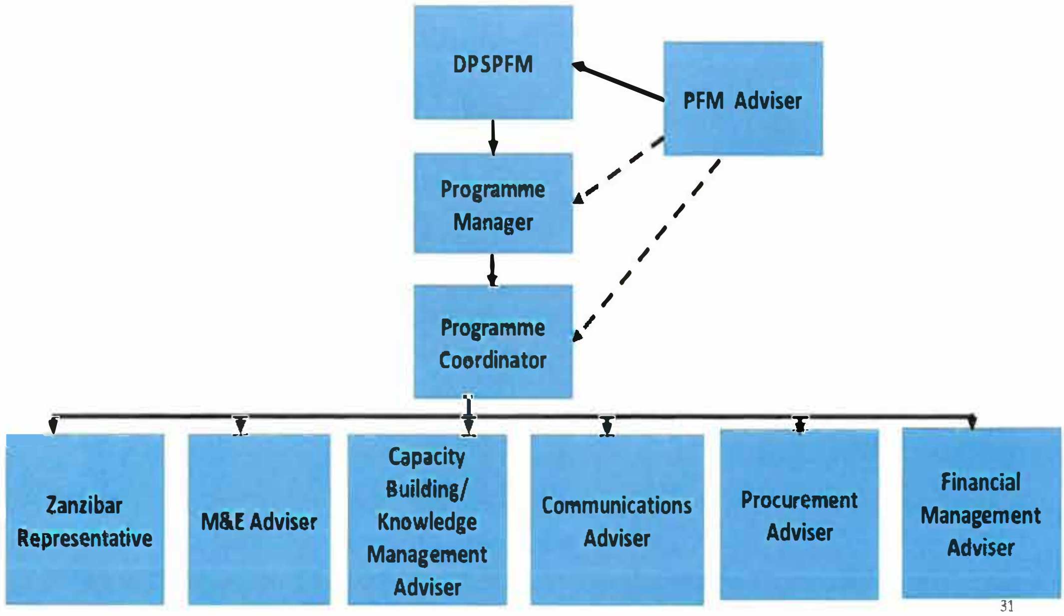
A PFMRP Secretariat is established within MOFP and reports to the Programme Manager. The Secretariat's role is to support the Programme Manager in the coordination of PFMRP implementation. Their goal is to enable efficient and effective implementation and review of PFMRP V. The objectives of the Secretariat are:

1. To facilitate strategic dialogue and discussion on technical issues
2. To coordinate the preparation and finalisation of PFMRP plans, budgets and M&E framework
3. To provide support to all beneficiaries to implement their work plans
4. To prepare and disseminate performance review reports and advise on follow up actions
5. To provide Secretariat services to the Joint Steering Committee (JSC), Joint Supervision Mission (JSM), TWGs and the LGA Programme Implementation Committee (PIC).

The Secretariat has the following staff positions: Programme Coordinator, PFM Adviser, Monitoring and Evaluation (M&E) Adviser, Financial Management

Adviser, Capacity Building and Knowledge Management Adviser, Procurement Adviser, Communication Adviser and Secretariat representative for Zanzibar. The organisation chart is given in Figure 5.2 below.

Figure 5.2 Secretariat Organisation Chart



The functions of the Secretariat will be guided by an Operations Manual, which sets out the objectives, functions and processes to be used in programme implementation.

All beneficiaries should also familiarise themselves with the contents and requirements of the Operations Manual and ensure that they are in compliance with the requirements at all times.

5.6 LGA Programme Implementation Committee (PIC) and TWG

For mainland Tanzania, this Phase of the Programme includes a significant scope of interventions at the Regional and Local Government level. Therefore, the programme management arrangements include a Programme Implementation

Committee (PIC) to plan, coordinate and manage the implementation of the programme in this area. The PIC will meet every six months to provide strategic and management direction in respect of all elements of the local government SO.

