

Mokoro Ltd

Putting Aid on Budget

**A Study for
the Collaborative Africa Budget Reform Initiative (CABRI)
and
the Strategic Partnership with Africa (SPA)**

TANZANIA CASE STUDY – WORKING PAPER

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Alta Fölscher



Mokoro Ltd
87 London Rd
Headington
Oxford
OX3 9AA
UK

Tel: +44 1865 741241
Fax: +44 1865 764223
Email: mokoro@mokoro.co.uk
Website: www.mokoro.co.uk

THE AID ON BUDGET STUDY

The Collaborative Africa Budget Reform Initiative (CABRI) and the Strategic Partnership with Africa (SPA) commissioned study of "putting aid on budget" has the following outputs:

An **Inception Report**, which defines the issues and research methodology.

Ten **country studies from sub-Saharan Africa**. Of the ten country studies, **Ghana, Mali, Mozambique, Rwanda** and **Uganda** were studied in depth, and separate country reports are available. The experiences of Burkina Faso, Ethiopia, Kenya, South Africa and Tanzania were also reviewed and summary information is included in the Synthesis Report annexes. Findings from all ten countries are included in the Synthesis Report.

A **Literature Review**, which (a) documents existing good practice guidance that is relevant to the incorporation of aid in recipient country budgets; (b) reviews the policies and guidelines of the major multilateral and bilateral agencies as these affect the incorporation of their aid into government budgets; and (c) documents relevant experiences of efforts to capture aid in government budgets, including desk reviews of some additional countries, including countries from outside Africa.

A **Synthesis Report** which draws on all the other study components to develop overall findings and recommendations.

A **Good Practice Note** which distills the lessons of the study and is aimed at donors as well as partner governments.

The reports can be downloaded from the CABRI website at <http://www.africa-sbo.org/>

The **Tanzania case study** is a background working paper to the Aid on Budget study (not a separate country report). (The Section B matrix is used in the Aid on Budget Synthesis Report Annexes.)

Disclaimer

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This working paper was prepared by independent consultants. Responsibility for the contents and presentation of findings and recommendations rests with the study team.

The views and opinions expressed in the working paper do not necessarily correspond to the views of CABRI or SPA.

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A. Country Context

A1. Country Institutions

What is the structure of general government?

1. Tanganyika united with Zanzibar in 1964 to form the United Republic of Tanganyika and Zanzibar, which was renamed the United Republic of Tanzania. Today the islands of Zanzibar and Pemba form the Revolutionary Government of Zanzibar which is run as a semi-autonomous region of the Republic of Tanzania, with its own president, a revolutionary council and a house of representatives. The same party however, are currently governing both Tanzania mainland and a peace deal after the 2001 election in Zanzibar when people died in protests, is in place. Tanzania is a parliamentary democracy. The mainland is governed by a President, who appoints a prime minister as the head of government in the national assembly. Presidential and parliamentary elections are held every five years. The President appoints his cabinet from amongst members of parliament: he can also appoint a set number of members from outside of parliament.

2. At national level the executive branch of government is structured into ministries. Executive power vests in the hands of the president, the prime minister and cabinet. Ministries are headed by ministers, assisted by deputy ministers (also appointed by the President). Permanent secretaries head the ministry bureaucracies.

3. Sub-nationally there are regional commissioners, who fulfil a facilitation role. Tanzania is divided into 26 regions – 21 on the mainland, 3 on Zanzibar, and 2 on Pemba. In turn these comprise altogether ninety-nine districts, governed by urban, district and rural councils. Currently there are 114 councils operating in 99 districts, 22 are urban (in turn divided into city and town councils) and 92 are rural.

4. Local authorities – the councils – are responsible for specific public services. They take the form of municipal or district councils. They are dependent on three sources of revenue, own revenues, central government transfers and development aid. Own revenue comprise a great number of taxes, licences, fees and charges. These revenues are mainly used to finance operational costs, and in particular salaries for local government employees. Most operational cost however, is funded by central government transfers. In 1994 these transfers funded 85% of the total operational costs in district councils, and 75% in urban councils. In addition to local taxation, user charges contribute to the running and maintenance of public services such as primary schools and clinics. Investment budgets at the local level are often mostly dependent on donor revenues.

5. Government services delivered by local governments include:

- Basic education. Local governments are responsible for building and maintaining schools and providing for the primary education of children.
- Basic health care. Local governments are responsible for promoting public health and the establishment and maintenance of hospitals, health centers, maternity clinics, and dispensaries.
- Roads. Local governments are responsible for making and maintaining streets and roads.
- Water. Local governments are responsible for establishing, providing, maintaining and controlling public water supplies.
- Agriculture extension. Local governments are responsible for providing services for the improvement of agriculture and livestock.
- Local administration. Local governments are expected to take all necessary, desirable, conducive or expedient measures for the execution of their functions, including the imposition of local taxes and collection of fees.
- Other local government services. Local governments are further responsible or the establishment of fire brigades, public markets, slaughter houses, community centers, public parks, refuse collection, and other local amenities.

6. The grant transfer system includes formula based sectoral transfers for education, health, water, agriculture and roads. The system also includes administration and compensation grants. These grants are

voted through the regional votes in the budget. In addition, there are also recurrent transfers that flow through ministry budgets. In short, the following table show how different levels of services are funded:

Local government functions	Policy, regulation and standards	Finance	Provision	Production / Delivery
Locally provided "national" public services	CG	CG	LGAs	LGAs
Local government administration	CG	CG	LGAs	LGAs
Pure local government services	LGAs	CG / LGAs	LGAs	LGAs
Capital development activities	CG / LGAs	CG / LGAs	LGAs	LGAs
Delegated central government functions	CG	CG	CG	LGAs

Source: PRO-RALG, 2005. Development of a Strategic Framework for the Financing of Local Governments in Tanzania, Dar Es Salaam.

Policy documents and process

7. The National Vision 2025, formulated by the Government under the auspices of the Planning Commission and adopted in 1999, spells out Tanzania's long-term development vision.

8. Mkukuta is a third national framework for poverty reduction: it is a so-called 2nd generation PRSP following on the PRS, which in turn followed the long term National Strategy for Poverty Eradication, which is formulated at the same time as the National Vision 2025. Mkukuta keeps the focus on the Development Vision paper (Vision 2025) and also pays attention to the MDGs as internationally agreed targets for poverty reduction. It is seen as having been developed with a higher degree of government ownership (donors commented on a first draft rather than helping to draft) and with local participation. It is also seen to be more comprehensive. The strategy is constructed in three clusters, growth and reduction of income poverty; improving the quality of life and social well being and governance and accountability.

9. Parallel to the National Vision 2025, the Revolutionary Government of Zanzibar has formulated a Zanzibar Vision 2020, which is Zanzibar's long-term plan for eradicating absolute poverty and attaining overall sustainable human development. It has also formulated a Zanzibar Poverty Reduction Strategy for 2002 to 2005, which has now been succeeded by the Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP), or MKUZA in Swahili, which is formulated to coincide with Mkukuta and also adopts an outcome-based approach around three similar clusters.

10. The Government prepared a range of sector policies and strategies for, among others, agriculture, education, health, water, roads and HIV/AIDS, to guide implementation of the first PRS. These sector policies and strategies still underpin the implementation of the MKUKUTA.

11. To translate medium-term development objectives into short-term action, Ministries, Departments and Agencies, Regions and Local Government Authorities prepare three-year Strategic Plans with agency strategies, objectives and targets linked to PRS priorities and currently to MKUKUTA cluster strategies and performance indicators.

12. Three-year Medium-Term Expenditure Frameworks (MTEFs) serve as expenditure management tools and specify activities and budgets for implementing Strategic Plans. The PRS/ZPRP and currently the MKUKUTA/MKUZA are thus linked to the budget through a three-year rolling MTEF as well as participatory Public Expenditure Reviews (PERs).

13. After a shift from a priority-sector-based to an outcome-oriented medium-term strategy, efforts are underway to fully align existing strategies, policies and plans with the MKUKUTA. In the budget process, this has been facilitated by the installation of the Strategic Budget Allocation System (SBAS) in all

Ministries, Departments and Agencies and Regions. The SBAS is a software tool for strategically allocating resources, which allows for linking agency budgets to specific MKUKUTA targets and cluster strategies. In addition, PER working groups have been organized around the three clusters of the MKUKUTA. At the local government level, the Government has developed a database, the Local Government Planning and Reporting Database (PlanRep), to allow Local Government Authorities to formulate MTEF plans and budgets linked to the MKUKUTA and monitor their expenditure and implementation. Despite substantial progress, capacity in planning, strategic resource allocation and budget management needs, however, further strengthening. Planning and analytical capacity is not consistently present across all ministries.

PFM system

14. The PFM system revolves around the budget process and the integration of a number of review, planning and decision instruments into the process, making use of a number of structures.

15. The Public Expenditure and Financial Accountability Review (PEFAR) annually reviews the PFM system and is a harmonised instrument, combining different assessment instruments such as the CFAA and the PEFA.

Budget Preparation and Approval

16. The budget is prepared in a medium-term fiscal and budget framework. The Budget Guidelines process has been chosen as the central process through which strategic resource allocations are made.

17. A first phase of the process concerns determining detailed macroeconomic forecasts, undertaking donor/government consultations on future commitments, forward resource projections and undertaking macro-policy and sector reviews. After this has been completed, the government formulates goals, objectives and budget priorities for the forthcoming year, anchored in the PRS document.

18. PERs are the central budget review instruments. The PERs are largely prepared through a participative process. The first GoT PERs were prepared in 1998/99. Stakeholders from the MoF, the new Ministry of Planning, Public Service Management and Regional Administration and Local Government, sector ministries, development partners and civil society, the Tanzania Revenue Authority, Bank of Tanzania and research institutions participate. There is a general PER and sector PERs (prepared by sector working groups – see below). The PER function focuses on evaluating budget performance against targets and PRS priorities, and procedures and processes. Shortcomings and corrective measures are identified. The use of donor support and arrangements for its management also forms part of the PER agenda.

19. A completed PER provides updated sector MTEFs for key sectors and forecasts of donor commitments over the medium term.

20. The PER process is run by the PER Working Group, which meets on a fortnightly basis and is chaired by the PS of Finance. The Group provides overall direction to the PER work agenda including key expenditure policy issues such as the implications of fiscal decentralization on expenditure policy.

21. A Macroeconomic Working Group chaired by the Permanent Secretary of the Ministry of Finance, discusses macroeconomic policies which have implications for public expenditure policy such as fiscal risks arising from shocks.

22. In addition, Sector Working Groups (and now Thematic Working Groups) comprising of representatives from sector ministries and development partners and civil society meet in order to discuss and prepare annual PER sector reports which provide key sector-specific policy issues and MTEF costings to be considered in the budget formulation process.

23. An Annual PER Consultative Meeting is also held in order to discuss the key emerging issues from PER working groups during the fiscal year. This Meeting is an opportunity to reflect on public expenditure work carried out and the way forward on public expenditure policy. It is a high-level meeting and representatives from across Government, development partners and civil society attend to air their views in the spirit of open public debate.

24. Once the PER and macro-economic and fiscal planning processes are complete, the Budget Guidelines are prepared and released, containing the budget frame for a three year period, an overview of the macro-economic performance and projections, and summaries of the priority sector MTEFs prepared through the PER process.

25. The budget guidelines are prepared by a cross ministerial committee, involving all central ministries important in the budget allocation process, including finance, planning, prime minister, civil service department and regional administration and local government.

26. The guidelines also provide vote expenditure ceilings for the forthcoming financial year, and procedures for preparing and submitting draft budgets within the ceilings. The local government guidelines provide ceilings for local government. At the ministerial level Budget Committees are supposed to play a key role in translating strategies and policies into the detailed budget proposals. One of their tasks is to utilise the SBAS to link budget proposals to Mkukuta sector strategies.

27. The SBAS operates at two levels: at the macro level it is used by the budget guidelines committee to allocate across MDAs according to Mkukuta clusters. At the micro level it assists MDAs to do the same. MDAs are supposed to work with both Mkukuta outcome-based clusters and their own strategic plans to prepare submissions in the Budget Guidelines process. MDAs have used the MTEF expenditure classification categories to bridge between Mkukuta outcome-based classification and the standard budget classifications of detailed expenditure programme proposals.

28. Ministries prepare detailed budget proposals, which are scrutinised by the Inter-Ministerial Technical Committee (IMTC). This is a committee of all permanent secretaries. The committee scrutinises budget proposals before they are submitted to Cabinet for approval in the form of a Cabinet Budget Paper.

29. The next step is to submit the cabinet approved budget proposals to the legislature. In the legislature each vote is examined separately by Parliamentary Sector Committees, before being tabled in parliament for debate and authorisation. The major events during Parliamentary debate are as follows:

- Presentation of a Public Speech on macroeconomic performance and projections by the Minister for Planning and Privatization.
- Presentation of the government budget proposals to Parliament by the Minister for Finance through a budget speech.
- Parliamentary debates/discussions on sector estimates submitted by each minister responsible
- Parliamentary approval of estimates by passing the Appropriation Bill.
- Parliamentary approval and passing the Finance Bill that empowers the Minister for Finance to raise the money and finance the budget.

Budget Execution

30. The key documents used during implementation of the budget are revenue and expenditure estimates books, action and cash flow plans and budget memorandum. The Ministry of Finance releases funds to ministries, departments and agencies, who are responsible for budget execution, the maintenance of proper accounts and for control and accountability. The ministries, departments and agencies (MDAs) report on budget performance to the Ministry of Finance, which releases quarterly Budget Execution Reports.

31. A system of cash budgeting operates in Tanzania, with ministries only being able to commit against available cash (rather than appropriated funds). The additional feature in Tanzania is that contracts can only be entered into if there is sufficient cash to cover the full cost. For contracts that span years, the accounts carry items of commitment which is a claim against the subsequent year's cash.

32. The Integrated Financial System (IFMIS) is operated by the Treasury and is in place in MDAs and sub-national governments through the regional treasuries. IFMIS is supported by a computerised payment system (EPICOR). The overview and control of expenditure is effected through the IFMIS. The IFMIS produces monthly reports on revenue collection and expenditure, quarterly and annual performance reports and specific reports as required.

33. Ministry Accounting Officers (the PS) are responsible for commitment and expenditure control in ministries. All payments are centrally processed and controlled. Efforts are underway to establish sub-treasuries in region to process payments from decentralised sectors. The accountant general is responsible for maintaining accounts.

Audit

34. Late submission of audited accounts has been addressed in recent years, with government itself producing final accounts for auditing with smaller delays. The National Audit Office produces one audit statement for government as a whole, and separate statements for each vote. The 2006 PEFAR report however noted that although the timeliness of audited statements is improving, the usefulness of these statements is still limited. In addition, the parliamentary link in the accountability cycle is still very weak, with parliament not scrutinising some reports and very little follow-up on audit findings subsequent to the submission of reports. Earlier PEFAR reports and the HOAP report pointed out that capacity in the Audit Office is weak and contributes to the office not being able to carry out audits to international standards. The 2005 PEFAR report also recommended that future auditor general should be appointed by Parliament, rather than the President, that the hearings of the public accounts committee should be open to the public and that the committee should be supported by a secretariat.

