UNITED REPUBLIC OF TANZANIA

GENERAL BUDGET SUPPORT ANNUAL REVIEW 2008

FINAL REPORT

Ministry of Finance and Economic Affairs
P.O.Box 9111
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Abbreviations and Acronyms

BARA	Business Activities Registration Act
BEST	Business Environment Strengthening for Tanzania
CPI	Consumer Price Index
DPP	Director of Public Prosecution
DPs	Development Partners
EITI	Extractive Industries Transparency Initiative
EPA	External Payment Arrears
FDI	Foreign Direct Investment
GBS	General Budget Support
GoT	Government of Tanzania
HBS	Household Budget Survey
IFMS	Integrated Financial Management System
M&E	Monitoring and Evaluation
MDAs	Ministries, Departments and Agencies
MKUKUTA	Mkakati wa Kukuza Uchumi na Kupunguza Umaskini
MOFEA	Ministry of Finance and Economic Affairs
MP	Member of Parliament
NBS	National Bureau of Statistics
NSAs	Non State Actors
PAF	Performance Assessment Framework
PCCB	Prevention and Combating Corruption Bureau
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PETS	Public Expenditure Tracking System
PFM	Public Finance Management
PFMRP	Public Financial Management Reform Programme
PMORALG	Prime Minister's Office – Regional Administration and Local Government
PO-PSM	Presidents' Office – Public Service Management
PPRA	Public Procurement Regulatory Authority
PRBS	Poverty Reduction Budget Support
R&D	Research and Development
SACCOS	Savings and Credit Cooperative Societies
TPAs	Temporary Process Assessment
VFM	Value for Money

1. EXECUTIVE SUMMARY

The Annual Review of General Budget Support (GBS) for 2008 was held from 24th – 27th November 2008 at the Blue Pearl Hotel, Ubungo Plaza; concluding the dialogue organized around Cluster Working Group meetings that was launched in April 2008.

The GBS Annual Review assesses the Government and Development Partners' performance against the jointly agreed Partnership Framework Memorandum (PFM) signed in 2006, in particular the Government's commitment to promote high economic growth and reduce poverty through implementation of MKUKUTA, and the Development Partners' commitment to provide financial assistance to that end. The assessment also includes the jointly agreed Performance Assessment Framework (PAF Matrix), which draws indicators from the MKUKUTA and other national processes.

The Annual Review facilitated completion of the 2008 PAF Matrix assessments which led to the selection of Key Issues that were discussed at the Review meeting.

An assessment of the implementation of the PAF for 2008 showed, that 19 out of 24 sector and thematic reviews were assessed as satisfactory and that 17 out of 31 Temporary Process Actions (TPAs) had been achieved. In addition, 15 out of the 26 annual targets for outcome indicators assessed in 2008 were assessed to be on track. The assessment of the PAF matrix concluded that Tanzania has made good progress in achieving its education and health targets, although there is room for improvement in the quality of education and health services. The Review also noted positive recent progress in tackling cases of grand corruption. However, progress on agriculture, energy, infrastructure, the investment climate, and the core reforms (PFMRP, LGRP and LSRP) has not been sufficient, and the Household Budget Survey 2007 gave clear indications that there has not been a significant reduction in income poverty over the past six years. The business climate – for the agriculture sector and for businesses more generally – was singled out as an area where more urgent and determined reform was needed. Lack of progress on public financial management reform was also a very significant concern for Development Partners and Government launched the next phase of its PFM Reform Programme during the Annual Review.

Challenges identified during the assessment of the implementation of the 2008 PAF, led to the identification of the following four key issues: The Budget Strategy in a changing Macroeconomic Framework; Enabling Investment Climate with a special focus on Agriculture; Equity and Efficiency in Service Delivery, and Challenges in Combating Corruption. Constructive discussions were held on each of these key issues.

Through the discussion of these key issues, the GBS Review has been concluded by a joint agreement on the PAF for 2009, which aims to address key challenges to further strengthen growth and poverty reduction. In addition, the discussion on the key issues led to the following jointly agreed messages which will also serve as input to the FY08/09 MKUKUTA dialogue:

Poverty session

1. Agreed that MAIR is a useful tool for reporting performance of MKUKUTA implementation.
2. Timeline for preparation of MKUKUTA II and MKUZA II to be included in GBS Annual Review Report.
3. Agreement that Tanzania Statistical Master Plan is key to a strengthened statistical system to improve reporting and that it requires support of both the GoT and DPs through a pooled fund mechanism.
4. The NBS has indicated that it will rebalance and rebase the National Accounts and CPI in 2009.
5. Agreement that HBS data shows that income poverty has declined slightly and that deeper analysis is required to better inform policy.
6. Agreed that "it is time to press for a greater momentum towards broad-based economic growth and poverty reduction. Reforms that have been implemented, have not been sufficient to make a big impact on poverty reduction especially income poverty".

Budget strategy in a changing macro-economic framework

1. Strengthen dialogue in the PER process. Concrete action plan to be approved by PER Main by January 2009.
2. PER Macro Group to establish and monitor Medium-term commitments of foreign aid on a quarterly basis and carry out a study of basket funds; with the aim of improving the predictability of foreign funds.
3. Increase growth-orientation of budget by increasing share of investment and controlling wage bill.
4. MOFEA and few selected MDAs agree on and implement cash flow and procurement plans.
5. Agree on IFMIS action plan by January 2009.
6. Ensure strengthened management of PFMRP.