The LGA PIC will be chaired by Permanent Secretary, President's Office, Regional Administration and Local Government (PO-RALG) and co-chaired by the Chair of the PFM DP Group. Other members of the PIC include: Deputy Permanent Secretary, President's Office, Regional Administration and Local Government (PO-RALG); Regional Administrative Secretaries (RAS) of all regions and respective Regional PFM Teams; Director, Local Government Finance Unit (PO-RALG); representative from MOFP; PFMRP Programme Manager; PFMRP Programme Coordinator; Technical Assistance (Team Leader and Technical PFM Expert); other representatives of the PFM DPG; CSO representatives; and other persons may be invited to attend in a supporting role.

The tasks of this Committee include: monitoring and reporting implementation progress to the JSC, making proposals for any necessary changes to the approach and specific activities within the SO and provide strategic guidance for implementation of LGA PFM reforms.

In line with the wider programme management arrangements, there will also be TWGs at local government level. The mandate of the TWGs is to lead the preparation of Annual Work Plans and Budgets, provide a forum for coordination and information sharing between the PO-RALG, Regional Administrations and LGAs, receive progress reports from implementing agencies, provide a forum for detailed technical discussions in order to build consensus on implementation issues prior to, and in order to inform PIC meetings. This will be through discussing progress on implementation against the SO detailed work plans and M&E framework, identifying challenges, agreeing on new interventions and recommendations for PIC approval and d iscussing, agreeing and proposing changes or reallocations within SOs for PIC consideration. TWGs will meet four times a year, with two meetings at the national level and two meetings at the zonal level, with the national level meetings timed to precede and inform the PIC meetings.

5.7 Programme documentation

All programme management documentation and reporting is based on a comprehensive and integrated strategy, planning, budgeting, procurement and performance management format, which will document all aspects of programme management in the same format to provide a single basis for all stakeholders to use for all programme related planning, performance review and reporting. The format contains different categories of programme related information including: the PFMRP Strategy, Planning, M&E information, Financial Management and Procurement plan.

5.8 Financing

The Programme is financed by DPs, who are signatories to the Memorandum of Understanding, (MOU). The DPs will deposit their financial contributions to the PFMRP in a Basket Fund (BF) account maintained at the Bank of Tanzania (BOT). URT provides co-financing for the programme.

The estimated total cost of PFMRP Phase V amounts to Tzs. 152,3 billion[1] over a period of five year.

Financial support for PFMRP will be supplemented by provision of technical assistance from the DPs in specific and specialist technical areas.

5.9 Financial management

The objective in the area of financial management is that Programme resources are used for the intended purposes, the budget is executed as planned, and quality financial management reports are produced on a timely basis.

The Accounting Officer of the respective implementing agency is responsible for managing all programme finances in accordance with the current, relevant legislation in place in Tanzania mainland (the Public Finance Act No 6 of 2001, as revised) and in Zanzibar, the Public Finance Act No 12 of 2005, as

[1] Depending on the availability of funds. The share of the contribution between the Government and Development Partners will be determined in due course.

revised. PFMRP SO Managers are Warrant Holders in their respective Votes. They are responsible for preparing financial reports, forecasting cash flows and authorising payments.

PFMRP's financial management arrangements comply with the URT and RGZ Public Finance Act and Public Procurement Acts and their respective regulations together with government circulars issued from time to time. PFMRP's accounts are maintained on IPSAS accruals basis. PFMRP uses URT's chart of account structure and codes to record transactions and generate reports, and complies with all relevant URT financial management and reporting procedures.

5.10 Auditing

The CAGs in the mainland and Zanzibar have legal responsibility to undertake financial and performance audits of all government reform programmes in accordance with the prevailing Public Audit laws and regulations for the Tanzania mainland and Zanzibar, and give an opinion on the accounts within nine months of the end of the financial year. Programme audits must be undertaken in accordance with the relevant International Standards on Auditing (ISAs).