Fiscal year

35. The fiscal year runs from 1 July to 30 June.

A2. Aid Context

36. *Overview of aid flows:* Grants and loans to the Government of Tanzania comprised 38.5% of total expenditure in 2005/6. HIPC debt relief comprised a further 2.3%. The table below provides trend information on total grants and loans as a share of expenditure 2003/4 to 2007/8 (projected).

	2003/4	2004/5	2005/6	2006/7	2007/8
	Actual	Actual	Estimated outturn	Budget	Projected
Grants and loans as a share of expenditure	41.4%	38.6%	38.5%	37.6%	36.3%
HIPC and MDRI as share of expenditure	2.9%	2.2%	2.3%	6.8%	1.2%
Grants and loans and HIPC/MDRI as share of expenditure	44.4%	40.8%	40.8%	44.4%	37.5%

Source: Government of Tanzania, 2006 Budget Digest

37. Aid to Tanzania increased significantly over the last 10 to 15 years. Total aid to Tanzania has risen over the past five years alone from around 6% GDP to just over 12% in 2005/6

38. In 2005 donors disburse USD1.29 billion to the government sector, having scheduled USD 1.4 billion for disbursement.¹ According to the OECD Development Statistics, official development assistance (ODA) in 2005 was recorded as USD1.5 billion: this includes per definition loans to public financial and non-financial enterprises and commitments to funding of NGOs and concessional loans for development purposes to commercial financial institutions.

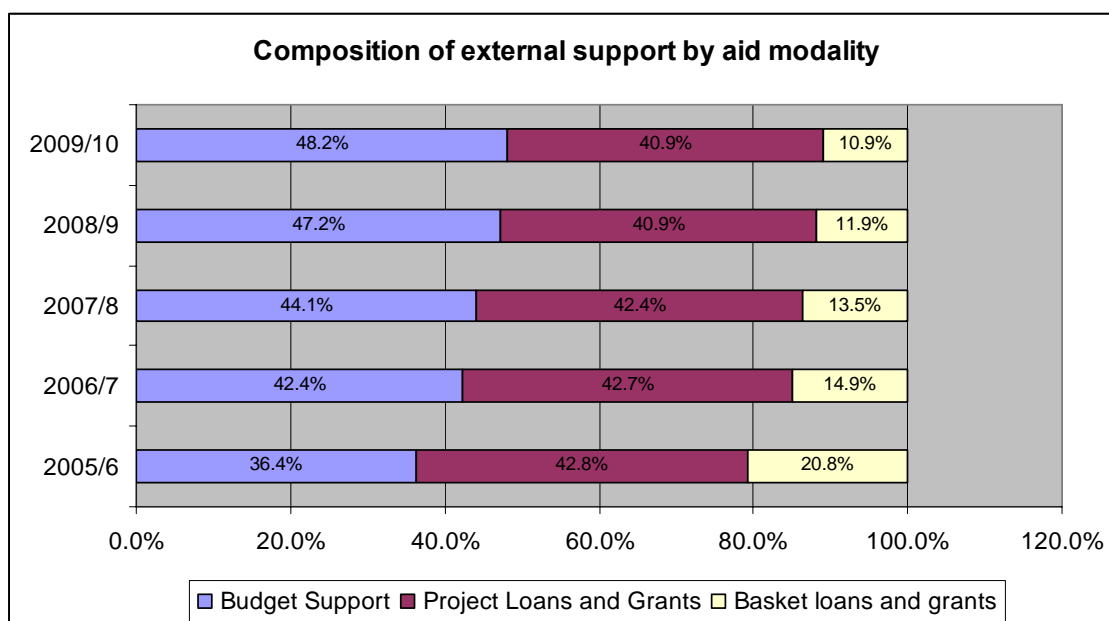
39. Most ODA to Tanzania is in the form of grants and technical assistance support. According to the OECD Development Statistics, 73% in 2005 was in the form of grants. Most support is from bilateral donors (54%), with 46 % coming from multilateral agencies.

¹ 2006 Survey on Monitoring the Paris Declaration, Tanzania Country Chapter.

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40. Over 40% of bilateral support is to the social sectors, with health being the single most supported sector (over 20%).

41. Altogether 40% of ODA is provided as budget support (in 2005/6 the fiscal framework recorded 36.8 % of loans and grants to government as budget support [expected outturn], against 44% in 2006/7 [budgeted]). The graph below shows the progression of the composition of ODA to Tanzania between 2005/6 (expected outturn) through to 2009/10 (projected). It indicates that the shift to budget support is from basket funds rather than project support for the two years for which outturn data is available and for the year budgeted (2007/8). It is only in the projected years that project support starts reducing. In absolute terms, however, it grows from TZSh 683 million in 2005/6 to TZsh 911 million in 2009/10.



Source: 2005/6: Government of Tanzania, 2006 Budget Digest; 2007/8 to 2009/10 Budget Guidelines 2007/8.

42. Support to projects at local authorities level is also coordinated by the Ministry of Finance and often flow through the sector ministries. This has become more prevalent as basket sector support arrangements kicked in. However, some donors still have projects that provide support directly to local authorities. Some of this support is captured in the local authorities development budgets.

43. The largest donor over the period 2003 to 2005 and in 2005 was the World Bank, followed by the United Kingdom and the EC. The table below provides the OECD Development Statistics for the 10 largest donors in Tanzania (in 2005 and in millions of USD).

Country	Support in USD M
IDA	337.39
United Kingdom	215.90
EC	158.59
AfDF (African Dev.Fund)	121.90
United States	108.85
Sweden	91.81
Netherlands	90.23
Denmark	84.82
Germany	49.88
Japan	36.11

A3. Aid Institutions

Government institutions

44. The External Finance Department of the Ministry of Finance is mandated to mobilize external resources (both loans and grants); given a particular external resource target, it is mandated to liaise with development partners and canvass contributions intended to achieve these targets within the prescribed external resource envelope. It is also mandated to maintain an accurate and timely database on donors' commitments and disbursements, at an aggregate and at a detailed level, for grants and loans and according to projects of programs; in-year tracking and follow-up is also prescribed. However, an assessment of borrowing proposals against the borrowing limits is not currently being carried out. There is also no systematic mechanism for full capture of financing disbursement data through the project implementation phase, and data provided by development partners do not match on-site reporting. Data on projected grants and loans are not collected according to the prescribed fiscal framework preparation cycle.

45. The External Sector Department of the Presidents Office Planning & Prioritisation (POPP) (now a separate planning ministry) is responsible for analyzing proposals for project financing put forward by sponsoring MDAs. Currently, these financial analyses are not currently being carried out due to the combination of an unclear and overlapping mandate and gaps in human resource capacity. At present, the Policy Analysis Department (PAD) in the Ministry of Finance carries out a limited, vetting exercise, focused on establishing whether or not loan concessionality thresholds have been met and whether the projects fall within the Government's high-priority sectors. Lack of experience and formal training in financial analysis impede the preparation of in-depth "business case" assessment.

46. The Budget Department in cooperation with the PAD and the POPP manages the budget preparation process, including the inclusion of grants and loans, in particular through the preparation of the MTEF, Budget Guidelines and resource allocations under the PRS and now the NSGRP.

47. The ACGEN Department and Bank of Tanzania are mandated to record and validate debt and grants disbursed through government data; and to execute payments, settle accounts, and maintain accurate records on all matters related to public debt and associated transactions. The Bank of Tanzania operate several accounts in which donor monies are received: budget support, sector budget support and basket funds are received in a dollar based account. Two further accounts are operated for earmarked programme and project support outside of these arrangements.

Government/donor institutions

48. Several forums of engagement have been put in place to facilitate dialogue at different levels between government and donors. New aid modalities have been an important factor for more and strengthened forums for dialogue. (NORAD, 2003, p14) On the overall level, the forums used to include the PER Consultative Group meeting, Poverty Policy Week, Public Expenditure Review Consultative Meetings and the General Budget Support meetings.

49. However, in line with the Joint Assistance Strategy for Tanzania (JAST) the Government of Tanzania has taken the leadership role in re-structuring government/donor dialogue forums. The motivation behind the restructuring was to avoid duplication and overlap, to reduce transaction cost and to improve the integration of aid into the budget process, and links between the budget process and Mkukuta. Annex 5 provides a detailed overview of the new structures. Salient features are:

- The Mkukuta-PER main working group is the overarching forum for policy, expenditure and PFM dialogue. The next level is the cluster working groups, which are aligned with the Mkukuta clusters and have membership of both sector and thematic working groups. The third layer is the sector and thematic working groups, in which MDAs and development partners are represented in accordance with their interest in and importance to the cluster.
- Sector and thematic working groups have leading agencies and leading donors.

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- Each MDA must have a primary cluster to which it belongs, but it should also sit in other clusters where its representation is important.
- Each cluster and thematic group must have comprehensive representation of both MDAs and donors.
- The dialogue forums are not primarily for donor government dialogue, but for government dialogue with all its stakeholders. Therefore civil society, research organisations and other local stakeholders are also represented.
- At MDA level there are further forums, of which some manage specific funds, for example in the three basket fund sectors, health, education and local government, sector forums and processes produce an annual report and quarterly reports. Others are just harmonisation and coordination forums.

50. The table in Annex 2 provides a detailed account of all donor/government groups, including those operating on a sector level.

Key dialogue fora at national level

Forum	Actors	Issues to discuss	Output	Linkage to other processes
MKUKUTA/ MUZA process, Poverty Policy Week	Government, Development Partners, non- state actors	Assessment of progress in implementing MKUKUTA/ MKUZA, including sector reforms and cross-cutting issues	Annual MKUKUTA/ MKUZA report, biennial PHDR	Feed into national budget, JAST process, and the preparation of plans, programmes, projects at national, sector, local levels
PER	Government, Development Partners, non- state actors	National and local government budget performance and resource allocation in line with MKUKUTA/ MKUZA, public financial management and procurement, macro economic issues, financial accountability and fiduciary risk, Development Partner adherence to JAST aid predictability criteria	Cluster studies, PEFAR report, data on aid predictability	Feed into national budget preparation, MKUKUTA/ MKUZA and JAST process
GBS process	Government, Development Partners	PAF assessment (1. growth and income poverty reduction, 2. improvement of quality of life and social well being, 3. governance and accountability, 4. resource allocation and budget consistency, 5. public financial management, 6. macroeconomic stability), strategic and technical issues of GBS, Development Partner performance in meeting their commitments as outlined in the Partnership Framework Memorandum	GBS review report, reassessment of PAF indicators, GBS commitments for next FY	Provide findings to JAST process; inputs into national budget preparation
PSI	Government, BOT, IMF and other Development Partners	Macroeconomic performance	Memorandum of Economic and Financial Policies	Provide inputs to GBS process
Development Cooperation Forum	Government, Development Partners	Strategic debate, consultation and policy advice on MKUKUTA/ MKUZA, JAST, cross-cutting issues, key policy and public sector reforms, aid exit strategy	Advise on high-level political decisions	Feeds into JAST process
JAST process	Government, Development Partners, non- state actors	Assessment of Government and Development Partner implementation of JAST	Annual JAST report, reassessment of JAST actions, biennial IMG report	Informs Government- Development Partner relations

Source: Government of Tanzania, 2006: JAST.

Donor structures

51. A Development Partner Group (DPG) is the coordinating body for Tanzania's thirty-five bilateral and multilateral development partners.² The DPG meets monthly and is jointly chaired by the UN and a bilateral DP (rotating). It has a permanent Secretariat and a number of sector/topic specific sub-groups. There have been several subgroups, but these are now with some exemptions transformed to joint donor-government (NORAD, 2003). With the introduction of new aid modalities the DAC group changed from a forum to share information, to one in which to agree harmonisation and coordination mechanisms. Leadership also shifted from the UN agencies to the World Bank, the UNDP (which has been pro-active in Tanzania) and the like-minded donors such as DFID and the EC.

52. A Heads of Cooperation Committee, comprising the lead donor, a rolling 'troika' of GBS donors and the World Bank, oversees the general budget support facility (see discussion below on procedures for GBS).

53. Sector-specific donor forums also exist. See the list in Annex 3 for complete coverage of donor specific sector forums.

54. Other structures: The 2002 Tanzania Assistance Strategy institutionalised independent reviews, through the appointment of an Independent Monitoring Group (IMG) was appointed. The group undertakes biannual assessments of the Governments and its Partners; progress in aid effectiveness and in implementing the best practice principles as set out in the TAS. It also offers recommendations on areas for further improvement. The IMG provides a country-based approach to placing Development Partners under the same degree of scrutiny to which they subject the Government.

Aid procedures

55. Tanzania has a complex aid landscape. Support is provided through general budget support, sector budget support, basket funding arrangements and project support. Technical assistance funding is sometimes included in these arrangements, but sometimes operates as a separate modality in support of these arrangements but outside of formal agreements. In addition there is debt relief funding.

56. For example, the education sector is supported through all these arrangements. In the Primary Education Development Programme funding is provided both through a sector support programme (in the form of a World Bank Loan) and through a pooled funding arrangement (the PFP) which does not flow through government systems. The existence of two sets of arrangements has created difficulty in donor harmonisation and coordination, increased rivalry between groups of donors, imposed transaction cost on the Ministry, and led to donor dissatisfaction and unpredictability of aid flows (Dyer, 2005). Analysis of actual disbursements vs projected disbursements over several years also show that basket funding arrangements are the most unpredictable form of aid, with the largest deviations.

57. Aid is governed by the government-led 2006 Joint Assistance Strategy for Tanzania (JAST). This document is a second generation joint assistance strategy, following on the TAS, which was in place from 2002 to 2005. The JAST goes further than the TAS insofar as it covers all aspects of the relationship between donors and Tanzania, not only the best practice areas outlined in the TAS. For example it sets guidelines for when project support is considered appropriate.

58. The JAST specifies a series of commitments for government and donors aimed at a scenario where most aid is GBS, except with the use of basket funding and project funding arrangements where merited and where these alternative modalities are fully captured on budget and disbursed through GoT systems.

² The Development Partner Group includes: Belgium, Canada, Denmark, European Commission, Finland, France, Germany, Ireland, Italy, Japan, Korea, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, United States, United Nations (UNDP, UNICEF, ILO, IFAD, UNFPA, UNIDO, UNAIDS, UNCDF, WFP, UNHCR, FAO, UNESCO, WHO, UN-Habitat), African Development Bank, International Monetary Fund, and World Bank.

When funds are disbursed outside of GoT systems, the aim is still for it to be captured on budget and on report. This is a legal requirement in Tanzania (Public Finance Law 2004).

59. Annual JAST reviews will be undertaken by the JAST joint steering committee and will draw on government's own reporting mechanisms. The Independent Monitoring Group will undertake a mid-cycle and end of cycle review over the 5 year cycle.

60. Development partners in Tanzania, through the Development Partners Group, have in turn produced a Joint Programme Document that provides a framework within which development partners can locate their support to Tanzania based on the JAST and the Mkukuta. To quote from the document: "The JAST should be seen as Part I. The current document contains Part II, which is a joint country analysis describing Tanzania's development achievements and challenges; and Part III, which is the joint program part, reflecting consistency of DP plans with MKUKUTA and JAST." (DPG, 2006, Joint Programme Document, p1)

61. Roles and responsibilities for negotiating aid used to be spread across government. Recent efforts however – including amending the Loans, Guarantees and Grants Act in 2004 – have sought to bring more coordination to the negotiation of aid. The external financing department in the ministry of finance is the key institution for coordinating, accessing and negotiating aid. It is headed by a Commissioner of External Aid.