Enhancing investment climate and accelerating agricultural transformation

1. Need to strategically address issues of agriculture finance particularly financing of small holder farmers as a way of transforming the sector. Finalize the Rural Financial Services Strategy and put in place agreed measures to strengthen management, supervision and regulation of Savings and Credit cooperatives (SACCOS).
2. Improve the investment climate in agriculture to facilitate private sector activities including the regulatory framework and the structure of local taxes

3. Design and implement private sector friendly schemes for seed, fertilizers and extension services.
4. Completion of Land Registry and Land Information Assessment Study by October 2009 and agreement on Action Plan to implement the study by December 2009 so as to inform the improvement of the Land registry and land registration services.
5. Agreed on the need to re-energize the implementation of BEST and the need to develop an action plan agreeable to all stakeholders including the private sector before the World Bank Mid Term Review in May 2009.
6. Irrigation policy to be operationalized by October, 2009.

Equity and efficiency in service delivery

1. Agreed that there is a significant need for local level incentive packages to ensure that new staff are attracted and retained. This could be funded via additional transfers to underserved districts.
2. The government has identified the review of the Medium Term Pay Policy as an entry point to addressing inequity in the distribution of human resources in Tanzania.
3. MoFEA and Po-PSM has agreed to work together to eliminate delays in the payment of new staff salaries.
4. An inter-Ministerial task force will develop a roadmap to implement the outcomes discussed and agreed on the basis of the approved and revised medium-term pay policy.

Challenges in combating corruption

1. Increased transparency and the right to information are crucial. GoT shall look into ways for further developing transparency through legislation, including Public Leadership Code of Ethics Act, Political Parties Financing Act and Right to Information Act.
2. Corruption is a worldwide phenomenon requiring joint action. While Government has the main responsibility, Development Partners should be supportive and also provide timely mutual legal assistance when requested.
3. GoT continues to process and formally join EITI but need to customize to reflect Tanzania conditions.
4. Need to further strengthen the capacity of key anti-corruption institutions.
5. An M & E framework for anti-corruption activities is developed by GoT in collaboration with key stakeholders. A dialogue framework for strengthened dialogue between Government and Development Partners on anti-corruption to be developed.

Based on the review of the implementation of the PAF for 2008, and on the agreements on the way forward, the joint assessment is that overall the 2008 GBS Annual Review was moderately satisfactory. Government and Budget Support Partners recognize that a rapid acceleration in implementation of the MKUKUTA and the PAF is needed if Tanzania is to achieve its objectives in the three clusters of the MKUKUTA: growth, social well-being and governance.

2. Introduction and context

The opening session of the Annual Review included the opening speech by the Minister for Finance and Economic Affairs, Hon. Mustapha Mkulo (MP) and a speech by the chair of the group of Budget Support Partners, the Danish Ambassador to Tanzania, H.E Bjarne H. Sørensen (see Annex 2 and 3).

The opening session also included a presentation of the 2008 Paris Declaration Survey results outlining progress in monitoring the Paris Declaration in Tanzania. The survey was undertaken from January to March 2008. The Joint (GOT/DPs) task force managed the overall process of the survey and a total of 33 donor agencies including the 12 UN agencies participated in the exercise. Some of the main areas of improvement highlighted from the survey were increased use of Tanzania's public financial management and procurement systems by Development Partners, joint missions and joint analytical work. Other Paris-indicators have displayed less progress. These include aid predictability as well as aligning aid flows with national priorities. This lack of progress is mainly caused by the use of other aid modalities than GBS. In this respect GBS demonstrated one of its main strengths, namely the use of country systems and priorities, thereby increasing the national ownership of development issues.

The Annual Review also allowed Development Partners to take stock of progress in implementing the PAF 2008 and the MKUKUTA based on input from the Household Budget Survey 2007 (see section 3 and 4). The recently published Household Budget Survey (HBS) 2007 demonstrated that reforms have not been sufficient to ensure a big impact on the reduction of income poverty. The HBS showed a decrease in income poverty by only 2% from 2001 to 2007, and that Tanzania is off-track in achieving the MDG of halving poverty by 2015. Based on results from the HBS being below expectations the challenges for faster reduction of poverty was chosen as the overarching theme for the 2008 GBS Annual Review.

To address the specific challenges identified by the assessment of the PAF 2008 and the MKUKUTA for sustainable growth and poverty reduction the remaining part of the 2008 GBS Annual Review was structured around 4 key issue sessions: (1) The Budget Strategy in a changing Macroeconomic Framework; (2) Enabling Investment Climate with a special focus on Agriculture; (3) Equity and Efficiency in Service Delivery; and (4) Challenges in Combating Corruption (see section 5-8).

The Annual Review was concluded by the agreements mentioned in the executive summary, a joint press statement and closing speeches by Deputy Minister, Hon. Omar Yussuf Mzee (MP) and The Danish Ambassdor to Tanzania, H.E Bjarne H. Sørensen.

All presentations from the 2008 Annual GBS Review can be found on http://www.prbstanzania.org.

3. PAF 2008 Implementation

A presentation on the implementation of the PAF 2008 was made by Mr. Ramadhan Khijjah –at the time of the Annual Review, Deputy Permanent Secretary in the Ministry of Finance and Economic Affairs. The presentation was organized around a number of key issues including: the PFM monitoring framework and reporting, the overall assessment, underlying processes (sector reviews), temporary process actions as well as on the outcome indicators, including brief remarks on the GBS and its underlying principles. An assessment of the implementation of the PAF for 2008 showed, that 19 out of 24 sector and thematic reviews were assessed as satisfactory and that 17 out of 31 Temporary Process Actions (TPAs) had been achieved. In addition, 15 out of the 26 annual targets for outcome indicators assessed in 2008 were assessed to be on track. For the first time, this year's PAF managed to include the annualized targets which enable one to make assessment of progress towards achieving MKUKUTA targets each year. The overall PAF 2008 assessment was based on a cluster by cluster assessment of progress in sectors and thematic areas.