The audit of PFMRP will include verifying the accuracy of, and giving an opinion on receipts from DPs and disbursements to SO Managers, the opening and closing balances in all accounts, and that the funds disbursed have been used for the purposes prescribed in the approved work plan and budget and properly accounted for. The auditor will prepare a management letter which comments on identified weaknesses and actions taken on previous audit recommendations.

Audit of procurement under the programme will be undertaken by the PPRA.

CHAPTER 6:

PROGRAMME RISK MANAGEMENT

6.1 Introduction

Understanding and planning to mitigate implementation risks is an essential part of programme design. A full risk assessment has been undertaken for PFMRP V.

6.2 Key risks and proposed mitigation

The key risks to successful programme implementation are summarised below and shown in full in Table 6.1. Mitigating measures have been identified for all risks, and the risk assessment analysis will be reviewed and updated on a regular basis.

1. Political support for PFMRP in general and proposed policy changes in particular is not timely
2. Inadequate levels of strategic dialogue mean that the programme does not focus on agreed PFM priorities
3. URT is not able to provide their committed financial contributions to the programme
4. Non-technical considerations influence decision making on resource allocation and use
5. Capacity and absorption constraints put pressure on delivering PFMRP activities
6. Insufficient beneficiary institution engagement in key areas leads to uneven progress
7. Reform activities in relation to capacity building are not sustainable
8. Lack of coordination and agreement between development partners on the wider PFM reform agenda leads to different priorities and approaches being presented to URT
9. Duplication and overlaps of coverage of PFM reform areas across different projects and initiatives

Table 6.1 PFMRP Risk Assessment

Risk Factor	Impact	Probability	Mitigating measures
1. Government support for PFMRP in general and proposed policy changes in particular is not timely	Medium/ High	Medium	Open dialogue and clear Memorandum of Understanding commitments
2. Inadequate levels of strategic dialogue mean that the programme does not focus on agreed PFM priorities	High	Medium	Implement proposed strategic dialogue mechanisms, and improve programme performance reporting
3.URT is not able to provide their committed financial contributions to the programme	Medium / High	High	Obtain firm commitments at the beginning of the programme which are within realistic limits
4. Non-technical considerations influence decision making on resource allocation and use	High	Medium	Reinforce the importance and benefits of sound decision making based on explicit policy priorities and PFM best practice
5.Capacity and absorption constraints put pressure on delivering PFMRP activities	High	Low/ Medium	Proposed programme planning approach should take explicit account of capacity based on experience to date

Risk Factor	Impact	Probability	Mitigating measures
6. Insufficient beneficiary institution engagement in key areas leads to uneven progress across the programme	Medium	Medium – given competing priorities	Make clear commitments on all stakeholder engagement and monitor on a regular basis
7. Reform activities in relation to capacity building are not sustainable	Medium	Medium	Proposed programme approach will place a much greater emphasis on sustainability
8. Lack of coordination and agreement between development partners on the wider PFM reform agenda leads to different priorities and approaches being presented to URT	Medium	Medium	On-going discussions on strategic dialogue and DP coordination arrangements
9. Duplication and overlaps of coverage of PFM reform areas across different projects and initiatives	Medium	High	Introduce a review and coordination function in PFMRP Secretariat
10. Achieving value for money from programme funds especially in relation to capacity building	Medium	Low	Proposed new arrangements in this area should improve the return on investment

CHAPTER 7:

MONITORING AND EVALUATION (M&E)

7.1 Principles and requirements

PFMRP is a results based programme which aims to deliver sustainable reforms that will improve PFM systems and outcomes. Efficient and effective implementation of the PFMRP demands that there is a robust system for Monitoring and Evaluation (M&E) of the programme Goal, Strategic Objectives, sub objectives and their associated performance indicators and targets. The M&E system will support the successful implementation of the programme by collecting, analysing and disseminating information against the Programme M&E framework for the technical elements of the programme which provides a basis for:

1. Establishing overall progress and performance ,
2. Identifying performance problems as a basis for making adjustments to the programme,
3. Providing timely and accurate reports for decision-making,
4. Feeding back results to a range of stakeholders.