62. Sector forums are to be used to coordinate aid across aid agencies and integrate it with the PER and budget process. Dialogue structures have been rationalised (see above under donor/government structures and Annex 5).

63. One aspect of the JAST is the rationalisation and consolidation of donor involvement, both from a donor point of view (fewer sectors for which aid is provided per donor) and a sector point of view (fewer donors per sector). The Joint Programming Document has committed donors to this process: at the time of publication of the document (end 2006) 8 partners had already committed to withdraw from certain sectors. Legally (Loans, Guarantees and Grants Act) the Minister of Finance negotiates, signs and receives any loans and grants (for mainland Tanzania). However, for loans (and guarantees) she/he can delegate these functions.

64. The JAST document, backed by the Joint Programming Document sets out the aim of coordinating aid flows through the budget process. The following mechanisms will be key:

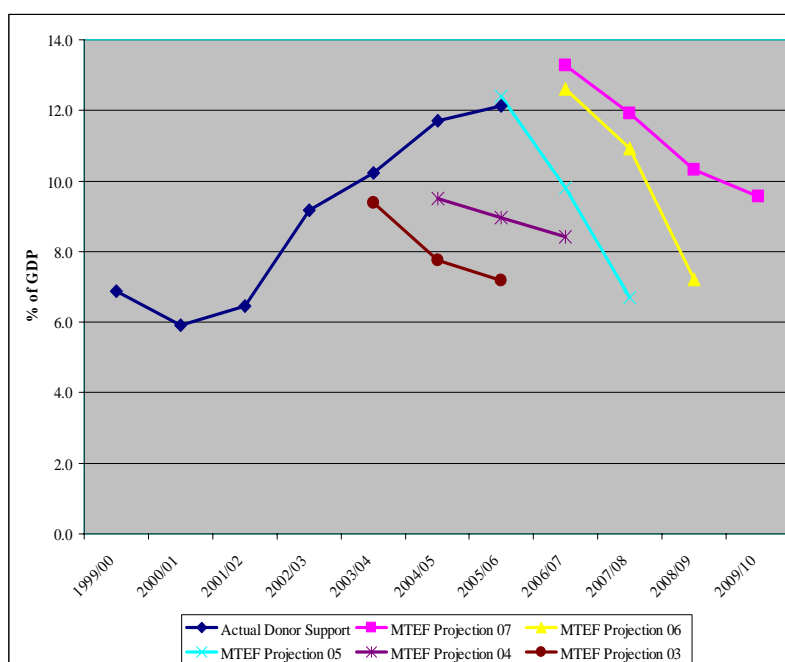
65. The Mkukuta is the integrating framework for policy formulation, planning and budgeting and aid flows. The annual Public Expenditure and Financial Accountability Review (PEFAR) allows detailed discussion among domestic stakeholders and DPs on the links between government's budget, outturn, and the underlying MKUKUTA and sector strategies.

66. Sector PER reviews are the critical instruments for effective integration of sector targeted aid into policy formulation and planning and budgeting. Sector reviews include feedback on sector performance and broad dialogue on sector policy and expenditure plans, providing essential inputs to annual budget preparation through the Budget Guidelines Process. Sector reviews will be based on publicly available information and will allow broad based domestic feedback. Sector reviews need to serve as the base for performance monitoring and policy dialogue for DPs, allowing accountability to DPs to be fulfilled in a way that is supportive of broad accountability to all stakeholders. As such they require effective M&E, and sector analysis. While public meetings between government, DPs and other stakeholders can bring together the results from M&E, policy and sector analysis, they cannot substitute for such processes. Full realization of these objectives remains some way off given capacity gaps. The DPG has committed through its Joint Programming Document, to ensure that the sectors reviews are effective.

67. While these intended behaviours are in line with good practice, actual practice still tells a different story. The graph below illustrates the quality of forward commitments of aid that was available at the end of 2006. Despite a rapid and consistent increase in aid disbursements to Tanzania over the past number of years, future projections show a rapid decline: not a sign of the likely reality, but a sign of poor information available to donor partners on their future commitments. It illustrates that there is a long way to go to realise the ideals of the JAST and the JPD.

68. Annex 4 provides an overview of how different planning and review instruments used in the management of aid in Tanzania will dovetail with each other and the PER process.

Total External Financing (actual + projections) over MTEF 2004, 5, 6, 7



Source: DPG, 2006: Joint Programming Document.

69. Despite efforts and structures to streamline and integrate aid procedures, aid programming, disbursement, financial management and reporting procedures still differ somewhat by aid modality.

General budget support

70. General Budget Support in Tanzania is managed through a Poverty Reduction Budget Support (PRBS) facility and Poverty Reduction Growth Facility (PRGF) financed by 11 bilateral donors together with the EC, World Bank and African Development Bank. In 2004 the organisational structure of the PRBS was overhauled to set up institutional links to existing structures in the PER/budget cycle. The forums of cooperation is the PRBS Head of Cooperation (the lead donor plus the Head of Cooperation rotating 'troika' and the World Bank) and the Coordination group in which the HOC Troika and the World Bank sit together with link points from key working groups and the secretariat (see Annex 3 for a discussion on the organogram and roles and responsibilities).

71. The facility is underpinned by a partnership agreement (the Partnership Framework Memorandum) and by a Performance Assessment Framework (PAF). A PRBS secretariat is active in managing the facility together with a series of expert panels under the IMG, charged with monitoring the monitoring of the PAF. These panels meet regularly and contribute to the mid-year and year-end review of progress against the PAF

72. Budget support donors are requested to provide forward projections of commitments. Through the JAST donors have committed to provide reliable estimates and over recent years the reliability of the estimates have improved significantly (GBS Evaluation Report 2006). Disbursement schedules are agreed for GBS beforehand: the Government of Tanzania prefers GBS frontloaded.

73. All budget support contributions go through the PRBS foreign exchange account which is managed by the Ministry of Finance and monitored by the Bank of Tanzania (BoT) on the authority of the Ministry of Finance Accountant General's Department. The Permanent Secretary, Ministry of Finance, issues payment instructions to the BoT authorizing the transfer from the PRBS account to the consolidated account. Deposits in the PRBS forex account, and transfers to the consolidated fund, is subject to an annual external audit.

74. A mid-year review and year-end review monitors progress against the PAF. These reviews are being integrated with other reviews within the budget cycle: for example in financial management the PRBS financial management review is coordinated with PEFA and the CFAA and others in one annual review, the PEFAR.

Basket funds and programme budget support

75. Basket funds operate in the health, education and local government reform sectors as typical pooled fund mechanisms. Commitments are made through the common arrangements for managing the funds, often steering committees. Parallel management units manage inputs into the PER / sector review process and the MTEF/Budget process. While the funds are disbursed to the Ministry of Finance Exchequer account at the Paymaster General, financial management is also undertaken by parallel units. As for projects donors have agreed to provide 3 year rolling and reliable estimates of support at agreed times in the PER/ MTEF/Budget process for integration in government's budget planning. Reporting on basket funds occurs through parallel structures, set up under specific pooled fund partnership agreements. In education for example, the reporting mechanisms of the basket fund have been streamlined with the PER process: however, donors have felt that insufficient attention is paid to PER processes by government, making it an inadequate reporting mechanism (Dyer, 2006). The JAST requires that donors report quarterly through the PER structures on disbursements.

76. Programme budget support – such as by the World Bank in the Education sector – provides targeted budget support to a sector. Commitments are made through agreement specific arrangements and funds are disbursed directly to government through the same channels as general budget support and basket funding.

Project funds

77. Projects are reviewed by the External Sector Department of the POPP, as well as by the Policy Analysis Department of the Ministry of Finance. The negotiation of the agreements is overseen by the External Financing Department of the Ministry of Finance. External financing for projects are usually managed by parallel institutions, such as project implementation units.

78. Several reports (PEFAR, GBS 2006 report, the 2004 GBS Evaluation Report and others) mention lack of timely information on project support into the PER/MTEF/budget process, and poor reporting on actual disbursements and the use of funds. The JAST seeks to address this through an agreement by donors to provide 3 year rolling forecasts on project disbursements at agreed point in the PER/MTEF/Budget process. The aim is that all project disbursements should also be through government systems. Failing that, donors will report quarterly on disbursements through PER structures.

A4. Legal and Practical Framework for Budgeting

79. Budgeting and financial management is governed by the following legislation.

- Chapter 7 of the Constitution sets out basic roles and responsibilities for financial management, including that of Parliament, the Executive and the Controller and Auditor General.
- The Public Finance Act of 2001 (amended in 2004) and the Public Finance Regulations of the same year set out detailed roles and responsibilities for the management of expenditure

and revenue. It provides for the appointment of accounting officers for votes by the Permanent Secretary of Finance (usually PSs in ministries) who are responsible, institutionally and personally, for the management and control of expenditure and revenue received for the vote. The Accountant General, however, is responsible for the compilation and management of public accounts.

- The Public Finance Act also specifies that all aid, whether paid in cash or in the form of goods and services, should be subjected to audit by the Controller and Auditor General.
- The Procurement Act of 2001, amended in 2004, sets up more decentralised management of procurement.
- The Loans, Grants and Guarantees Act of 1974 was amended in 2003 and determines that the proceeds of all foreign loans and grants shall be paid into the consolidated fund unless a special fund for project loans has been established (in terms of the Development Fund Act 1974 or the Public Finance Act).

80. The Minister of Finance is authorised to receive all grants on behalf of the Government of Tanzania (except grants destined for Zanzibar), but can delegate the authority to negotiate and sign loan agreements.

81. The Loans, Grants and Guarantees Act establishes a Debt Management Committee and a Technical Debt Management Committee together with a secretariat. The committees' task is to advise the Minister of Finance on all debts guarantees and grants that mainland Tanzania and debts and guarantees that Zanzibar commit themselves to. The main committee which is made up of the PSs of Treasury, Finance, Finance Zanzibar, the Planning and Privatisation division in the President's office, and the prime minister's office, foreign affairs and international cooperation, together with the attorney general, the governor of the central bank and the accountant general, is supported by the technical committee and secretariat which draws on ministry of finance personnel and managers of debt management units in different institutions. The act requires the committee to compile a pre-budget debt strategy and report on debt, which needs to be submitted to parliament. Debt and budget execution reports are also required.

Main problems in budgeting and PFM

82. The reform of public financial systems in Tanzania is ongoing. Since the introduction of the first Public Finance Management Reform Programme in 1998, Tanzania has made great strides in expenditure control and is on the way to achieve better allocative efficiency of resources through improved distribution to the different sectors in conformity with government policies. The introduction of an MTEF and of the government led PER process has been key in this regard. However, the 2006 PEFAR report pointed out that the presentation of information in MTEF and budget documents does not facilitate strategic decision-making and the processes behind strategic plan and budget development are still weak. PER quality and depth were found to vary considerably, with lack of data and lack of sector buy-in cited as possible causes.

- Varied analytical capacity in MDAs is often cited as a weakness, as is insufficient capacity in the central agencies to challenge budgets. While the PER/MTEF/Budget process is structured and increasingly streamlined and while the formal requirements include programme based outcome oriented budgeted, the capacity to make the linkages from strategic policy directions, through sector policies and priorities to budgets and implementation is not always available. The Development Group Programme Document is optimistic that the integration of donor and government resources through a streamlined dialogue structure will make it easier for donor capacity to work with and build government capacity.
- The 2006 PEFAR report finds serious problems with access to information and lack of coordination at all levels. The numerous planning, budgeting and reporting mechanisms provide conflicting information, particularly at local government level. In addition the links between the software packages EPICOR (expenditure control), PlanRep and SBAS are dysfunctional.
- The outer years of the MTEF do not roll over as a basis for deciding ceilings in future years.

- There is a disconnect between allocations to ministries and allocations to agencies and local governments who deliver the services, leading to inflated allocations to ministries.
- Cabinet engagement with the budget is still weak.

83. Tanzania has introduced an Integrated Financial Management System (IFMS), and has rolled it out throughout central government and parts of local government. This has resulted in improved expenditure control and smaller deviation between budgeted and actual expenditure. The Predictability of resources to the MDAs and the appropriate timing or resource transfers are still impaired by the late approval of the budget and by cash flow requirements.

84. Deviation between actual and budgeted expenditure however still persists with some votes (economic services) routinely overspending and others (social services) under spending. The capacity for project implementation and financial management at lower levels of government is weak.

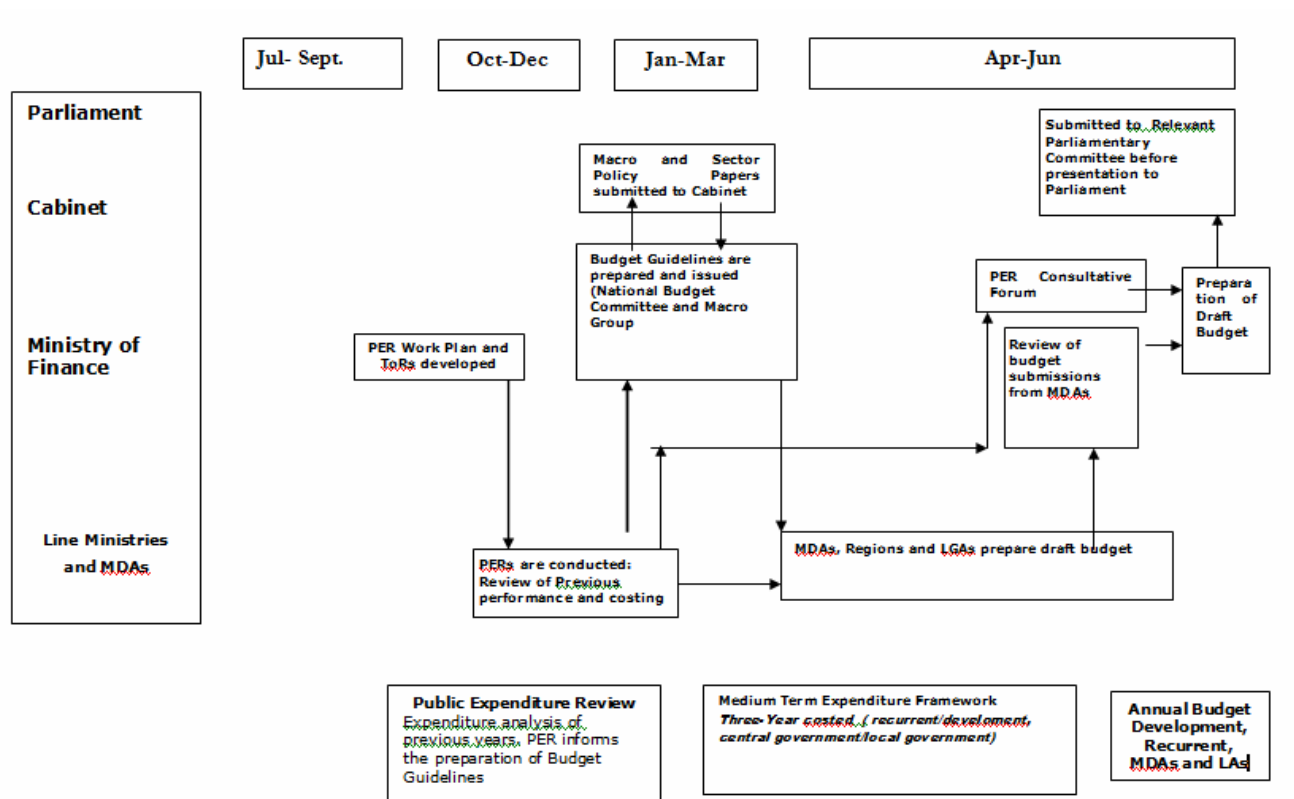
85. Implementation of the Procurement Act 2004 has now also begun. Human resources for managing the new procurement regime are urgently required.