Table 3.1 Overview of the PAF 2008 Implementation presented at the 2008 GBS Annual Review

		Responsible	**Status/ Assessment**
CLUSTER WORKING GROUP 1		**RATING: GoT SATISFACTORY/ DPs UNSATISFACTORY**	
	UNDERLYING PROCESSES		
	Energy Sector Review	MEM	**SATISFACTORY**
	Annual Infrastructure Sector Review	MoID	**SATISFACTORY**
	Agricultural Sector Review	MAFS	**SATISFACTORY**
	BEST Programme Review	PMO, BEST (MITM)	**UNSATISFACTORY**
	Financial Sector Reform Programme Review	BOT	**SATISFACTORY**
	Tax Modernization Programme Review	TRA	**SATISFACTORY**
	TEMPORARY PROCESS ACTIONS		
CWG 1	Government will produce poverty estimates in June 2008 based on the Household Budget Survey, and undertake a National Panel Survey in 2008/09 as a pilot which will give the indication of the frequency of poverty estimates.	NBS	**Achieved**
CWG 1	Government adopts the Power System Master Plan	MEM	**Not achieved**

	by September 2008		
CWG 1	Further progress in Implementation of TANESCO Financial Recovery Plan by the Government ,taking all necessary actions regarding: (i) TANESCO's signing of the EPC contract for conversion of the IPTL plant from HFO to gas firing by October 2008:and	MEM	**Not Assessed**
	(ii) Any additional measures that may be required to strengthen TANESCO's revenue base, as appropriate by October 2008.	MEM	**Achieved**
CWG 1	Electricity Bill submitted to Parliament By November 2008	MEM	**Achieved**
CWG 1	Power Sector Reform Strategy adopted by Government by March 2008	MEM	**Not achieved**
CWG 1	Framework for PPP in the entire Transport Sector finalized and approved by September 2008	MoID	**Achieved**
CWG 1	Road Safety Policy adopted by the Government by January 2008 and Road Safety Board in place by July 2008	MoID	**Not achieved**
CWG 1	Establish a TANROADS Board based on the Roads Act by end February 2008	MoID	**Achieved**
CWG 1	Amendment of Legislation for all Crop Boards by June 2008	MAFS	**Not achieved**
CWG 1	Business Activities Registration Act subsidiary regulations consistent with one-stop-shop good practice approved by April 2008	BEST (PMO, MITM)	**Not achieved**
CWG 1	Programme implementation document for Diagnostic Trade Integration Study	MITM	**Achieved**

	(DTIS) approved		
CWG 1	Collect information and report on transparent and accountable systems of licenses/concession allocations and how this meets market values in the Forestry, Fisheries, Wildlife, Minerals and Oil & Gas sectors	MEM,MNRT,MLD & FISHERIES	**Achieved**
	OUTCOME INDICATORS[1]		
	Annual Poverty Incidence		**N/A**
	% of population with access to electricity	MEM	Baseline 2005: 8.2% Target 2008: 11% Status 2008: 9.8% Target 2009: 10.9% **Off-Track**
	Total electricity generating capacity and utilization	MEM	Baseline 2005: 62% Target 2008: 77% Status 2008: 75% Target 2010: 85% **Off-Track**
	% of Trunk and Regional roads network in good and fair condition	MoID	Baseline good and fair 2005: 82% Good Roads Target 2008: 56% Status 2008: 56% Target 2009: 67% Fair Roads Target 2008:28% Status 2008:34% Target 2009: 25% **On Track**
	% of rural roads that are passable (good and fair condition)	MoID	Baseline 2005: 50% Target 2008: 58% Status 2008: 57% Target 2009: 60% **On Track**
	Time Taken for Import Container from off – loading until clearing from port	MoID	Baseline 2005: 20.1 days Target 2008: 18 days Status 2008:23 days Target 2009:18 days **Off -Track**
	Reduction of income poverty in rural population (measured by annual agriculture GDP growth)	MAFS	Baseline 2005: 4.3% Target 2007: 6.6 % Status 2007: 4%, Target 2010: 7% **Off-Track**
	Number of LGA's qualifying		Baseline 2006: 84

	for top up grants (in addition to base grants) according to agreed performance criteria	MAFS	Target 2008: 107 Status 2008: 127 Target 2010: 132 **On Track**
	Enabling environment for private sector lead growth improved as reflected in "Doing Business" ranking	PMO	Baseline 2005: 150 Status 2007: 130 Target 2008: N/A Status 2008: 130, Target 2010: 110 **Off-Track**
	Total Value of Revenue received from concessions and licences for forestry (Traffic Report Districts)		Not Assessed in 2008
CLUSTER WORKING GROUP 2			**RATING: SATISFACTORY**
	UNDERLYING PROCESSES		
	Implementation of the National Environment Management Act, 2004	VPO- Environment	**SATISFACTORY**
	Health Sector Review	MHSW	**SATISFACTORY**
	National Multisectoral Strategic Framework for HIV/AIDS Bi-Annual Review	TACAIDS	**SATISFACTORY**
	Education Sector Review	PMO	**SATISFACTORY**
	Water Sector Review	MoW	**SATISFACTORY**
	TEMPORARY PROCESS ACTION		
CWG 2	A preliminary State of Environment reporting system in place before GBS Annual Review 2008	VPO- Environment	**Achieved**
CWG 2	National Social Protection Framework adopted by Government by June 2008	MOFEA	**Not achieved**
CWG 2	Updating the 2006/07 Health Sector Performance Report by January 31, 2008	MoHSW	**Achieved**
CWG 2	Health Sector Performance Report for 2007/08 produced and disseminated by end August 2008.	MoHSW	**Achieved**
CWG 2	By September 2008, agree on education sector performance report on the basis of an agreed sector monitoring tool	MoEVT	**Achieved**
CWG 2	By January 2008,		