The overall approach to M&E will also review performance in relation to the programme management objectives in areas such as financial management, procurement management, and the impact of capacity building and communications.

Regular reviews of the programme risk assessment will also be undertaken.

The **objectives** of the M&E system are to:

1. Ensure that the programme has a robust M&E framework which sets performance targets at all levels of the programme – from goal to activities
2. Prepare and disseminate M&E system reporting formats, requirements and the annual reporting timetable,
3. Receive and analyse performance information submitted by implementing agencies,

4. Prepare performance reports for programme management at all levels of the management structure.

The PFMRP M&E system facilitates activities which support:

- Programme **monitoring** – a set of internal programme management and review processes which are coordinated by the PFMRP Secretariat,
- Programme **evaluation** – a series of external reviews undertaken by independent assessors, such as the Joint Supervision Mission (JSM).

7.2 Results matrix

The concept of results based planning was applied during the design of PFMRP V. As part of the results framework, a series of performance indicators and targets have been developed and agreed, to monitor progress towards achieving the planned programme results. The PFMRP V result chain applies the logical sequence of cause and effect relationships between the different levels of programme planning: Strategic Objectives, sub objectives and their associated results, and activities. This approach was the basis for the development of the detailed M&E, a high level summary of which is given in Appendix 1.

7.3 Reporting framework, formats and timetable

The **key features** of the PFMRP M&E system include:

1. The PFMRP V Strategy document, which provides the overall framework for the implementation of the programme,
2. A PFMRP V M&E framework which is part of the PFMRP Strategy, Planning and M&E spreadsheet, which covers the technical elements of the programme and defines intended results at all levels, and provides details of performance indicators which will be used to measure progress.
3. The five year PFMRP Work Plan and Budget ,
4. PFMRP Performance Reports which range from a one-page summary scorecard to extended reporting formats.

Technical performance will be assessed on two levels: detailed reporting against all the quantitative performance targets at all levels of the M&E framework and an assessment of overall programme performance across all the SOs using a one-page scorecard format. Each area of the programme will be given an overall performance rating.

The following performance reports will be produced by URT and submitted to the PFMRP JSC within the timetable set out below:

1. Quarterly Reports for the periods July to September, and January to March, within 30 days of the end of the period,
2. Mid-Year Progress Report for the period July to December, by the 15th of the following February each year,
3. Annual Progress Report by August 15 of each year .

Performance reports will be prepared in different versions to take account of the needs of different stakeholders.

7.4 Roles and responsibilities

Responsibility for achieving the results has been assigned to the relevant beneficiaries. The PFMRP Secretariat M&E Adviser is responsible for ensuring that there is effective monitoring and evaluation of all PFMRP activities and performance. The Adviser will prepare, update and disseminate the Programme M&E framework and reporting timetable including performance targets at all levels, issue requests for performance reporting information, review, validate and analyse information received, prepare performance reports including a proposed Action Plan for addressing emerging problems.

SO (Component) Managers will prepare and update their sections of the M&E framework, provide performance reporting information in line with the reporting timetable, review draft performance reports and ensure that recommendations from the Action Plan are adopted by responsible managers in implementing institutions.

APPENDIX 1:

STRATEGIC OBJECTIVES AND PERFORMANCE TARGETS

PFM CHALLENGE	PFMRP OBJECTIVES	BASELINE (2017)	RESULT (2022)	RESPO NSIBILITY
Macro-economic management, (fiscal and tax policies) and financing of the budget	**Strategic objective 1: Improved macroeconomic management including prudent fiscal, tax and debt policies provide the basis for a credible budget**	Revenue to GDP ratio 14.8% Variance in revenue composition 8% Actual revenue was 90% of budgeted revenue	Revenue to GDP ratio of 18% Variance in revenue composition of 5% Actual revenue is 95% of budgeted revenue	
No medium term financing strategy	Development and implementation of medium term financing strategy	No medium term financing strategy in place	URT PFM guided by a comprehensive medium term financing strategy providing economic stability	**PAD**