86. In 2006, the National Audit Office (NAO) produced an audit report on time, for the first time. Important challenges however remain in the independence of the NAO and the scope and quality of the audit reports.

87. Parliamentary scrutiny of budgets and financial and non financial performance is still weak.

Budget calendar

88. The Tanzania Budget Calendar, including arrangements for the integration of aid, looks as follows:



Source: Education PER (2005), adjusted by author

Budget structure and classification

89. The recurrent budget as it appears in the Budget Book is classified by vote (MDAs), then by programme, then by 'sub vote' and then by line item, which follows the traditional line item classification of emoluments and other charges. The programme classification has therefore been inserted between the previous vote and sub-vote classifications, clustering sub-votes. The 2006 PEFAR report noted that the programme classification is weak and that the classification linkages between the Mkukuta, PERs, MTEFs and budget should be strengthened.

90. In the chart of accounts the government has introduced GFS-based economic classifications for the central government budget. Under pressure from their line ministries, many semi-autonomous agencies have also adopted the new classifications. The classifications are now fully supported in the central government's IFMS. Use of functional classification, however, remains absent from the Budget, and program structures are in the early phase of development.

Pending reforms

91. Government is in the process of implementing various reforms aimed at ensuring efficiency and deepening transparency and accountability. The reforms include the Public Service Reform Programme (PSRP), the Public Financial Management Reform Programme (PFMRP), the Legal Sector Reform Programme (LSRP), the Local Government Reform Programme (LGRP), the National Anti-Corruption Strategy and Action Plan (NACSAP), and for the RGoZ Economic and Financial Reforms, Institutional and Human Resource Reforms, and the Good Governance Reform.

B. Evidence and Assessment of Aid Capture

	Dimension	Evidence of Capture (what is captured?)	Quality of Capture (how well? how useful?)	Explanations (why/why not?)
B1	On plan	<p><i>Mkukuta</i>: Aid inflows are included in the financing framework for the strategy, with a breakdown between loans and grants and aid modality. The role of donors is discussed in the plan as well.</p> <p><i>Sector strategic plans</i>: Similar to the top level strategic plan, aid is included in the financing framework of sector strategic plans.</p> <p><i>Cross-sector MTEF</i>: The cross-sector MTEF is published before the budget and is the result of the top-down planning for the fiscal framework. Aid is included in this at the aggregate level on the revenue side (by modality and budget). Tanzania is introducing scenario planning in terms of the JAST: it is to be expected that in future MTEFs and Budget Digests, different levels of aid will correspond with different scenarios. The degree to which this will be captured on plan and fed through to budget allocations is still unclear.</p> <p><i>Aid is included in the Sector PERs</i>: PERs are the review and forward planning mechanism used in Tanzania. It bridges strategic plans, review of past performance and forward costing and allocations. Aid inflows are discussed to a significant level of detail in sector PERs. This discussion does not only include a reflection of the degree of donor inflows, but also issues around the management of donor flows (eg late disbursements, high reporting requirements, non-compliance with reporting requirements etc). Donor funds are mostly reflected on the income side of both recurrent and development budget (almost exclusively development budget), broken down by donor. The expenditure side is discussed in a consolidated manner. In PERs checked there was no evidence of earmarked donor funds being discussed, except in discussion of projects.</p> <p><i>Budget Submissions as set out in the Budget Guidelines</i>: Aid other than budget support is included in the budget submissions to a great level of detail. MDAs and local authorities need to provide information by project on donor funding through the project tables and the project data form (see annex 5 for a copy of these forms). Aid is also discussed on aggregate across all MDAs and local authorities in Volume 1 of the Guidelines.</p>	<p>Overall aid is included on plan in Tanzania. That is particularly true for sectors that have SWAps in place, where technical analysis capacity has been developed and is supported, such as education, health and water.</p> <p>The separation between different aid modalities (ie pooled funding versus sector budget support) with accompanying different structures however make the process and the outcome less streamlined than it could be. In the education sector the pooled funding arrangement development partners have felt that the PER process, through which they feed into the budget process, receives insufficient attention from government officials, which lowers the quality with which aid is integrated.</p> <p>In the PERs themselves on the recurrent side, where donor funds are also included specifically in sector support and pooled funding arrangements, the level of donor fund revenues are not covered explicitly enough: it is difficult to track where the funds come from, how they are disbursed and where problems are. It is very difficult, if not impossible, to reconcile amounts across documents and even within documents between recurrent and development expenditure, and local and foreign financed expenditure. It is not clear from the documents whether the split between recurrent and development refers to what is on the recurrent and what is on the development budget (because it differs from the budget books themselves) or whether it refers to an economic classification across the budgets.</p>	<p>The Tanzania planning and budgeting process structures require the participation of donors and other stakeholders in sector and thematic working groups. The wide use of sector SWAps supports the inclusion of aid in a more meaningful way on plan. The quality varies across sectors depending on how well structures work and the analytical capacity in the sector.</p> <p>A factor in how well all aid used was originally included on budget is the reliability of donor aid projections: a glance at a few quarterly budget execution reports show that across modalities not all aid that is actually disbursed was on plan and budget, and not all aid that was on plan and budget was disbursed.</p> <p>There is a lack of central guidance on how aid should be included in PERs and how to construct tables that make the distribution of aid across budgets and within budgets clear.</p> <p>The requirements for the inclusion of information on aid in the budget submissions are to a meaningful level of detail: however, the information would only be used well if there is sufficient capacity to analyse it in the budget allocation process.</p>

Putting Aid On Budget: Tanzania

	Dimension	Evidence of Capture (what is captured?)	Quality of Capture (how well? how useful?)	Explanations (why/why not?)
B2	On budget	<p>According to the OECD Paris Declaration Survey 90% of aid actually disbursed is captured on budget. A recent study of the inclusion of aid on Budget in Tanzania (Chijorica and Swai, 2007) however found that 88% of aid in the aid flows database of Government is captured on budget (see table after matrix). <i>Budget Digest</i> (macro-level supporting document for budget): development inflows to government is reflected on the resource side of the fiscal framework, broken down by project loans and grants (grouped), programme loans and grants (grouped), basket support loans and basket support grants (not grouped), HIPC relief and the multilateral debt relief initiative (MDRI). Project related donor inflows are also reflected on the expenditure side, in the development budget, where project expenditure is broken down into domestic funded and foreign funded. The fiscal framework is given from 14 years prior to the budget year (2006/7) to a second outer projection year (2008/9).</p> <p><i>Ministry and regional budgets:</i> Aid is not reflected in the recurrent ministry budget or regional budget estimates: this is to be expected. General and sector budget support registers on the revenue side of the overall fiscal framework.</p> <p>Aid is included in the development budget, by project and by donor, and with a note as to whether it is grant or loans.</p> <p>Tanzania is introducing scenario planning in planning and budgeting for aid. At this stage it is unclear to what degree this would influence how aid is captured on budget.</p>	<p>At the overall level, general and programme budget support and basket funds are captured well. Technical assistance and project support less well. Almost all support to central government is captured, but capture of project support directly to districts is not as complete.</p> <p>It is difficult to reconcile the overall level of aid that is captured in the fiscal framework with aid as reflected in the lower levels of expenditure (ministries and regions). It would seem from the tables that foreign financed development expenditure equals programme budget support, basket funds and project expenditure. How programme budget support is reflected is uncertain.</p> <p>More detail is available on aid in the development budget on the expenditure side. At least it can be isolated by ministry and main programme. However, the classification structure of the development budget does not allow for consistent classification with the recurrent budget, limiting analysis. It is by project only.</p>	<p>The shift to budget support since 2001 has improved capture in the budget at an aggregate level. The creation of basket funds for sector wide reform programmes (health, education, local government reform and public sector reform) has had a similar effect. The Joint Assistance Strategy for Tanzania is likely over time to increase the proportion of funds that flow through budget support. The creation of a database on aid inflows in 2001 by the MoF has increased budget coverage of support. A 2002 request to donors either to switch to government systems for or to improve reporting on project support increased the coverage of project support in the budget. Compared to other aid modalities, the donor government partnership in Tanzania has been less able to agree on institutional arrangements for managing technical assistance. The attitude of the Government has been clearly stated both at CG-meetings and on other occasions. Budget support is the preferred modality. The Government attitude towards sector basket funding is a bit ambiguous. While the Ministry of Finance strongly argues for budget support, the line ministries are more interested in sector basket funding and even project support. These modalities also provide the line ministries with more influence than budget support.</p> <p>Why is there difficulty in reconciling aid data? The formats of recurrent estimates do not lend themselves to reflecting where earmarked aid support goes in the budget. One would not expect budget support to be reflected on the expenditure side necessarily (although it may assist government to get more budget support if it can be tracked), but the programme budget support that seem to be in the recurrent budget, 'disappear' between the fiscal</p>

Putting Aid On Budget: Tanzania

	Dimension	Evidence of Capture (what is captured?)	Quality of Capture (how well? how useful?)	Explanations (why/why not?)
				framework and the allocations. Also see remark on reliability of aid projections above. The Chijorica and Swai report (2007) notes too that one of the reasons for particularly project aid not being captured on budget – despite being on plan – is on account of the MoF not putting projects which fall outside of MDA ceilings on budget.
B3	On parliament	Aid that is reflected in the budget estimates is voted by Parliament. In Tanzania a distinction is made between the budget estimates and the approved budget, although there is rarely any difference between the two.	Parliament is involved in the budget process in two phases: before the budget estimates are finalised, ministerial budget proposals are presented to parliamentary committees for discussion. The MOF can incorporate comments from the committees in the final estimates that are presented. In the second phase parliament actually votes the estimates into appropriations. In principle parliament is also involved in the PER process, but their involvement is still relatively weak. While the space is therefore there for Parliament to be involved in the process, most studies find Parliament's involvement to be weak.	The common finding amongst studies for the relatively weak involvement of Parliament is that it can be attributed to political factors (strong party cohesion across the Executive and Parliament) and capacity factors.

Putting Aid On Budget: Tanzania

	Dimension	Evidence of Capture (what is captured?)	Quality of Capture (how well? how useful?)	Explanations (why/why not?)
B4	On treasury	<p>According to the OECD survey, 76% of disbursed aid is 'on treasury' (ie disbursed through the exchequer system), in other words, Channel 1. The remainder uses Channel 3 (parallel implementation mechanisms, such as project implementation units – there are 56 such units in Tanzania). The only evidence in the literature of the possible use of Channel 2 (disbursements directly to the bank accounts of government units) is in the Chijorica and Swai study (2007) where mention is made of direct disbursements to local authorities and government units. It is unclear however whether this is to project management units at these levels (or some parallel structure) that operate commercial bank accounts, or into accounts operated by the units.</p>	<p>The Budget Execution reports show differences in predictability of disbursement by aid modality. Although the magnitude of differentiation is not consistent through the year (Budget support is front loaded for example) the best performance is usually on the multilateral debt relief fund (93% in first quarter of 2006/7), second best performance (improving from lows in the first half of the decade) is on budget support funds (eg 73% in quarter 1 of 2006/7). The worst performance is on basket support funds (ie 26% in quarter 1 of 2006/7), with projects also being poor (50%). The graph in Annex 7 shows the level of disbursements by the latest quarterly report (March 2007). The PERs reviewed refers to the efficiency of different disbursement mechanisms. There are delays if funds are disbursed through the exchequer system (see Appendix 6 for a description of the mechanism for non-budget support funds). There is however evidence in older documents that delays have been experienced in the transfer of funds from sector ministries to districts, where projects are implemented.</p>	<p>The increased use of budget support, programme budget support and basket fund modalities have increased the percentage of aid that is disbursed through the Treasury system. Project aid disbursement is still quite low, although the channel has been created to disburse project aid through the Treasury system. Delays in the disbursement of donor funds through the exchequer system often have to do with non-performance of programmes and projects against reporting requirements or performance targets rather than delays inherent to the exchequer system. Across reports there is also evidence of delays in donor procedures on disbursements. The delay in project disbursements are attributed both to delay in capturing disbursements (because they occur outside of the exchequer system) and to actual delay in disbursements on account of reporting requirements, slower spending than expected or donor delays. As the percentage of donor funds disbursed through the exchequer system has increased, more funds are flowing through sector ministries to projects at local level, rather than directly from the donors to the districts. This has caused delays, as ministries are sometimes slow to disburse.</p>