	agreement on a calendar of key education sector meetings	MoEVT	**Achieved**
CWG 2	Submission to Parliament Water Bill by end of first quarter 2008[1]	MoW	**Not achieved**
	OUTCOME INDICATORS[1]		
	% of solid waste collected in DSM (amount collected)	VPO- Environment	Target 2008: 40– 60% Status 2008: 40-60% **On Track**
	Number of Districts Allocating Budget to EMA	VPO- Environment	No target for 2008, Status 2008: 11 Target 2009: 50 No assessment in 2008
	Number of Environmental Focal Points Appointed at the District Level	VPO- Environment	No target for 2008, Status 2008:52 Target 2009: 100 No assessment in 2008
	Net primary school enrolment	MoEVT	Baseline 2005: 94.8% Target 2008: 97.7% Status 2008: 97.3% Target 2010: 99% **Off-Track**
	Transition Rate from Standard VII to Form I	MoEVT	Baseline 2005: 36.1% Target 2008: 49% Status 2008:56.7% Target 2010: 50 **On Track**
	Gross Enrolment Ratio at Higher Education	MoEVT	Baseline 2002: 0.27% Target 2008:1.3% Status 2008: 1.23% Target 2009: 1.6% MKUKUTA Target 2010: 6% **Off-track**
	Qualified Teacher Ratio in Primary School	MoEVT	Baseline 2007: 73:1 Target 2008: 73:1 Status 2008: 63:1, Target 2010: 62:1 **On Track**
	Percentage of the population that has access to clean and safe water from a piped or protected source	MoW	Baseline 2005: Rural 53%, Urban 73% Target 2008: Rural 58.7%, Urban 82% Status 2008: Rural 57.1%, Urban 79.9% Target 2010: Rural 65%, Urban 90% **Off-Track**
	National HIV/AIDS		Baseline 2003/2004: 4%

[1] Government Process have been completed

	prevalence in the 15-24 years age group	TACAIDS	Target 2008: 4% Status 2008: 15-19 years (1%), and 20-24 years (4.3%) **On Track**
	Proportion of children under 2 years that receive three doses of vaccine against diphtheria, pertussis, tetanus and Hep B	MoHSW	Baseline 2005: 81% Target 2008: 85% Status 2008: 85% Target 2010: 85% **On Track**
	Proportional of Births Attended by a Skilled Health Workers	MoHSW	Baseline 2004/05: 41% Target 2008: 65% Status 2008: 51% Target 2009: 60% **On Track**
	TB Treatment Completion Rate	MoHSW	Baseline 2005: 82.6% Target 2008: 80% Status 2008: 84.8% Target 2009: >80% **On Track**
	Number of People with Advanced HIV Infection Receiving Antiretroviral Combination Therapy (ARVs)	MoHSW	Baseline 2006: 60,000 Target 2008: 110,000 Status 2008: 193,978 Target 2009: 250,000 **On Track**
CLUSTER WORKING GROUP 3			**RATING: SATISFACTORY**
	UNDERLYING PROCESSES		
	Quality of consultations between Government and domestic stakeholders on the implementation of the MKUKUTA	GGCU	**SATISFACTORY**
	Executive's Accountability to Parliament (assessment criteria- Government reports submitted to the Parliament)	PMO- Government Business Coordination Dept	**SATISFACTORY**
	NACSAP II and anti-corruption	Good Governance Coordination Unit	**SATISFACTORY**
	PSRP Review	PO-PSM	**MODERATELY SATISFACTORY**
	LSRP Review	MOJCA	**UNSATISFACTORY WITH A CLEAR POSITIVE TREND**
	LGRP Review	PMO-RALG	**UNSATISFACTORY WITH POSITIVE TRENDS**
	TEMPORARY PROCESS ACTIONS		
CWG 3	A minimum of 5 grand corruption cases are either	PCCB, MOJCA	**Achieved**

	ready for prosecution or have been dismissed for reasons which have been made public by September 2008		
CWG 3	Pay Reform: A revised Medium-Term Pay Policy is adopted by Government by December 2008 as the basis for reform of pay and allowances. Draft available by October 2008	PO-PSM	**Not achieved**
CWG 3	Government to develop and implement a comprehensive capacity development and technical assistance programme for the LSRP's implementing institutions including link officers	MOJCA	**Achieved**
CWG 3	Government to implement the LSRP MTS Coordination and Monitoring Structure as agreed with the LSWG	MOJCA	**Not achieved**
CWG 3	Fast track harmonisation of channels of funding to LGAs from central government, DPs and NGOs.	MOFEA (Budget Dept)	**Not achieved**
CWG 3	Simplify GoT budget structure to make central local transfers more transparent, easy to monitor and on time.	MOFEA (Budget Dept)	**Partially achieved**
	OUTCOME INDICATORS[1]		
	Number of grand corruption cases prosecuted as a % of investigated cases proposed by PCCB to the Director of Public Prosecution	PCCB	Baseline 2007: 20% Target 2008: 20% Status 2008: 80% Target 2010: 50% **On Track**
	Percentage of outstanding court cases for 2 years or more	MOJCA	No data available to be assessed in 2009 PAF
	Percentage of total government budget allocated directly to LGAs which does not go through ministerial votes and is	PMORALG/MOFEA	Baseline 2005: 16.1% Target 2008: 21% Status 2008: 17% Target 2010: 25% **Off-Track**