PFM CHALLENGE	PFMRP OBJECTIVES	BASELINE (2017)	RESULT (2022)	RESPO NSIBILITY
Weaknesses in in the comprehensiveness and quality of fiscal and tax policy	Comprehensive and sound macro-economic (fiscal and tax) policies	Limited evidence based policy making and stakeholder engagement	Core tax and fiscal policies reviewed and updated based on stakeholder engagement and sound evidence	**PAD**
Weak revenue and cash flow forecasting	Quality of revenue and cash flow forecasting improved	Incomplete and inaccurate cash flow forecasts	Complete and accurate cash flow forecasts guide budget execution	**PAD**
Debt is not effectively managed	Debt management policies and processes provide the basis for debt sustainability	Present value of public debt as a % of GDP is 34.2%	Present value of public debt as a % of GDP is 32.7%	**PAD**
Inadequate management of fiscal risks from public bodies	Effective management of public liabilities and investments	Level of contingent liabilities as percentage of GDP is 0.04% 10% of major public investment proposals analysed in a systematic way each year	Level of contingent liabilities as percentage of GDP is 0.09% 90% of major public investment proposals analysed in a systematic way each year	**PC**

PFM CHALLENGE	PFMRP OBJECTIVES	BASELINE (2017)	RESULT (2022)	RESPONSIBILITY
Budget preparation and credibility	**Strategic objective 2: Resources efficiently allocated on a medium term basis in alignment with national priorities**	Limited application of MTEFs and PBB Arrears as % of GDP are 5% Budget reports are not comprehensive and are not published on a timely basis	MTEF approach and PBB fully implemented Arrears as % of GDP are 1% Budget reports disaggregated by economic functions/ sectors published on a timely basis	
Lack of a medium term approach to budgeting	Robust, medium term, results based planning and budgeting process	MTEF documents prepared not clearly linked to medium term national policies and strategies	95% of MTEF documents based on medium term national policies and strategies	**BD**
Outdated budget process	Budget documents provide detailed and relevant information	8 pilot ministries prepare shadow programme based budgets	All MDAs prepare PBBs	**BD**

PFM CHALLENGE	PFMRP OBJECTIVES	BASELINE (2017)	RESULT (2022)	RESPONSIBILITY
High levels of expenditure arrears	Timely verification and clearance of arrears	Arrears as % of GDP are 5% 40% of arrears verified within 30 days	Arrears as % of GDP are 1% 50% of arrears verified within 30 days	BD IAGD
Lack of information and transparency in budget documentation	Budget documents are published in a timely manner	Some budget reports prepared and published on the MOFP website, but not on a timely basis	All budget reports published on a timely basis	BD
Inadequate Parliamentary scrutiny	Strengthening quality of budget scrutiny by Parliament	Budget scrutiny does not take place on a timely basis and does not provide effective accountability	Budget scrutiny takes place on a timely basis and provides effective accountability	PBO

PFM CHALLENGE	PFMRP OBJECTIVES	BASELINE (2017)	RESULT (2022)	RESPO NSIBILITY
Budget execution, accounting and reporting	**Strategic Objective 3: Budget executed as planned and timely and accurate reporting is available**	Variation between planned and actual disbursement is 20% Audited financial statements for 2014/15 have been published in the MOFP's website 28% of MDAs, LGAs & RSs record and value their assets 33,098 URT accounts in commercial banks	Variation between planned and actual disbursement is 5% All audited financial statements published on a timely basis 81% of MDAs, LGAs & RSs record and value their assets. Treasury Single Account fully established	
Weak cash flow management	Fund flows are predictable and timely	Two months late submission of Action and Cash flow plans	Action and cash flow plans for MDAs, RSs and LGAs prepared and operationalised	**BD**