Putting Aid On Budget: Tanzania

	Dimension	Evidence of Capture (what is captured?)	Quality of Capture (how well? how useful?)	Explanations (why/why not?)																																																								
B5	On account	<p>According to the OECD survey, 60.1% of disbursed aid to the government sector, used country accounting systems. This means that not all funds that use Channel 1 for disbursement use country accounting systems. When one looks at the breakdown by donor, however, there are some donors that do not disburse through the exchequer, but who uses country accounting systems (ie Channel 3 funds, accounted for through country accounting systems). The Chijorica and Swai study (2007) found that 53% of aid on the aid flow database is registered on government accounts, whether through the so-called C Channel (cash disbursed through the Bank of Tanzania – our Channel 1) or the D Channel (the contribution of goods and services paid for through parallel arrangements – our Channel 3). See the table below from the report (p 3).</p> <p>Table 1: Gap between National Budget Estimates, Disbursements and Aid Flow in TZS Millions</p> <table border="1" data-bbox="369 753 1150 1154"> <thead> <tr> <th>Fiscal Year</th> <th>(i) National Budget Estimates</th> <th>(ii) Disbursements Captured in the Exchequer System</th> <th>(A) Disbursement Captured in the Exchequer as % of Budget Estimates [(ii)/ (i)]</th> <th>(iii) Disbursements Captured in the Aid Flows Database</th> <th>(B) Aid Flows Database as % of Budget Estimates [(iii)/ (i)]</th> <th>(C) Funds Captured in Exchequer System as % Aid Flow Database [(ii)/ (iii)]</th> </tr> </thead> <tbody> <tr> <td>1999/00</td> <td>214,943</td> <td>67,606</td> <td>31.5%</td> <td>317,231</td> <td>147.6%</td> <td>21.3%</td> </tr> <tr> <td>2000/01</td> <td>275,476</td> <td>137,559</td> <td>49.9%</td> <td>457,611</td> <td>166.1%</td> <td>30.1%</td> </tr> <tr> <td>2001/02</td> <td>302,272</td> <td>125,010</td> <td>41.4%</td> <td>424,198</td> <td>140.3%</td> <td>29.5%</td> </tr> <tr> <td>2002/03</td> <td>624,465</td> <td>328,321</td> <td>52.6%</td> <td>504,054</td> <td>80.7%</td> <td>65.1%</td> </tr> <tr> <td>2003/04</td> <td>667,349</td> <td>475,642</td> <td>71.3%</td> <td>622,942</td> <td>93.3%</td> <td>76.4%</td> </tr> <tr> <td>2004/05</td> <td>857,885</td> <td>631,966</td> <td>73.7%</td> <td>986,046</td> <td>114.9%</td> <td>64.1%</td> </tr> <tr> <td>Average</td> <td>490,398</td> <td>294,351</td> <td>53.4%</td> <td>552,014</td> <td>123.8%</td> <td>53.3%</td> </tr> </tbody> </table> <p>Source: TAS Implementation Report FY 2002/03-2004/05</p>	Fiscal Year	(i) National Budget Estimates	(ii) Disbursements Captured in the Exchequer System	(A) Disbursement Captured in the Exchequer as % of Budget Estimates [(ii)/ (i)]	(iii) Disbursements Captured in the Aid Flows Database	(B) Aid Flows Database as % of Budget Estimates [(iii)/ (i)]	(C) Funds Captured in Exchequer System as % Aid Flow Database [(ii)/ (iii)]	1999/00	214,943	67,606	31.5%	317,231	147.6%	21.3%	2000/01	275,476	137,559	49.9%	457,611	166.1%	30.1%	2001/02	302,272	125,010	41.4%	424,198	140.3%	29.5%	2002/03	624,465	328,321	52.6%	504,054	80.7%	65.1%	2003/04	667,349	475,642	71.3%	622,942	93.3%	76.4%	2004/05	857,885	631,966	73.7%	986,046	114.9%	64.1%	Average	490,398	294,351	53.4%	552,014	123.8%	53.3%	<p>Overall documents such as the PEFAR note improvements in the quality of capture of financial information over the last years, but also notes that there are still shortcomings in the accuracy and timeliness of financial reporting.</p>	<p>The introduction of an IFMIS and its roll-out to local level of government, has increased confidence in the reliability of capture in government's accounting systems.</p> <p>The discrepancy between use of channel 1 and 3 funds of country accounting systems are explained by two factors: firstly basket support funds (such as the health fund) are disbursed through the exchequer system (through an account at the Bank of Tanzania), but their use are accounted for outside of the government systems through parallel administrative arrangements (although these are somewhat embedded in ministries). At the same time, there is a mechanism for funds to be disbursed outside of the exchequer system, but still to be accounted for in the account of the GoT.</p> <p>Donor regulations also explain some of the discrepancy: some donors cannot disburse cash through government systems (and therefore uses Channel 3), but still use government accounting systems using the mechanism above.</p> <p>Central and satellite treasuries are responsible for payments and the Office of the Accountant General for maintaining the accounts. However, sector ministries and local governments are responsible for the rest of the steps in the expenditure management process. This means that treasuries and the Accountant General rely on the timeliness and documentation from other parties to undertake their tasks. It is therefore understandable, given the unevenness of capacity, that there are still problems with the timeliness and accuracy of accounts. The further roll out and capacity building for IFMIS, will help address these issues.</p>
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2000/01	275,476	137,559	49.9%	457,611	166.1%	30.1%																																																						
2001/02	302,272	125,010	41.4%	424,198	140.3%	29.5%																																																						
2002/03	624,465	328,321	52.6%	504,054	80.7%	65.1%																																																						
2003/04	667,349	475,642	71.3%	622,942	93.3%	76.4%																																																						
2004/05	857,885	631,966	73.7%	986,046	114.9%	64.1%																																																						
Average	490,398	294,351	53.4%	552,014	123.8%	53.3%																																																						

Putting Aid On Budget: Tanzania

	Dimension	Evidence of Capture (what is captured?)	Quality of Capture (how well? how useful?)	Explanations (why/why not?)
B6	On audit	Approximately the same percentage of aid that is accounted for through government systems is audited through government systems. Again however, there is variation both ways, reflecting donor regulations and trust in government's audit systems.	The PEFAR report notes recent improvements in the timeliness of government auditing processes, but still notes concerns with the compliance of audit procedures and scope with international standards, and with the weakness of parliamentary processes in following through on audit findings.	The relatively low level of aid using government audit systems compared to what is on budget and on parliament reflects donor regulations and lower trust in the quality of audits for the time being. For example, there are a few donors for whom more funds are accounted for using government systems than funds that are audited through government systems: particularly Denmark. The discrepancy between what is on Channel 1 and Channel 3, what is on account and not and what is on audit or not also lies in basket funds: the health basket fund agreement for example require funds to be disbursed through the exchequer, accounted for by the basket administrative arrangements and audited by government (with contracting of independent auditors if required). This accounts for basket fund countries (Sweden, the Netherlands, the UK etc) having more funds on audit than on account. The concerns on government audits lie both in the legal requirement for audits and audit scope and procedures lagging behind international good practices, and in the capacity of the auditor general's office. Both these aspects are receiving attention in reform programmes.

Putting Aid On Budget: Tanzania

	Dimension	Evidence of Capture (what is captured?)	Quality of Capture (how well? how useful?)	Explanations (why/why not?)
B7	On report	<p><i>Strategic Performance Reporting:</i> The Mkukuta framework includes monitoring of indicators and an annual implementation report. These are mostly at the activity and output level. While aid financial flows on the revenue side therefore do not receive much attention, it does provide regular updates on what aid is used for.</p> <p><i>Budget execution and financial reports:</i> Aid is reflected at aggregate level in government's financial statements by type of flow and modality. Aid is discussed in some detail in the quarterly budget execution reports published by the Ministry of Finance. This is more true on the revenue side (where the predictability of disbursements by modality receive great attention) than on the expenditure side. Tables are included of aggregate revenue and expenditure performance, where aid disbursement performance is reflected by modality.</p> <p><i>At sector level:</i> the reporting mechanisms of sector SWAps include in-depth discussion of aid flows on the revenue and expenditure side. The annual PER exercise also include a significant aspect of review, particularly of financial flows. Aid however is mostly reviewed on the revenue side: the expenditure discussions do not distinguish between aid and local financed expenditure.</p> <p><i>By aid modality:</i> The annual GBS review report provides an overview of aid inflows and reports against the performance assessment framework on the use of aid, particularly GBS. Project level reporting is not public and depends on the particularly project arrangements.</p>	<p>The 2006 Budget Support Review and other reports noted that reporting is weaker than it could be: there is no reporting against the Strategic Budget Allocation System (the system used in budget preparation to link allocations to PRSP, MTEF and budget clusters).</p>	<p>Tanzania, like many high aid receiving countries, has a very complex reporting architecture. The reasons for this are: the variety of reporting requirements commensurate with a high number of different donor agreements and the proliferation of planning instruments and lack of streamlining of the country's own financial and policy performance reporting mechanisms. The latter is also related to institutional complexity around the management of expenditure (different agencies, different budgets). The streamlining of donor mechanisms, if translated into reporting mechanisms, will assist in reducing the complexity. The integration of dialogue mechanisms are starting to bear fruit insofar as the 2006 GBS annual review drew on Mkukuta reporting as analytical input.</p> <p>The relatively weak reflection of aid on the expenditure rather than revenue side of budget execution reports is symptomatic of the weaker reflection of expenditure overall. Expenditure is not reflected by ministry or by region, but only by aggregate economic category of spending.</p> <p>There are a number of expenditure, accounting and reporting databases in use in Tanzania. However, weak linkages between these databases detract from the comprehensiveness and quality of reporting. There are for example weak links between the SBAS, PlanREP (recording and reporting on development projects), IFMIS and RIMKU (reporting on Mkukuta indicators) databases. This makes it difficult to link financial reports, to non-financial (activity, outputs, outcomes and impacts) reporting.</p>

C. Reflections

92. Identifiable patterns in part B findings:

Commonalities

93. As stated a number of times above, Tanzania has a complex and much advanced aid landscape. Developments since the late 1990s represent slow progress towards more inclusive ways of working between government, development partners and local stakeholders.

94. The culmination of process is the adoption last year of the Joint Assistance Strategy for Tanzania, a 'second generation' joint assistance strategy in which government took the lead. Other aspects of the landscape is the joined-up front of development partners (the Development Partner Group) through which discussions and negotiations with government at this level takes place. The DPG has published its own documents (for example the Joint Programming Document) which take the harmonisation and alignment agenda forward.

95. In terms of the Joint Assistance Strategy, structures for planning and budgeting are much more integrated and streamlined, and linked to Mkukuta clusters, providing better opportunities for integration of aid on budget in meaningful ways.

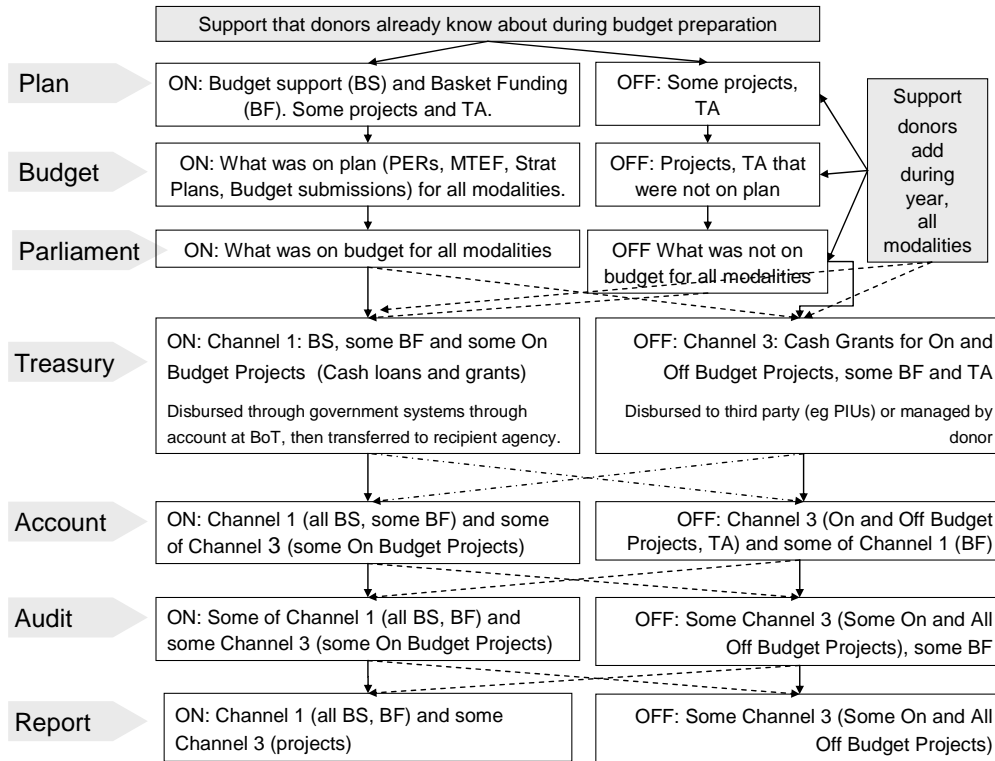
96. At the same time, underlying systems for strategic direction, planning, budgeting and financial accounting and reporting are much improved. For example, the Mkukuta strategy is much more comprehensive and provides a framework for a consistent cluster approach to planning and budgeting. The PER and MTEF mechanisms for review, planning and budgeting are in place. The SBAS system provides a mechanism for linking budget allocations through the MTEF and budgeting process to the Mkukuta clusters. It has been rolled out to ministries and local governments. The roll out of a relatively well functioning IFMIS to local governments provides the opportunity for improved financial management.

97. It is however fair to say that the benefits of these arrangements for increasingly harmonised, aligned and coordinated aid management (reflected in high integration of aid with budgets) are not yet there. Two factors seem to be consistent: low capacity in government, particularly analytical and financial management capacity, and donor regulations and caution.

98. A third factor that is worth mentioning is that the established formats for budget estimates (and reviews, plans and reports) can be improved to provide much better opportunities for tracking aid, in the interest of local accountability as much as donors and government. Aid is relatively well reflected on the revenue side of the budget, but much less well reflected on the expenditure side. Most aid still does flow through the development budget, where reporting takes place by project (with some indication of donor sources), but not in standardised classification with the recurrent budget, making it difficult to place it against recurrent spending for an overview of how funds are used. In the recurrent budget there is no opportunity to track aid on the expenditure side.

99. The complex arrangements for aid that is in use results in a great variety of channels that aid can follow through the system. The diagram below captures these channels, with some indication of how they differ by modality.

Putting Aid On Budget: Tanzania



Annexes

Annex 1: Comments on the Pooled Fund and Sector Support arrangements in the Primary Education Development Programme

The following paragraphs are drawn from a 2005 review of aid modalities in the education sector (Dyer, K. 2005. The Cost of Poverty, Transaction Costs and the Struggle to make Aid work in the Education Sector in Tanzania, Human Development Report Occasional Paper, UNDP, New York) and provides a good case study of how lack of integration with the budget process on account of institutional failures on both donor and government side, contributes to less effective aid. This is despite the PEDP employing more progressive aid modalities, such as a pooled funding mechanism and sector support.

The PEDP is supported both through a pooled fund mechanism and through sector support, channeled through government processes. The two mechanisms have separate memorandums of understanding. The PEDP involves two government units, the Ministry of Education and the President's Office: Regional and Local Government (PRO-RALG).

Whilst the intention was that PEDP would be the primary sub-sector component of a sector wide approach¹⁶, one of the most frequent criticisms of it is that it is a 'giant project'. In the budget the PEDP is identified as a project (number 4321). While the use of the work project on budget may be just on account of the terminology of the Development Budget and whereas the institutional arrangements on paper makes the support more programmatic, Government perceives PEDP as having become a 'project' because they feel it is micro-managed and controlled by the donors.' (p10).

The decision making structure, involves the following committees. The key one is the Basic Education Development Committee (BEDC), which is supposed to be chaired alternately by the Permanent Secretary (PS) of MOEC and the PS of PO-RALG, as the main two stakeholder ministries. All donors are represented in BEDC, as are other stakeholders including NGOs. BEDC is supposedly supported by the following technical working groups (TWGs), each chaired by a Director:

- Enrolment expansion – making recommendations as to what needs to be done to increase net and gross enrolment, reach out through non-formal education and so on
- Quality improvement – recommendations about actions to improve the quality of education
- Institutional Arrangements – responsibility for effectiveness of working relations between the two key ministries and all the levels of administration from school, through district to national level
- Resource Allocation, Cost Effectiveness and Funding (RACEF), which is also the education sector public expenditure review (PER) TWG
- Cross-cutting issues: primarily focussing on gender, environment and HIV/AIDS

The work of BEDC is streamlined through a body called the Task Force, which serves as a clearing house to ensure that matters can be dealt with in the much larger BEDC quickly and efficiently.

On paper these arrangements seem to support a programmatic, partnership approach, and integration with the budget process. In practice however, the structure has not worked well. Donors complain of lack of senior enough representation at the meetings of BEDC, despite it being for them their main forum of engagement. Dyer contends that the reason for this is that the meetings are not perceived as mainstream meetings for government. Government in turn complained of too many meetings 'which are not government meetings'. NGOs complained that 'real decisions' were made elsewhere and not through this structure, which defeated the point of attending.