	calculated on a formula basis		
	Percentage of citizens' requests for information that were met by Government	PO-PSM	No assessment in 2008 To be assessed in 2009 PAF
CLUSTER WORKING GROUP 4&5			**RATING: SATISFACTORY**
	UNDERLYING PROCESSES		
	PFM Reform Programme Review for FY 2007/08	MOFEA	**UNSATISFACTORY with some areas of progress**
	Budget Guidelines	MOFEA	**SATISFACTORY**
	Fiscal Reports (BER,QDR)	MOFEA (ACGEN, Budget Dept, PAD)	**SATISFACTORY**
	PER/PEFAR	MOFEA	**PER/PEFAR process UNSATISFACTORY** **PER MACRO/BUDGET SATISFACTORY**
	MKUKUTA Progress Reporting	MOFEA	**SATISFACTORY**
	Policy Support Instrument (PSI)	MOFEA	**SATISFACTORY**
	TEMPORARY PROCESS ACTIONS		
CWG 4	Translate new PFMRP Strategic Plan into Annual Plan for 2008-09 and present at JSC of April 2008.	MOFEA	Achieved
CWG 4	Carry-out post-implementation review of IFMS by October 2008 provided funds are made available.	NAO	Not achieved
CWG 4	Regulations under the Procurement and Supplies Professional Board Act prepared and issued (gazetted) by October 2008.	PPRA	Not achieved
CWG 4	Road map to be presented at the JSC of April 2008 on how to reach Internal Audit Standards by 2015.	MOFEA	Not achieved
CWG 4	Government to provide structured reply to the latest	MOFEA	Achieved

	NAO report by end September 2008.		
CWG 4	Approval granted by October 2008 to create a new Department of Internal Audit in the Ministry of Finance.	MOFEA	Achieved
	OUTCOME INDICATORS[1]		
	NAO reaches level 3 of AFROSAI capability model by 2010.	NAO	Target 2008:The public audit act enacted Status 2008: The public audit act was enacted on June 11 **On Track**
	Average level of compliance of procuring entities with the Procurement Act 2004 to reach 80% by 2010	PPRA	Baseline 2006/2007: 39% Target 2008: 49% Status 2008: 43% Target 2010: 65% **Off-Track**
	Cash Management Unit in ACGEN and Cash Management Committee (including both MOFEA and BOT staff) to produce updated Government's three month rolling cash flow forecast and liquidity management plan at the end of each quarter.	MOFEA	No assessment in 2008
	Approved budget broadly in line with policy objectives (MKUKUTA, sector policies)	MOFEA	No assessment in 2008
	Expenditure outturn consistent with approved budget and recurrent budget deviation reduced	MOFEA	Baseline 2005: 18% Target 2008: 16% Status 2008: 16.7% Target 2010: 10% **On track but with risk of not reaching 2010 target**
	Fiscal and monetary stability reflected by: (I)Fiscal Deficit (after grants) as % of GDP consistent with PSI targets. (II)Inflation rate consistent with PSI targets	MOFEA	Baseline 2005: 6% Target 2008: 3.5% Status 2008: 3.6% Target 2009: 4.4% **On track** Baseline 2005: 4.5% Target 2008: 7% Status 2008: 9.3% Target 2010: 5% **Off-Track**

Target 2008 is the annual target for outcome indicators included in PAF 2008. Status 2008 is the achieved result based on the most recent available data.

In Cluster 1 policy dialogue continued to improve in the reviews of most sectors. However, while there was considerable progress in financial sector reform, infrastructure, and tax modernization program, the sectors of critical importance to poverty reduction, agriculture and BEST showed a poor performance. Challenges remain in the BEST programme implementation, which was rated unsatisfactory, and also in the agriculture sector where progress in reduction of income poverty in rural population (measured by the annual agriculture GDP growth indicator) remains to be off target.

Cluster 2 in particular showed commendable progress during the past year. All underlying processes were rated satisfactory and 5 out of 7 TPAs were achieved, with an on-going process in the remaining two (the adoption of the National Social Protection Framework by Government and the submission to Parliament of the Water Bill) to complete them in due course. Outcome indicators in the Cluster also primarily showed positive trends with remaining challenges in the girls' primary enrolment being slightly below the targeted average, the percentage of population with access to clean and safe water being off track, and the proportion of births attended by skilled health workers being at risk.

In Cluster 3 the overall assessment was 'satisfactory'. Encouraging achievements were delivered in tackling corruption and enhancing accountability and these are reflected well in the assessment of Underlying Processes and Temporary Process Actions (the picture is less clear with a lack of data for Outcome Indicators). However, there are significant concerns about the pace and progress of the Core Reforms. Both Local Government and the Legal Sector were assessed as 'unsatisfactory with a positive trend', whilst Public Service was assessed as 'moderately satisfactory' due to good progress on integrating the reform across other MDAs but concerns remain in challenges experienced relating to pay and allowances. The general picture emerging in the area of core reforms showed that more efforts are needed to improve the performance of the reforms so as to realize the intended objectives, especially in the case of PFMRP, LSRP, and BEST. GoT's delivery against the Core Reform agenda will be an area of heightened engagement and assessment over the coming year. The Budget Support model will be harder to justify if greater progress cannot be made on these essential flanking measures.