PFM CHALLENGE	PFMRP OBJECTIVES	BASELINE (2017)	RESULT (2022)	RESPONSIBILITY
Weak commitment and expenditure controls	Regular accounts reconciliations and follow up	40% of uncleared outstanding and unreconciled items	All outstanding and unreconciled items are cleared on a regular basis	ACGEN
Electronic financial management information systems not fully integrated	ICT systems provide an effective and efficient basis for budget execution and reporting	No PFM ICT systems integrated	All PFM ICT systems integrated	FISMD
Transition to IPSAS accruals accounting standards is incomplete	Government financial reports and statements in line with IPSAS standards	No public entity has fully adopted IPSAS	95 public entities have adopted IPSAS	ACGEN
Modules in the IFMS system not all implemented	All outstanding modules implemented	7 modules (63.6%) of 11 modules are fully operational	100% of modules are fully operational	ACGEN
Scope to improve the quality and frequency of IFMIS reporting	Full set of financial reports published on a timely basis	Audited financial statements for 2014/15 have been published in the MOFP's website	All audited financial statements and budget execution reports published on a timely basis	ACGEN

PFM CHALLENGE	PFMRP OBJECTIVES	BASELINE (2017)	RESULT (2022)	RESPO NSIBILITY
Incomplete asset records	Asset management policies and processes provide the basis for effective asset management	50% of MDAs, LGAs & RSs complying with assets management legislations and standards	88% of MDAs, LGAs & RSs complying with assets management legislations and standards	**GAMD**
Multiple government bank accounts	Full implementation of the TSA	40% of public funds allocated are lying idle in commercial banks 33,908 bank accounts are still operational	100% of funds allocated to budget implementers 100 % of accounts with commercial banks closed	**ACGEN**
Financial accountability – internal controls and procurement	**Strategic objective 4: Strengthened internal controls and better procurement practices contribute to improved financial accountability**	45% of internal audit recom-mendations implemented Procurement Compliance level: 71%	60% of internal audit recom-mendations implemented Procurement Compliance level: 81%	
Poor compliance with internal controls	Strengthened financial controls and regulations	Internal controls not fully complied with	All MDAs comply with a compre-hensive set of financial controls	**ACGEN**

PFM CHALLENGE	PFMRP OBJECTIVES	BASELINE (2017)	RESULT (2022)	RESPONSIBILITY
		50 % of MDAs complying with payment rules and procedures 20% of MDAs complying with internal audit standards and procedures	75 % of MDAs complying with payment rules and procedures 60% of MDAs complying with internal audit standards and procedures	**IAGD**
Insufficient impact of internal audit	Internal Audit capacity and systems improved Internal Audit reports enable improved compliance and financial management	No MDAs, RSs and LGAs with Automated Audit Process 45% of audit recommendations implemented	25% of MDAs, RSs and LGAs with Automated Audit Process 60% of recommendations implemented	**IAGD**
Need to improve transparency and value for money in procurement	Procurement activities carried out in line with regulations and agreed plans e-Procurement enabled to ensure efficiency in procurement	Procurement Compliance level: 71% No Procuring Entities using e-procurement	Procurement Compliance level: 81% 50% of Procuring Entities using e-procurement	**PPRA**

PFM CHALLENGE	PFMRP OBJECTIVES	BASELINE (2017)	RESULT (2022)	RESPO NSIBILITY
External oversight and audit of PFM performance	**Strategic objective 5: Effective control and oversight of PFM functions by oversight institutions**	Revenue from Parastatals was TZS 246.47 billion in 2015/16 NAOT rated at AFROSAI level 3 (peer review)	Revenue from Parastatals increased to TZS 725.00 billion NAOT retains AFROSAI level 3 (as independently verified)	
Scope to improve parliamentary oversight	Parliamentary oversight promotes improved PFM performance and public accountability	20% of members of PAC are conversant with CAG audit report	100% of members of PAC are conversant with CAG audit report by 2021	**NAOT**
Further scope to improve performance and impact of external audit	NAOT provides comprehensive audit coverage and produces timely audit reports in line with AFROSAI standards	IT audit is only executed as part of Financial Audits Quality review of individual report takes 60 days	At least 10 Government IT systems audited yearly Quality review of individual report takes 30 days	**NAOT**