Part of the reason for this structure, was to carry out business which is required under either the Pooled Fund Memorandum of Understanding (MoU) or other work such as the PER. This work involves mainly planning and reporting:

- Quarterly and annual progress reports – giving quantitative and qualitative data on progress of activities identified in work plans
- Financial monitoring on a quarterly basis – funds expended against activities and outcomes. The transfer of funds for each item is reported against the budget amount. There is a time lag of one quarter to allow data to be collected and processed
- Annual audit – with provision being made for this to be by an international firm, rather than the government's own auditors
- Financial tracking – the first PETS study was carried out in 2004, involving tracking funds through MOEC, PO-RALG and MoF.

These activities are now widely regarded as highly problematic because they constitute parallel processes that are not feasible and create documents which are not put to proper use.

The parallel process comes from the fact that these planning and reporting processes duplicate government ones. One donor sector specialist noted to Dyer that after having spent hours trying to connect PEDP activities with government votes and subvotes, it became apparent that MOEC had provided data to MoF in high level of detail, including GSF codes and in line with MTEF, but that this information was not the same as the information given to donors, leaving them confused and angry. It appeared there were 2 sets of plans and budgets in circulation serving different needs. Auditing is another parallel process which causes frustration this time to government. It is now generally agreed that the demands of all these activities on a quarterly basis is unrealistic. There was some feeling that it was not realistic, even when the MoU was signed, but it went through nonetheless, and some donor sector specialists have been trying to stick to the letter of the agreement ever since, which is a cause of on-going friction.

Another source of friction is differences of opinion about the quality of the reports, their purpose and the use to which they are put. It would appear that rather than seeing reports as the basis for making changes in future plans and priorities on the base of past performance, which is what the donors expect, government has tended to see the production of the report as an end in itself and compliance with the MOU, and little or no subsequent action is taken. On the other hand, the reports prepared in terms of the MOU is seen as duplicating government's monitoring and evaluation systems, but less reliably since they are prepared by consultants on the basis of samples drawn for research rather than being part of government's comprehensive monitoring efforts.

Disagreements between Pooled Fund Partners (PFP) and the World Bank have also diverted attention away from a focus on achieving sustainable and predictable financial flows, let alone promoting local accountability. Relations between the PFP and the World Bank education specialist have ranged between cool and hostile, with suspicion on the part of the PFPs that the Bank has encouraged MOEC to see the pooled fund in a very poor light, fomenting some of the frustration with the demands of the MoU, and apparent lack of willingness to carry it out. There is a sense in MOEC that meeting 'prior actions' agreed as part of the loan agreement is easier than trying to meet changing and undocumented PFP expectations, over for example the quality of a particular report, and expectations of its follow up.

These findings by Dyer are echoed by the NORAD report which notes that "process overload" can result from programme aid modalities (particularly if project support is not reduced at the same time). The rapid increase of programme aid modalities has increased the number of new processes linked to the monitoring of the programmes, which are not sufficiently harmonised between themselves nor aligned in the budget and financial management systems.

(Just how the funds flow is less important than what is agreed for the processes around the use, monitoring and evaluation of funds. These processes should not duplicate budget processes, but form part of it.)

Annex 2: Government and DAC Consultation Mechanisms

Sector / Issue	GOVERNMENT/DONOR MECHANISMS (INCL NGOs)		DONOR MECHANISMS (INCL. WITH NGOs)	
	Mechanism	Participating Members	Mechanism	Participating Members
Cross-Sectoral Coordination	1. Quarterly Sector Review Meetings	MoF, VPO, Sectoral Ministries, all DAC Donors	DAC Meeting	All donors
	2. Development Cooperation Forum	PO, DAC (rotating), Ministries (according to agenda)		
TAS and Harmonisation	Joint TAS and Harmonisation Group	MoF and all DAC Memebrs		
	Joint TAS and Harmonisation Secretariat	MoF, UNDP, World Bank, CIDA, Ireland Aid (Netherlands as alternate)		
Macro and Sector Issues	1. PER Working Group	GoT (MoF) and DAC donors (and consultants)		
	PER Macro Group	As above		
	3. PRBS	MoF, SIDA, NL, DFID, NOR, DEN, FIN, IRL, EC, CIDA, SDC		
Education	1. Sector Development Group	MoE, IRL, GTZ, NOR, DFID, SIDA, NL, CIDA, FIN, EC, UNICEF, JICA, UNESCO, UNFPA, WFP		
Health	1. Health SWAP Committee	MoH, ADB, BEL, DFID, CIDA, DEN, EC, FRA, GER, GTZ, KFW, IRL, ITL, JICA, RNE, NOR, SDC, UNDP, UNAIDS, UNFPA, WB, UNICEF, WHO, USAID, NGOs	1. DAC sub-committee	WHO, ADB, BEL, DFID, CIDA, DEN, FRA, GTZ, IRL, ITL, JPN, RNE, NOR, SDC, UNAIDS, UNDP, UNFPA, UNICEF, USAID, WB
	2. Basket Funding Committee	MoH, MRALG, MoF, DEN, DFID, IRL, NOR, SDC, WB, GER, NL	2. Bi / Multilateral Health Forum - DAC HIV/AIDS Health group	DEN, BEL, DFID, CIDA, GER, KFW, GTZ, IRL, ITL, JICA, NL, NOR, SDC, UNAIDS, UNDP, USAID, UNFPA, UNICEF, WHO, WB
HIV/AIDS	3. Consultative meetings (Partnership Forum on HIV/ AIDS – to be established)	TACAIDS (PMO), PoRALG, MoH, MoF, MoSTHE, MoA, MoJ, USAID, DEN, DFID, Ireland Aid, GTZ, UNICEF, UNDP, UNAIDS, WHO, WB, UNFPA (+NGOs, Pte sector)	1. DAC HIV/AIDS Group	USAID, UNAIDS, UNDP, EC, DEN, FIN, UNICEF, DFID, SDC, GTZ, WFP, CIDA, IRL, BEL, FAO, ILO, JICA, NL, NOR, SIDA, UNFPA, WB, WHO

			2. UN Theme Group on HIV/AIDS	UNAIDS, UNDP, WHO, WB, UNICEF, UNFPA, UNESCO, FAO, ILO, WFP
Food & Agriculture	1.FASWOG	MAGR, PMO, FAO, USAID, EC, NL, DFID, WFP, JICA, IRL, DEN	1. Informal Group	DEN, WB, FAO, GTZ, EC, WFP
Forestry			1.Advisory Group	GTZ, BEL, JICA, FIN
Water and Sanitation			Informal Donor / NGO Meeting	UNICEF, UNDP, DFID, USAID, GTZ/KFW, Finland, Ireland, NGOs
Poverty Monitoring	Poverty Monitoring Steering Committee	VPO, MoF, MoH, MoEC, MoWLD, MoAFS, MoCM, PlanCom, MoLYDS, MCDWAC, PMO, RALG, MoW, TCDD, TGNP, TANGO, TACOSODE, PSF, UDSM, SUA, Bakwata, CCT, TEC, UNICEF, UNDP, DFID, JICA, JPN, NL, DEN	DAC members can subscribe to an emailed poverty monitoring bulletin by contacting Pim.vandermale@undp.org	
	Research / Analysis	PlanCom, REPOA, ESRF, NBS, WB, UNICEF, UNDP, DFID, NL, JICA, BoT, UDSM, TGNP, TCDD		
	Routine Data Systems	RALG, LGRP, MoWLD, MoH, MoEC, MoAFS, MoW, NBS, PlanCom, UNDP, UNICEF		
	Census / Surveys	NBS, EASTC, BoT, PlanCom, UDSM, IRA, UCLAS, UNICEF, DFID, UNDP, UNFPA, WFP, JICA, USAID		
	Dissemination / Advocacy	VPO, RALG, LGRP, MoF, MoH, PlanCom, MoEC, NBS, TASAF, MCDWAC, JICA, UNDP, IRL, DFID, TGNP, Data Vision, CARE, Haki Kasi		
Private Sector Development			Private Sector Sub-committee	USAID, GTZ, NOR, UNDP, DFID, IRL, UNIDO, NL, DEN, ILO, SIDA
Microfinance			Micro-finance Donor Group	CIDA, USAID, SIDA
Employment & Income Generation	Coordination Group	ILO, GTZ, UNIDO, WB, UNDP, CIDA		
Governance	1. Local Government Reform Program Consultative Forum	MRLAG, MoH, MoF, MoEd, NL, DFID, EC, DEN, FIN, WB, UNDP, UNCDF, NOR, IRL, JICA, SIDA, SDC	1. DAC Governance Group	UNDP, EC, GER, NOR, FIN, USAID, DFID, DEN, SIDA, NL, WB, IRL, SDC, FR

	2. LGRP Basket Funding Committee	as above, but only contributing institutions have right to vote	2. Legal Sector Quick Start Programme	CIDA, SIDA, DEN, NL, FIN, NOR
	3. LGRP Thematic Group: Governance and Gender	as consultative forum	3. Informal Donor Group on Corruption	UNDP, DEN, NOR, SIDA, EC, WB, USAID, DFID, NL
	4. LGRP Thematic Group: M+E, Service Delivery	as consultative forum	4. Governance Working Group	DFID, EU, UNDP, WB, Denmark, Finland
	5. LGRP Thematic Group: Human res. Dev., finance, restructuring and legal issues	as consultative forum		
	6. Legal Sector Reform Co-ordination	MJCA, DEN, WB, FIN, NL, NOR, SIDA, GER, UNDP, EU, DFID		
Infrastructure			DAC Road Co-ordination Group	EC, DEN, WB, NOR, JPN, NL, SDC, ITL
Gender & Development	WID/GAD Interagency meeting	MCDWAC, WHO, CIDA, USAID, SDC, NORAD, NL, DFID, JICA, UNFPA, FIN, SIDA, UK, IRL, FAO, DEN, UNDP, WFP, GTZ, EC, ILO, TFTW		
Environment & Natural Resources			Informal Discussion Group on Environment (IDGE) - incl GoT/NGO	DEN, NL, UNDP, UNHCR, FIN, BEL, NOR, FAO, DFID, SIDA, GTZ, USAID
Forestry			DAC Forestry Group	Finland (currently being established as of March 2003)
Participatory Development	Coordination Group	MLDWAG, FIN, NL, IRL, SIDA, WFP, CIDA, UNDP, WB, FAO, VPO, UNICEF		
Information Communication Technology (ICT)	ICT Coordination Office	MCT, UNDP, FIN, SIDA, DEN, JPN, USAID, NOR, ILO, IICD, JGI, GCF	ICT Donor Working Group	UNDP, FIN, SIDA, DEN, JPN, USAID, ILO, IICD, JGI, GCF
Zanzibar			Zanzibar	UNDP, WB, NOR, UNICEF, RNE, SIDA, EU, JPN, UNFPA, UNIDO, ITL, UK, FIN, DEN, SWISS

Source: DPG website:
http://www.tzdp.org.or.tz/uploads/media/Coordination_Mechanisms_01.doc

Annex 3: PRBS - New organisation of the group

(extract from DPG, 2004, Key Principles Paper, Development Partner Group, Tanzania)

1. Introduction

General Budget Support in Tanzania is managed through a Poverty Reduction Budget Support (PRBS) facility and Poverty Reduction Growth Facility (PRGF) financed by 11 bilateral donors together with the EC, World Bank and African Development Bank.

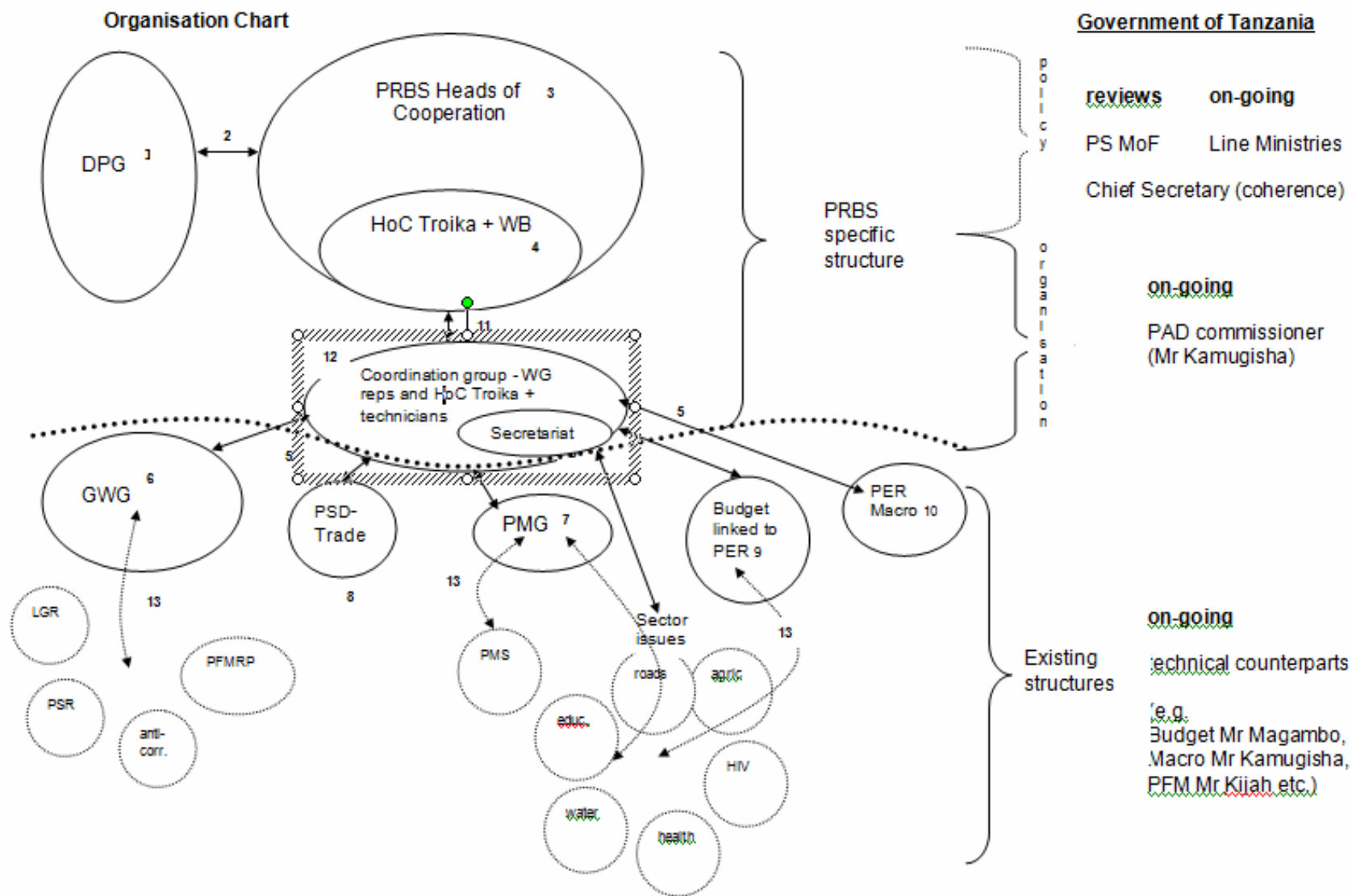
The purpose of this note is to set out a clear structure for PRBS that builds on existing donor/GoT groups wherever possible. This note provides an organogram and a discussion of key roles and responsibilities. Bearing in mind that the PRBS structure should remain **as limited as possible**, the proposal is to **better articulate the Head of Cooperation (HOC) and the technical levels** than in the past.