The Development Partners commentary on the progress against PAF 2008 stressed that despite good progress in some areas, particularly problems with key areas such as PFM and other core reforms has made it necessary to focus on the results and to see how GBS can best help the Government to reduce poverty and to improve the livelihoods of Tanzanians.

4. Poverty Session/Key issue Poverty; MKUKUTA Implementation and presentation of detailed poverty analysis

The poverty session informed the Annual Review on the current status of implementing the MKUKUTA and the results from the Household Budget Survey 2007. With the release of the key results from the HBS, a 7-year period during which no poverty information was available ends (the previous HBS was carried out in 2000/01). The new information was critical in informing the Annual Review of Budget Support in progress made in reducing poverty since 2000/01, but also in other outcome indicators of great relevance including inequality, and access to services (health, education, water, roads, electricity).

Presentation 1 - National Bureau of Statistic (NBS) on Key Poverty Trends
The presentation was made by the Director General of NBS, Ms. Albina Chuwa. The presentation drew on the recently published 2007 Household Budget Survey (downloadable from www.nbs.go.tz). The 2007 Household Budget Survey showed that income poverty has decreased by 2% from 35.6% in 2001 to 33.6% in 2007.

The presentation demonstrated key results from the 2007 HBS including outcomes on health, education, assets, and poverty. During the presentation it was also noted that NBS would soon finalize the Tanzania Statistical Master Plan (TSMP) and that the Tanzania National Panel Survey (NPS) is currently underway. Other key results included:

- No change in the proportion of the population consulting a health provider when sick (69%), but an increase in consultation at government facilities (55% in 2001 to 65% in 2007) as well as a small increase in the proportion of people satisfied with services in government facilities.

- A large increase in enrolment rates, both at the primary level (from 59 to 84%) and secondary (from 5 to 15%). The secondary enrolment rate remains low. The survey showed continued rise in female-headed households since 1991 from 18% to 25%

- Substantial improvements in use of 'permanent' housing materials - in all areas (Dar es Salaam/other urban areas/rural areas), although there was a decline in access to piped water.

- A decline in the use of firewood which has been offset by the increase in the use of charcoal.

- A decline in farming between 2001 and 2007, and a rise in wage employment and self-employment.

- A modest increase in households with at least one member (i) having a bank account; (ii) taking a bank loan, or (iii) participating in informal (and formal) savings groups. The overall level was still low, and mostly confined to urban areas.

- Nominal food expenditure per capita increased from TShs. 6,137 in 2001 to TShs. 11,919 in 2007, the total nominal expenditure per capita increased from TShs. 9,972 in 2001 to TShs. 20,288.

- Households in Dar es Salaam spent the lowest proportion on food (53 percent), while rural households had the highest food share (67 percent). The share of expenditure on food had declined modestly in all areas.

Presentation 2 - MKUKUTA Annual Implementation Report (MAIR)

The MKUKUTA Annual Implementation Report (MAIR) 2007/08 was presented by Mr. Sagday from the Department of Poverty Eradication-MOFEA. The primary objective of the MAIR was to take stock of progress and stimulate dialogue to inform future plans.

Highlights from the presentation:
Overall there had been positive progress with regards to employment, where over 437,205 new jobs were created (About 44% of the target). Despite economic shocks, real GDP growth increased from 6.7 percent in 2006 to 7.1 percent in 2007. The increase in real GDP growth led to an increase in per capita income to Tshs. 548,388. The manufacturing sector continued to be among the most attractive destinations of investment projects followed by tourism. In addition, inflation declined from 7.3 percent in 2006 to 7.0 percent in 2007 but was still above the target of 5.0 percent. The high inflation was mainly caused by the rise in global oil and commodity prices. Tax revenue collection as percentage of GDP had continued to increase, and credit to the private sector had grown in 2007/08, with commercial banks credit to the private sector recording an average growth rate well above the annual target.

Government in collaboration with stakeholders continued to implement various programs and reforms across social sectors with the aim of enhancing the quality of life and social wellbeing of the people – and much progress had been made within the health and education sectors. A number of issues, such as drug availability, human resources and increased population growth, pose challenges to these gains. Looking forward, the presentation called for the following measures to be further considered in order to keep the MKUKUTA implementation on track:

- Scaling up GDP growth as a way of accelerating poverty reduction.
- Focus more on development of agriculture to spur growth and enhance poverty reduction by addressing land tenure policy, small holders and commercial farmers.
- Address the energy problem by diversifying the sources with a view to promote reliability and reducing costs.
- Develop human development strategy to be informed by the demands of the labour market.
- Address the issues associated with population growth and fertility.

Presentation 3 - Poverty Analysis Study

The presentation was made by Johannes Hoogeveen from the World Bank. Most of the analysis was based on the results of the 2007 Household Budget Survey as reflected in the Rapid Poverty Assessment conducted by the DP's Poverty Monitoring Group.

Main points from the presentation were:

- The 2007 HBS was found to be comparable to the 2001 HBS and the approach to measuring poverty was found to be consistent with approaches used elsewhere in Africa.
- The 2007 Household Budget Survey showed that a decrease in income poverty by 2%, between 2001 and 2007 was small compared to countries such as Uganda, Ghana or Vietnam.
- Tanzania is even more off-track in achieving the income poverty MDG in 2007 than it was in 2000/01. However, income poverty MDG could be achieved if consumption growth would reach 3.2% per capita per year (from 0.8% a year between 2001 and 2007).
- Between 2000/01 and 2007 the absolute number of poor in Tanzania increased by 1.3 million.
- The nation is on-track to achieving the nutrition MDG but not the MKUKUTA target on the same. There are concerns on the worsening composition of the diet.
- Improvements in consumer durables, housing quality, cost of health and access to education.
- Access to health and the value of consumer durables remained unchanged while access to piped water and ownership of agricultural assets declined.
- No change was noted in inequality between the two surveys.