PFM CHALLENGE	PFMRP OBJECTIVES	BASELINE (2017)	RESULT (2022)	RESPONSIBILITY
Poor compliance with audit recom-mendations	Timely and compre-hensive follow up of audit reports ensures identified weaknesses are systematically addressed	37% of CAG recom-mendations in central and local government fully implemented in 2014-15	60% of CAG recom-mendations in central and local government fully implemented	**ACGEN**
Need to strengthen OTR PFM oversight performance role for public bodies	Oversight of public bodies provides assurance on operations and provides increasing financial returns to government	Revenue from Parastatals was TZS 246.47 billion in 2015/16	Revenue from Parastatals increased to TZS 725.00	**OTR**
	Civil society and the media are actively engaged in PFM issues	Very limited communication and engagement	URT regularly and openly engages in dialogue with key CSO stakeholders on PGM issues	**All**

PFM CHALLENGE	PFMRP OBJECTIVES	BASELINE (2017)	RESULT (2022)	RESPO NSIBILITY
Local government (mainland)	**Strategic objective 6: PFM systems and outcomes in mainland Local Governments are improved**	Fund flows to LGAs from central government are about 60% of total Budget LGAs own source revenues are 8% of total revenue More than 10% aggregate expenditure out-turn deviation compared to approved budget 36% of LGAs (67 LGAs) undertake bi-annual financial benchmarking 81 % of LGAs have unqualified opinion from the CAG	Fund flows to LGAs from central government are at least 80% of total Budget LGAs own source revenues are 15% of total revenue 5% aggregate expenditure out- turn deviation compared to approved budget 100% of LGAs undertake bi-annual financial benchmarking 95% of LGAs have unqualified opinion from the CAG	

PFM CHALLENGE	PFMRP OBJECTIVES	BASELINE (2017)	RESULT (2022)	RESPONSIBILITY
Lack of predictability of resource flows from central and local sources	Improved revenue management and enhanced revenue mobilisation	27% (53/185) of LGAs revenue bylaws reviewed and updated	100% of LGAs revenue bylaws reviewed and updated	**PO-RALG**
Scope to improve quality and content of LGA Strategic Plans and Budgets	Improved resource allocation, planning and budgeting	55% of LGAs have updated and quality Strategic Plans 60% of budgets linked with strategic plans 40% of LGAs prepare budgets as per COFOG/GFS classification	100% of LGAs have updated and quality Strategic Plans 100% of budgets linked with strategic plans 100% of LGAs prepare budgets as per COFOG/GFS classification	**PO-RALG**
Weak budget execution	Effective budget execution and reporting by LGAs	40% of LGAs prepare and disseminate quarterly reports on a timely basis	100% of LGAs prepare and disseminate quarterly reports on a timely basis	**PO-RALG**
Revenue management systems not in use in all LGAs	LGRCIS implemented in all LGAs	85% of LGAs utilise electronic system in revenue collection	100% of LGAs utilise electronic system in revenue collection	**PO-RALG**

PFM CHALLENGE	PFMRP OBJECTIVES	BASELINE (2017)	RESULT (2022)	RESPO NSIBILITY
Need to improve compliance with internal controls	Improved expenditure management in LGAs	28% of expenditure commitments outside the Epicor/IFMIS system	5% of expenditure commitments outside the Epicor/IFMIS system	**PO-RALG**
Scope for improved value for money in procurement	Improved expenditure management in LGAs in procurement	65% compliance in procurements	90% compliance in procurements	**PO-RALG**
Limited use of financial reports from IFMS	Expand the use of IFMS	90% of LGAs (167 out of 185) utilise IFMS/ Epicor	100% of LGAs utilise IFMIS/Epicor	**PO-RALG**
Low levels of follow up of audit recommendations	Improved oversight, audit and transparency	20% adherence to IA schedule and reporting 20% delays in on timely implementation of oversight bodies recommendations	100% adherence to IA schedule and reporting 100% of timely implementation of oversight bodies recommendations	**PO-RALG**