The purpose of these fora is to **process information provided by existing working groups** such as PER sector working groups and the Good Governance working group. The intention is **to open the PRBS** to as many existing GoT-donor working groups as possible and necessary. It is hoped that by so doing higher complementarity can be found between these groups and the PRBS, with PRBS taking advantage of work already done in other places, and other groups taking advantage of typical PRBS fora such as the PRBS reviews.

2. PRBS organisation and structure

Key principles for the PRBS structure are:

- The structure should be as streamlined as possible and look to build on analysis undertaken by existing donor/GoT groups and correspond with GoT organisational structure – for example the PER or GWG
- The PRBS structure should comprise **two working fora** : 1) **PRBS Heads of Cooperation** group within which the lead would reside with the HOC Troika + World Bank; and 2) the **Coordination group** – Troika + World Bank together with technical link points from the key working groups and secretariat.
- The key purpose of the coordination group is to **synthesis, sift and process information provided by existing working groups**. It is anticipated that there will be a two way flow of information between the Coordination group and existing working groups
- The intention of the new structure is to more formally improve coherence across GoT/ donor dialogue. Issues of relevance to PRBS donors are common to all aid providers including those not providing budget support providers.



Explanations

- 1 DPG, Development Partners Group as overarching group including PRBS HoC
- 2 PRBS HoC to exchange information with DPG to inform the wider group and enable enhanced harmonised with PRBS
- 3 PRBS Heads of Cooperation include all HoC of PRBS donors, to meet at regular intervals with PRBS Troika in order to exchange information and to give guidance to Troika
- 4 HoC Troika+ consisting of incoming, present and out-going chair of the PRBS group as well as of the World Bank. Implicit in this is that HoC Troika will be fully supported by respective technicians. Information sifting and quality check on analysis will be done here. For draft ToRs see annex
- 5 Information sourcing from key areas based on clear needs identified by HoC Troika+ and agreed with respective working groups (GWG, PMG, Budget and Macro). Anticipate horizontal information flows and exchange between groups
- 6 Governance Working Group (GWG) sourcing information needed from existing groups based on clear needs identified and agreed with respective groups
- 7 Poverty Monitoring Group (PMG) sourcing information from PMS lead by VPO
- 8 Private Sector Development issues sourcing from DPG-PSD/Got/PS group – may need to be broadened to cover trade issues
- 9 Budget analysis group led by WB and closely linked to work of external PER
- 10 PER Macro group to be revived – covers macro issues, revenue debt, and extending to growth issues when possible and relevant.
- 11 Flow of information between technical and policy/political level
- 12 process oriented and organisational Secretariat to the HoC Troika (draft ToRs see annex). Forum where representatives of Working Groups (GWG, PMG, Budget, PER Macro) meet with HoC Troika economists
- 13 Selective sourcing process from existing groups to be guided and specified by coordination group

(LGR, Local Government Reform ; PSR, Public Sector Reform ; PFM, Public Financial Management; PSD, Private Sector Development)

Roles and Responsibilities

Dialogue and performance with GoT is assessed jointly by PRBS donors and GoT using a Performance Assessment Framework (PAF). A review of performance is undertaken twice yearly.

GoT has clearly stated that its preferred modality for ODA transfer to Tanzania is General Budget Support with the 2nd generation PRS likely to provide an ideal opportunity for development partners to support poverty reduction through this approach.

In order to organise the forthcoming work, draft Terms of Reference for the Troika and for the Secretariat have been established:

Draft ToRs HoC Troika

Objective

The HoC Troika+ will be responsible for steering the coordination process and will be the main interlocutors – on behalf of all PRBS donors – for higher level GOT officials and policy makers with respect to the provision of Budget Support.

The HoC Troika+ will coordinate with their technical experts the organisation of the on-going work and for the reviews.

The Troika+ will consist of the current and incoming PRBS leads: Norway (2004/05), Sweden (2005/06) and Switzerland (2006/07) and the World Bank.

The coordination group (draft ToRs see below) will provide the necessary organisational support to the HoC Troika+ and their technical experts.

Key responsibilities for the HOC include:

- Set the strategic direction of the PRBS and guide its implementation. The strategic direction concerns the challenges to the design, the graduated response mechanism, scope of the PAF, front loading of disbursements, etc. ;
- Conduct core high level policy dialogue with GoT on the budget support process;
- Assess the overall performance against the PAF (or its successor), based on the assessments discussed at the technical level between GOT and DPs during reviews;
- Promote ongoing assessment of performance drawing on the range of evidence provided by existing groups and by GOT;
- Guide agreements on the PAF (or its successor) for the forthcoming year, based on inputs from the technical groups, and ensure adherence to the principles of the Partnership Framework Memorandum (PFM);
- Ensure a coherent approach toward budget support within their own agency (ie between budget support, sector and cross cutting issues) and across budget support donors;
- Promote greater harmonisation and coherence with other DPs (including the IMF) and other coordination efforts (DPG, CG, etc.);
- Coordinate harmonised analysis of fiscal risk on a rolling basis and follow up discussions with GoT;
- In liason with GoT, design and be responsible for the implementation of a communication strategy;
- Define the information needs at HOC level and coordinate them timely with the technical level / working groups;
- Carry out evaluation and lesson learning analyses.

Representation, meetings and ways of working

The HOC group should:

- Consist of the PRBS DPs, represented at HOC level or deputised. The World Bank should be permanently represented in the HOC group. The IMF should attend as observer (as long as the IMF remains outside the PRBS group).
- Meet on a monthly basis (preferably prior to DPG meetings);

- Select a troika and an annual chair at HOC level for PRBS (1 year rotating responsibility);
- Delegate to the Chair and the troika plus the responsibility to act as the main focal point for engagement with the technical level;
- Lead on making decisions on strategic development of the PRBS instrument (political level; harmonisation agenda; links to overall PRS; links to other DPs and other DP/GOT technical groups)
- Mandate the Troika+ plus to represent the group as needed, to prepare DPs decision making processes, and to chair the HOC meetings.

Draft ToRs Coordination group and Secretariat

Coordination group

The PRBS coordination group acts to support the HoC Troika + lead and is made up of the Troika + designated technicians plus identified representatives from the 4 level 1 groups (some of these may be the same person). Representatives from level 2 working groups will be drawn on as and when necessary.

A small dedicated secretariat supports the continued smooth running of the facility. The purpose and tasks of the secretariat are outlined below. The secretariat includes an economist and 1 support staff. The economist should be educated at least to Masters level and have a minimum of 3 years professional experience and exhibit good communication and team working skills.

Purpose and key tasks

The purpose of the coordination group will be to support the smooth running of the PRBS facility and to support the HoC troika +.

Coordination group

Technical input to HoC Troika

- Provide technical input to HoC on all matters of relevance to PRBS operations
- Provide input into the strategic direction of the PRBS instrument
- Undertake sifting and synthesis of issues emerging from work at levels 1 and 2

Coordinate inputs from Level 2 and Level 3 groups

- Provide link between PRBS and ongoing working groups at levels 1 and 2
- Identify key needs for PRBS operations, where information is needed to assess these actions and progress
- Analyses and synthesis information flowing from working groups and highlight key issues
- Identify any areas where additional work is needed and facilitate production of this additional work

Secretariat

Organisation and support for PRBS mid term and annual reviews

- Working with GoT and donor representatives identify suitable dates for mid term and annual reviews
- Develop and agree organisation structure for the review processes – this may include formation of flexible TWG (efforts should be made to minimise this and draw on existing structures where possible)
- Facilitate the preparation of necessary documentation for the review processes
- Circulate agenda and any documentation for the review meetings
- Take minutes of the meetings, circulate and finalise drafts

Act as an information and reference point for PRBS donors

- Maintain a catalogue of documentation related to the PRBS facility
- Circulate relevant material to the PRBS members
- Organise and resource ongoing PRBS meetings. Ensure the group meets at least once a month unless otherwise agreed
- Facilitate the development of PRBS press releases and information sharing/publicity activities

Facilitate the coordination key PRBS responsibilities

- Ensure audit work is carried out as specified in the MoU and facilitate follow-up action as required
- Work with donor partners and GoT to ensure coordination with regard Fiduciary Risk Analysis and any Evaluation of budget support and any follow-up
- Coordinate any global reporting requirements related to budget support (ie OECD questionnaires)
- Facilitate the timely reporting of projected aid flows through the PRBS/PRGF facility

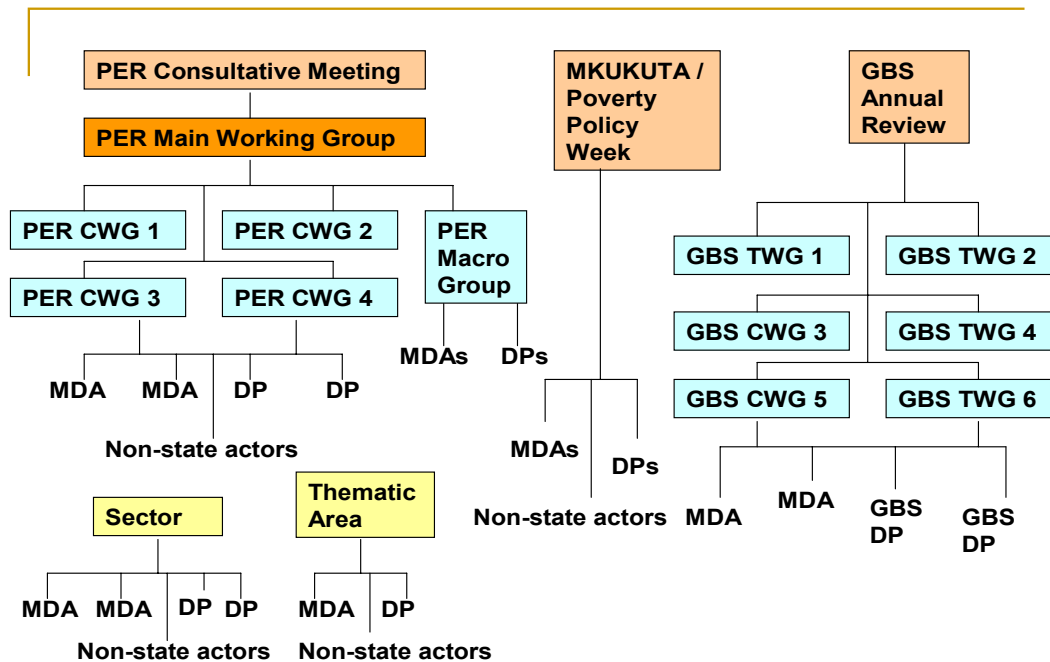
Annex 4: Annual Process cycle for different planning, budgeting and review instruments in aid management

Quiet Time shaded →	July	August	September	October	November	December	January	February	March	April	May	June
PRS	National Poverty & Human Dev't. Report	JSA (Joint Staff Assessment)	PRS Annual Review/ Progress Report	Poverty Policy Week						Participatory Poverty Assessment field work	National Poverty Analysis published	
PER	On-going PER Meetings											
	Annual Work Plan Set	TOR Circulated		Deadline for Donor Submission of Projections Data				External Review	PER Annual Meeting/ External Review Report			PER work plan
			Sector PERs & Macro Studies conducted and finalized.				Cycle of PER Sector Reviews of PER Studies/ BGs/ Budget Inputs					
GOT Budget & MTEF	Government Budget Session				Budget Guidelines Preparation				Tax Task Force	Budget and MTEF Preparation		Government Budget
							Sector Budget and MTEF Preparation					
PRBS/ PRSC			Budget Review /2		Annual Review/ Pre-Appraisal				Mid-Term Review/ Appraisals and Negotiations			
PRGF 3			IMF PRGF Mission		IMF Staff PRGF Report issued			IMF PRGF Mission	IMF Staff PRGF Report issued			
Consultative Group	CG Meeting (date to be agreed based on need)											
TAS Harmonization Process		Annual Implementation Report Issued	Group Meeting			Group Meeting			Group Meeting			Group Meeting

Annex 5: Streamlined dialogue structures, aligned to Mkukuta and Budget preparation structures

Sector and national dialogue used to take place around different processes (PER, MKUKUTA, GBS etc.), with often overlapping agendas, schedules and memberships without clear selection criteria as well as weak or unclear interlinkages. This led to high transaction costs as well as ineffective dialogue arrangements.

Figure 1. Previous dialogue structure

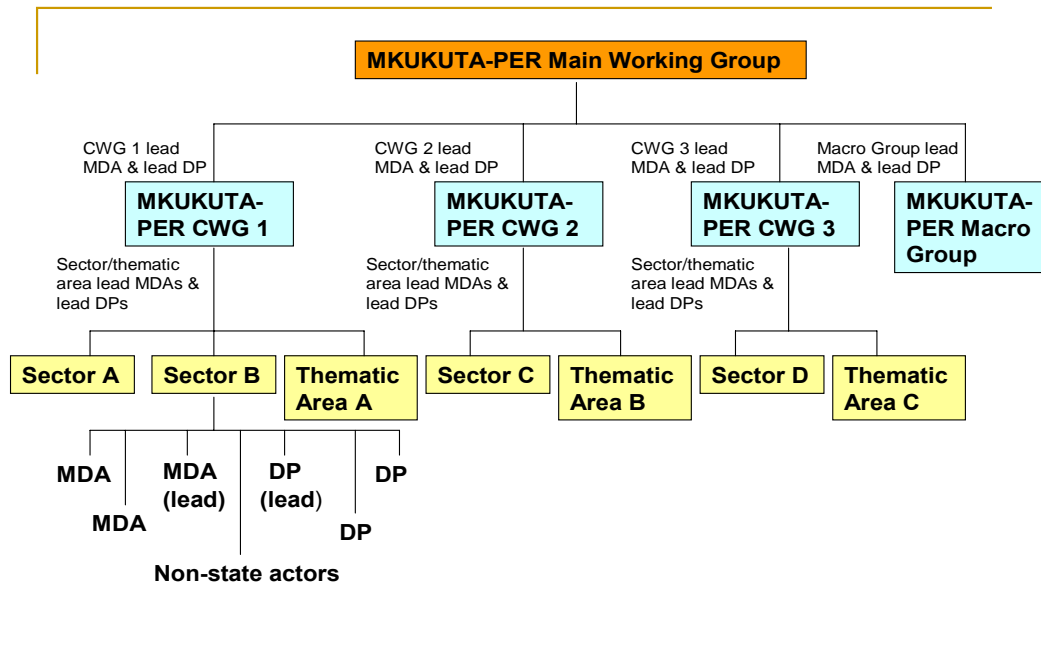


In view of these shortcomings in the existing dialogue structure, a new structure has been proposed with the following features:

- (1) Dialogue structure integrates to the greatest extent possible all existing processes, thus combining dialogue on policy and budgetary/expenditure issues.
- (2) Dialogue structure has three levels:
 - a) Sectors/thematic areas where MDAs (and active DPs) are direct members, whereby a distinction is made between internal Government dialogue and dialogue between the Government, DPs and non-state actors
 - b) 3 Cluster Working Groups (CWGs) corresponding to the three MKUKUTA clusters: (1) Growth and Income Poverty Reduction; (2) Improvement of Quality of Life and Social Well-Being; and (3) Governance and Accountability, where sectors/thematic areas are represented, as well as a MKUKUTA-PER Macro Group
 - c) MKUKUTA-PER Main Working Group where CWGs and the MKUKUTA-PER Macro Group are represented. The change of name from the previous PER Main Working Group to MKUKUTA-PER Main Working Group reflects the broadening of the dialogue agenda to include MKUKUTA and related policy issues

- (3) Sectors/thematic areas and CWGs have a lead and deputy lead MDA (and lead DP), which represent other members in dialogue at the next higher level, namely in the cluster level and Mkukuta-PER Main Working Group.
- (4) Annual Review consultative meetings will take place at sector/thematic area and national (MKUKUTA-PER) levels.