Looking ahead, the presentation stressed that without a change of direction or increased pace, MKUKUTA objectives and MDGs will be at risk. The presentation called for enhanced profitability of agriculture to make it attractive to invest in productive assets instead of consumer durables. It re-emphasized the importance of macro-economic stability and low levels of inflation, and the need to re-energize policies for an improved investment climate.

Way forward and agreed Next Steps from the Session on Poverty:

1. Agreed that MAIR is a useful tool for reporting performance of MKUKUTA implementation
2. Timeline for preparation of MKUKUTA II and MKUZA II to be included in GBS Annual Review Report
3. Agreement that Tanzania Statistical Master Plan is key to a strengthened statistical system to improve reporting and that it requires support of both the GoT and DPs through a pooled fund mechanism.
4. The NBS has indicated that it will rebalance and rebase the National Accounts and CPI in 2009
5. Agreement that HBS data shows that income poverty has reduced slightly and that deeper analysis is required to better inform policy.

6. Agreed that "it is time to press for a greater momentum towards broad-based economic growth and poverty reduction. Reforms have been implemented, while necessary have not been sufficient to make a big impact on poverty reduction especially income poverty"

5. Key Issue 1 – Budget Strategy in a Changing Macroeconomic Framework

Efficient budget preparation, implementation, reporting and auditing are key for effective public investment and therefore for growth and poverty reduction. The budget is one of the main instruments to translate financial assistance into public services for the population, contributing thus to increasing the country's well-being and economic growth. The quality and effectiveness of the budget is therefore key to the effectiveness of the GBS modality, and a solid dialogue on the budget is central to the monitoring of GBS.

Presentation 1 – Government's budget strategy

The presentation on budget was made by the Commissioner for Policy Analysis Department (MoFEA) Mr. Mugisha Kamugisha. His introductory remarks focused on the national development goals by underscoring that Tanzania's Development Vision 2025 is to become a middle income country by 2025 with the following attributes: high quality livelihood; peace, stability and unity, good governance, a well advanced and learning society and a competitive economy capable of producing sustainable growth and shared benefits. To that effect, MKUKUTA is a medium-term strategy for attaining Vision 2025.

In the presentation, the following issues were highlighted:

The economy is growing and accelerating, as well as benefiting a wider spectrum of the population.

- The growth has been triggered by structural reforms and improvement in resource use.
- The economy is still vulnerable to both internal and external shocks, like weather, oil and other commodity prices.
- The current level of growth is below the trajectory required for achieving the vision 2025
- The factors which have been inhibiting growth include energy costs and power outages, quality and cost of labour, and the unpredictability of external financing.
- Domestic inflation pressures are a threat to macroeconomic stability.

In addition, the following challenges remain and need to be addressed by the government:

- Restore macro stability through fiscal and monetary policy response.
- Improve expenditure efficiency through better expenditure planning at central and MDAs level strengthening oversight for VFM and strengthening procurement capacity.
- Mobilize increased domestic revenue collection, complemented by growing external financing.
- Increase share of pro-growth (infrastructure) budget, particularly high import content projects.

- Contain growth of inflexible budget, including wage bill.
- Enhance productivity of medium term external financing.
- Scale up the rate of growth towards vision 2025 target.

In the discussion, points raised focused on trickling down of the GDP growth to the poor, challenges for sustainable growth, concerns over the high inflation, need to enhance the pace of growth to achieve MKUKUTA and MDG goals and predictability and mobilization of resources for securing broad-based growth.

Presentation 2 – Rapid Budget Analysis

The presentation of the Rapid Budget Analysis 2008 focused on the alignment of the budget with MKUKUTA, the National Growth and Poverty reduction strategy of Tanzania. In the analysis of alignment, three dimensions were considered: (i) the impact of the budget on key macroeconomic variables such as the inflation rate, the GDP growth rate and the interest rate, (ii) budget allocation among different MKUKUTA sectors and clusters (iii) whether the budget achieves its stated objectives. The analysis uses actual data for 2007/08 and expenditure estimates approved by the parliament for 2008/09.

Points to highlight from the session include:

- Domestic revenues (non-inflationary sources of revenue) have witnessed a sustained upward trend since 2000 reaching 16% of GDP in 2007/08 and projected at 18.5% of GDP in 2008/09. In 2007/08, the share of foreign aid declined for the first time in the last 5 years and further decline is projected in 2008/09, both as a share of GDP and in absolute value. However, the 2008/09 budget projects an increase in concessional loans to 40%. An analysis of the medium term reliability of the MTEF revenue projection shows that budget support is on average the most reliable form of funding followed by domestic revenues, while both project and basket funding are very difficult to project.
- The execution of the Government budget versus the growth targets remains weak for the development budget. Further, in the approved budget for 2008/09, recurrent spending is projected to increase from 17.2% to 18.5% of GDP and stabilize at 17.5% in 2010/11, surprisingly development expenditure remain stable at 9.8% of GDP and is expected to decrease to 7.7% of GDP by 2010/11. The overall wage bill, including the allowances stands at 9.5% of GDP in the 2008/09, against 9.1% last year. These relatively low and declining levels of investment, particularly in some of the key sectors, such as health or agriculture are worrying signals. Higher public investment is necessary for the Government to sustain targeted growth of between 8 to 10%.
- In budget allocation, the concern was raised on diminution in MKUKUTA share on non-wage expenditures given the modest progress towards poverty reduction as evidenced by the recent HBS which would advocate for additional efforts towards the implementation of MKUKUTA. Nonetheless, the Government has made commendable efforts to use the three clusters of the MKUKUTA as the strategic level of budget allocation. However, the only MKUKUTA sector which has seen its share of total expenditure increase substantially (1.5%) is transport –road sub sector budget has almost doubled over the last 3 years, from 6.45% of the total expenditure in