PFM CHALLENGE	PFMRP OBJECTIVES	BASELINE (2017)	RESULT (2022)	RESPO NSIBILITY
Scope to improve transparency and accountability and widen use of financial benchmarking	Improved oversight, audit and transparency	10% coverage and quality of IA work 36% of LGAs (67 LGAs) undertake bi-annual financial benchmarking	100% coverage and quality of IA work 100% of LGAs undertake bi-annual financial benchmarking	**PO-RALG**
Zanzibar	**Strategic objective 7: PFM systems and outcomes in Zanzibar are improved**	Own source revenue to GDP is 14% Revenue collected is 60% of total budget 65% of MDAs and LGAs prepare budgets in line with National Strategies 70% aggregate expenditure out-turn compared to budget	Own source revenue to GDP increases to 20% Revenue collected increases to 95% of total budget 100% of MDAs and LGAs prepare budgets in line with National Strategies 95% aggregate expenditure out-turn compared to budget	

PFM CHALLENGE	PFMRP OBJECTIVES	BASELINE (2017)	RESULT (2022)	RESPONSIBILITY
Weak basis for mobilisation of local revenues	Tax and non-tax policies provide the foundation for maximising revenues	30% voluntary tax compliance Lack of permanent and reliable taxpayers register External debt is 30% of budget	80% voluntary tax compliance Permanent and reliable taxpayers register in place External debt is 15% of budget	**MOFPZ/ ZRB**
Scope to improve quality of planning and budgeting processes and outputs	Robust, medium term, results based planning and budgeting process	Budgets not directly linked to policies and Strategic Plans 40% aggregate level of budget information meets international standards	All budgets directly linked to policies and Strategic Plans 100% aggregate level of budget information meets international standards	**MOFPZ**

PFM CHALLENGE	PFMRP OBJECTIVES	BASELINE (2017)	RESULT (2022)	RESPONSIBILITY
Budget execution is weak	Budget is executed as planned and timely and accurate reporting is done	60% of the total government funds allocated directly to MDAs 65% of the fund allocated against the approved budget vs actual revenue collected 50 Bank Accounts are operational	100% of the total government funds allocated directly to MDAs 95% of the fund allocated against the approved budget vs actual revenue collected Single bank account in place	**MOFPZ**
Poor compliance with internal controls	Full compliance with financial controls and regulations (internal audit)	Bank reconciliations not done on a regular basis	Bank reconciliations being done on a regular basis	**MOFPZ**
Poor compliance with international standards on financial reporting	Improve compliance with international standards on financial reporting	40% of MDAs and LGAs comply with international standards on financial reporting	100% of MDAs and LGAs comply with international standards on financial reporting	**MOFPZ**

PFM CHALLENGE	PFMRP OBJECTIVES	BASELINE (2017)	RESULT (2022)	RESPONSIBILITY
Procurement processes need to be strengthened	Procurement of goods and services provides value for money	Low levels of compliance with procurement regulations	Improved levels of compliance with procurement regulations	**MOFPZ**
Scope to improve coverage and impact of external audit	OCAGZ provides comprehensive audit coverage and produces timely audit reports in line with AFROSAI standards	10% of OCAGZ staff can audit transactions using Epicor 10	100% of OCAGZ staff can audit transactions using Epicor 10	**OCAGZ**
Weak oversight by HOR	Improved legislative oversight	30% of members are capable of scrutinizing audit report	80% of members are capable of scrutinizing audit report	**HOR**