New dialogue structure



Definition of sectors and thematic areas

A sector or thematic area constitutes a thematic entity on the basis of which policies, strategies and plans are formulated and implemented and dialogue is organized. At the same time, the term sector (or thematic area) is used to refer to a group of institutions (e.g. MDAs) that are stakeholders and engage in dialogue on the thematic entity. Examples for a sector are education, water, agriculture, etc. Examples for thematic areas are governance, public financial management, etc.

Sectors and thematic areas and MDA membership

Each sector and thematic area should have a main cluster to which it belongs, even though it can contribute to different clusters. The choice of sectors and thematic areas should be based on the consideration of its appropriateness for organizing policy dialogue around it (i.e. whether it makes sense to arrange a dialogue structure around such areas / themes as public financial management, gender, social protection etc.). MDA membership in sectors and thematic areas should consist of the main MDAs, which are needed for a fruitful dialogue on policy and strategic issues, are instrumental in taking forward, overseeing and following up on the implementation of a policy or strategy across Government (e.g. a cross-cutting strategy such as the national HIV/AIDS strategy), and are able to meet on a regular basis for this purpose. Other MDAs may need to be consulted for operational matters (e.g. implementation of national HIV/AIDS strategy by all MDAs) through direct

communication between the MDAs concerned, not necessarily a sector meeting, or may be invited to sector meetings on specific issues as the need arises. They may also participate in annual sector review meetings, which are attended by a wide range of stakeholders. Such an arrangement of dialogue between members of a sector/thematic area and other MDAs will also allow for dealing with cross-cutting issues.

Each sector and thematic area should have one lead MDA and one deputy lead, which are responsible for the coordination of activities and dialogue within the sector / thematic area.

Proposed classification

Sectors

1. Agriculture (including Livestock)
2. Industry and Trade (including Private Sector Development)
3. Water (incl. Sanitation)
4. Energy and Minerals
5. Natural Resources and Tourism
6. Infrastructure (including ICT and Transportation)
7. Health
8. Education
9. Legal (including Public Safety and Home Affairs, Humanitarian Assistance & Refugees)
10. Lands and Human Settlements Development

Thematic Areas (incl. cross-cutting areas)

1. Governance (incl. Public Service Reform Programme and Local Government Reform Programme, domestic accountability, anti-corruption)
2. Macroeconomic Management
3. Public Financial Management
4. Environment
5. Gender
6. Employment
7. HIV/AIDS
8. Social protection
9. MKUKUTA Monitoring System

Cluster working groups

MKUKUTA-PER CWG 1 – MKUKUTA Cluster 1

1. Agriculture (including Livestock)
2. Industry and Trade (including Private Sector Development)
3. Energy and Minerals
4. Natural Resources and Tourism
5. Lands and Human Settlements Development
6. Infrastructure (including ICT and Transportation)
7. Employment
8. MKUKUTA Monitoring system

MKUKUTA-PER CWG 2 – MKUKUTA Cluster 2

1. Education
2. Water (incl. Sanitation)
3. Health
4. HIV/AIDS
5. Social protection

6. MKUKUTA Monitoring system

MKUKUTA-PER CWG 3 – MKUKUTA Cluster 3

1. Legal (incl. Public Safety and Home Affairs)
2. Governance (incl. Public Sector Reform Programme and Local Government Reform Programme, domestic accountability, anti-corruption)
3. Public Financial Management
4. Gender
5. Environment
6. MKUKUTA Monitoring system

MKUKUTA-PER Macro Group

1. Macroeconomic Management

MDA membership in Sectors

Agriculture (including Livestock)

- Ministry of Agriculture, Food Security & Cooperatives (Leader)
- Ministry of Livestock Development (Deputy Leader)
- Ministry of Water
- Ministry of Industry, Trade and Marketing
- Ministry of Labour, Employment and Youth Development
- Ministry of Infrastructure Development
- Prime Minister's Office – Regional Administration and Local Government
- Ministry of Lands, Housing and Human Settlements Development
- Ministry of Planning, Economy and Empowerment

Industry and Trade (including Private Sector)

- Ministry of Industry, Trade and Marketing (Leader)
- Ministry of Planning, Economy and Empowerment (Deputy Leader)
- Ministry of Agriculture, Food Security & Cooperatives
- Ministry of Labour, Employment and Youth Development
- Ministry of Infrastructure Development
- Ministry of East African Cooperation
- Ministry of Finance
- Ministry of Foreign Affairs and International Cooperation
- Ministry of Energy and Minerals
- Ministry of Livestock Development

Water (incl. Sanitation)

- Ministry of Water (Leader)
- Vice President's Office – Environment (Deputy Leader)
- Ministry of Agriculture, Food Security & Cooperatives
- Ministry of Health and Social Welfare
- Ministry of Energy and Minerals
- Ministry of Lands, Housing and Human Settlements Development
- Ministry of Natural Resources and Tourism
- Ministry of Livestock Development
- Ministry of Community Development, Gender and Children
- Prime Minister's Office – Regional Administration and Local Government
- Ministry of East African Cooperation

Energy and Minerals

- Ministry of Energy and Minerals (Leader)
- Ministry of Industry, Trade and Marketing (Deputy Leader)
- Ministry of Labour, Employment and Youth Development
- Ministry of Water
- Ministry of Lands, Housing and Human Settlements Development
- Vice President's Office – Environment
- Ministry of Planning, Economy and Empowerment
- Ministry of Finance

Natural Resources and Tourism

- Ministry of Natural Resources and Tourism (Leader)
- Vice President's Office – Environment (Deputy Leader)
- Ministry of Water
- Ministry of Labour, Employment and Youth Development
- Ministry of Lands, Housing and Human Settlements Development
- President's Office – Branding Unit
- Ministry of Information, Culture and Sports
- Ministry of Community Development, Gender and Children
- Prime Minister's Office – Regional Administration and Local Government
- Ministry of Agriculture, Food Security and Cooperatives

Infrastructure (incl. ICT and Transportation)

- Ministry of Infrastructure Development (Leader)
- Ministry of Planning, Economy and Empowerment (Deputy Leader)
- Prime Minister's Office – Regional Administration and Local Government
- Ministry of Agriculture, Food Security and Cooperatives
- Ministry of Lands, Housing and Human Settlements Development
- Ministry of Industry, Trade and Marketing
- Ministry of East African Cooperation
- Ministry of Higher Education, Science and Technology

Health

- Ministry of Health and Social Welfare (Leader)
- Prime Minister's Office – Regional Administration and Local Government (Deputy Leader)
- Prime Minister's Office / TACAIDS
- Ministry of Community Development, Gender and Children
- Ministry of Education and Vocational Training
- Ministry of Water
- Ministry of Livestock Development

Education

- Prime Minister's Office (Leader)
- Ministry of Education and Vocational Training (Deputy Leader)
- Ministry of Higher Education, Science and Technology
- Prime Minister's Office – Regional Administration and Local Government
- Ministry of Community Development, Gender and Children
- Ministry of Labour, Employment and Youth Development
- Ministry of Information, Culture and Sports
- Ministry of Health and Social Welfare

Legal (incl. Public Safety and Home Affairs, Humanitarian Assistance & Refugees)

- Ministry of Justice and Constitutional Affairs (Leader)
- Ministry of Public Safety and Security (Deputy Leader)
- Ministry of Home Affairs

- President's Office – Good Governance Coordination Unit
- Ministry of Foreign Affairs and International Cooperation
- Prime Minister's Office
- Ministry of East African Cooperation
- Prime Minister's Office – Regional Administration and Local Government
- President's Office – Prevention of Corruption Bureau
- Commission on Human Rights and Good Governance
- Ministry of Defense and National Service

Lands and Human Settlements Development

- Ministry of Lands, Housing and Human Settlements Development (Leader)
- Prime Minister's Office – Regional Administration and Local Government (Deputy Leader)
- Ministry of Justice and Constitutional Affairs
- Vice President's Office - Environment
- Ministry of Agriculture, Food Security and Cooperatives
- Ministry of Community Development, Gender and Children
- Ministry of Water
- Ministry of Livestock Development
- Ministry of Energy and Minerals
- Ministry of Natural Resources and Tourism

MDA membership in Thematic Areas

Governance (incl. Public Service Reform Programme and Local Government Reform Programme, domestic accountability, anti-corruption)

- President's Office – Good Governance Coordination Unit (Leader)
- President's Office – Public Service Management (Deputy Leader)
- President's Office – Prevention of Corruption Bureau
- Prime Minister's Office
- Prime Minister's Office – Regional Administration and Local Government
- National Electoral Commission
- Ministry of Justice and Constitutional Affairs
- Ministry of Foreign Affairs and International Cooperation
- Ministry of Home Affairs
- Ministry of Public Safety and Security
- President's Office - Ethics Secretariat
- Commission for Human Rights and Good Governance

Macroeconomic Management

- Ministry of Planning, Economy and Empowerment (Leader)
- Ministry of Finance (Deputy Leader)
- President's Office – President's Economic Policy Advisory Unit
- Tanzania Revenue Authority
- Bank of Tanzania
- National Bureau of Statistics

Public Financial Management

- Ministry of Finance (Leader)
- National Audit Office (Deputy Leader)
- President's Office – Public Service Management
- Prime Minister's Office – Regional Administration and Local Government
- Joint Finance Commission

- President's Office – Prevention of Corruption Bureau
- Public Procurement Regulatory Authority

MKUKUTA Monitoring System

- Ministry of Planning, Economy and Empowerment (Leader)
- Ministry of Finance (Deputy Leader)
- Prime Minister's Office
- Prime Minister's Office – Regional Administration and Local Government
- President's Office – Public Service Management
- National Bureau of Statistics

Environment

- Vice President's Office – Environment (Leader)
- Ministry of Natural Resources and Tourism (Deputy Leader)
- Ministry of Agriculture, Food Security & Cooperatives
- Ministry of Energy and Minerals
- Ministry of Water
- Ministry of Industry and Trade
- Ministry of Lands, Housing and Human Settlements Development
- Ministry of Community Development, Gender and Children
- Ministry of Livestock Development
- Ministry of Education and Vocational Training
- Prime Minister's Office – Regional Administration and Local Government

Gender

- Ministry of Community Development, Gender and Children (Leader)
- Ministry of Justice and Constitutional Affairs (Deputy Leader)
- Ministry of Labour, Employment and Youth Development
- Ministry of Education and Vocational Training
- Commission for Human Rights and Good Governance
- President's Office – Public Service Management

Employment

- Ministry of Labour, Employment and Youth Development (Leader)
- Ministry of Planning, Economy and Empowerment (Deputy Leader)
- Ministry of Industry, Trade and Marketing
- Ministry of Agriculture, Food Security and Cooperatives
- Ministry of Justice and Constitutional Affairs
- Ministry of Community Development, Gender and Children
- Ministry of Energy and Minerals
- Ministry of Livestock Development
- Ministry of Education and Vocational Training
- Ministry of Higher Education, Science and Technology
- President's Office – Public Service Management
- Prime Minister's Office – Regional Administration and Local Government

HIV/AIDS

- Prime Minister's Office (Leader)
- Ministry of Health and Social Welfare (Deputy Leader)
- TACAIDS
- Prime Minister's Office – Regional Administration and Local Government
- Ministry of Community Development, Gender and Children
- Ministry of Education and Vocational Training

- Ministry of Labour, Employment and Youth Development
- Ministry of Information, Culture and Sports

Social protection

- Ministry of Health and Social Welfare (Leader)
- Ministry of Labour, Employment and Youth Development (Deputy Leader)
- Ministry of Planning, Economy and Empowerment
- Ministry of Community Development, Gender and Children
- Ministry of Education and Vocational Training
- Ministry of Finance
- Prime Minister's Office – Regional Administration and Local Government
- Prime Minister's Office
- Ministry of Justice and Constitutional Affairs
- Ministry of Agriculture, Food Security and Cooperatives

Annex 6: Disbursement arrangements for inclusion in Exchequer system

From: OECD: Monitoring the Paris Declaration on Aid Effectiveness, Document 5: Definitions and Guidance.

http://www.oecd.org/document/52/0,2340,en_2649_15577209_36162932_1_1_1_1,00.html

<p>Example 1: National budget execution procedures in Tanzania</p>	<p>Depositing cash funds for projects implemented by Ministries:</p> <p>(i) Donors will initially deposit funds in Account Number 13:99 which is at the Bank of Tanzania (this account is able to accept any currency).</p> <p>(ii) The donors will then notify the Treasury of the deposit made. This notification will be copied to the relevant ministry of the implementing agency and will indicate: (a) project account number; (b) project name; (c) any other relevant details.</p> <p>(iii) The notification will prompt the relevant Ministry to submit to the Treasury a TFN 358 Form duly filed. This form is a request to transfer funds from Account 13:99 to the relevant Ministry where the project is located. This form shall be submitted to the Budget Division of the Ministry of Finance (...)</p> <p>(iv) The Budget Division, after confirming with the Accountant General's department on the availability of funds, will issue a release warrant (...).</p> <p>(v) Upon receipt of the release warrant, the Accountant General will cause a transfer of funds to be made from Account 13:99 to Account 17:88 (Exchequer Development Account) from where an Exchequer Issue Notification will be issued to the relevant Ministry. This action ensures that Development Partners flows are entered into the Integrated Financial Management System.</p> <p><i>Source: A Practical Guide to Using the Government of Tanzania Exchequer System (May 2005)</i></p>
<p>Example 2: National budget execution procedures in Tanzania</p>	<p>Direct Disbursements to the Project and 'In Kind' Assistance</p> <p>There are instances where donors disburse directly to the project or provide in-kind assistance (donor procurement, recruitment of consultants, project staff engaged at the donor office). [...] The Government is encouraging all donors to route their resources through the Exchequer (as elaborated above). However, where direct disbursements occur, the procedure used to account for such transactions is as follows:</p> <p>(i) The donor disburses funds or provides goods or services directly to the project.</p> <p>(ii) The project then reports on the amounts, goods, services or equipment value received to the relevant MDA with relevant supporting evidence of the disbursements and purchases.</p> <p>(iii) The MDA raises a TFN 358 application form in the normal manner. However, since expenditure has in this case been already made, copies of payment vouchers and other supporting documents will be attached to the TFN 358 (...).</p> <p>(iv) The Budget Division, upon satisfying itself, will grant a release warrant to the Accountant General.</p> <p>(v) The Accountant General will now issue a Dummy Exchequer Issue Notification (for record purposes only since there is no actual cash outflow) and such issuance will be recorded in the Integrated Financial Management System. At this stage, the expenditure will now have been incorporated in the Government Accounts.</p> <p><i>Source: A Practical Guide to Using the Government of Tanzania Exchequer System (May 2005).</i></p>

Annex 7: Disbursements by aid modality, Quarter 3 2006/7