2006/07 to 11.51% in 2008/09. The Health budget has remained broadly stable, while both Education and Agriculture have seen their share decrease by around 1%. The education sector share has experienced its second decrease in two years, coming down from 20% of the budget in 2006/07. The Water sector experienced the most drastic reduction of around 2%. On the overall, these changes imply a decrease of 2.5% for these MKUKUTA priority sectors, which have been allocated to other MKUKUTA sectors.

- The share of resources devoted to LGAs expenditures as a proportion of the total Government budget estimate has slightly decreased to 20.8% (exclude CFS) in 2008/09, compared to 21.5 in 2007/08. The LGAs share reached 21.5% when salary adjustment for agriculture, education, health and water staff is added, which is still low compared to previous years' figure. This shows that there has not been any movement in transferring more budget resources to LGAs in 2008/09 contrary to the Government objective of transferring 25% of budgetary resources to LGAs.
- It is noted that timeliness and completeness in the release of fund to the service delivery units is a key factor affecting the performance of public services funded by the budget. The data for 2007/08 show that recurrent budget execution continues to perform well, while that for the development budget (both region and MDAs) falling below 50% during the same period.

Some of the identified challenges include:

- Improve the reliability of the macro-framework (forecasting of revenue, aid, develop Priority Expenditure/investment Plan; increase share of public investment).
- Improve Medium term budgeting and protect the MKUKUTA allocations; Adopt Sector Strategies and Sector Investment Plans (e.g. TSIP in the road sector) in other MKUKUTA sectors.
- Control wage bill growth in line with Medium Term Policy and the proliferation of allowances in the social sector (Health, Education, Water).
- Increase the share of infrastructure maintenance in health and education budgets;
  D by D policy.
- Continue implementation to reach the 25% objective of LGA transfers by 2010.
- Improve budget execution cycle through the streamlining of basket funding modalities, streamlining of internal MDA procedures, improving the cash management system; improving procurement capacity, improve quality of aid submissions by DPs, improve dummy voucher recording & reporting.
- Resolve inequity issue among districts by fast tracking and implementing proposed national incentive scheme.

Presentation 3 - Financial Accountability

The presentation was made by a representative from World Bank. Its focus was to gauge progress and challenges with regards to public financial management and accountability systems.

Highlights of the presentation include:

- Tanzania has consistently been rated as having one of the best PFM systems in Sub-Saharan Africa.

- 2006 PEFA assessment ranked Tanzania as being significantly better than the average for Africa as well as the Global average.
- There is also a proliferation of systems at the Local Government level.
- Despite the IFMS a large number of processes are still done manually outside the system.
- There is significant variability between budget estimates and releases (06/07).
- Cash Management is a challenge given the large number of bank accounts that are holding Government cash.
- There is need to refocus PFM and link it much more closely to service delivery.
- GoT has finalized a revised Strategic Plan for PFMRP III.
- Funding alone is not the solution to PFM challenges in Tanzania. The global experience is that changes require strong political leadership.

Looking ahead, Tanzania needs to continue and deepen the PFM reform process and focus the effort in key sectors such as health, education, agriculture, water and roads. There is also a need to build on the strong track record and improve Tanzania's position regionally and globally in the PFM ratings. In the discussion, low compliance level of procuring entities was noted as a concern as well as the existence of parallel systems that weakens the adoption of "best practices".

Agreed key messages from the key issue session Budget strategy in a changing macro-economic framework

1. Strengthen dialogue in the PER process. Concrete action plan to be approved by PER Main by January 2009
2. PER Macro Group to establish and monitor Medium-term commitments of foreign aid on a quarterly basis and carry out a study of basket funds; with the aim of improving the predictability of foreign funds
3. Increase growth-orientation of budget by increasing share of investment and controlling wage bill.
4. MOFEA and few selected MDAs agree on and implement cash flow and procurement plans
5. Agree on IFMS action plan by January 2009
6. Ensure strengthened management of PFMRP

6. Key Issue 2 – Enabling investment climate and accelerating agricultural transformation

The 2007 Household Budget Survey (HBS) reveals that the current robust and sustained growth of 60.7 percent cumulative during 2000-2007 corresponds to a very marginal relative reduction of 2.5 percent in the national average income poverty based on basic needs, equivalent to an increase in absolute terms of about 1.6 m Tanzanians given a population growth. In the rural sector the poverty rate recorded an even smaller reduction of 1.4 percent during the same period. These statistics are off track against the targets enshrined in MKUKUTA and MDGs. At the same time, the survey shows that the access of the poor to key public services such as education and health has improved significantly. These facts suggest that whilst public sector services have been improving in Tanzania, private sector led income growth has lagged behind, particularly in the rural areas.

This key issue focused on the following two topics that are critical for both overall growth, and more importantly, pro-poor growth that will directly have an impact on poverty reduction.

1. Accelerating Agricultural Transformation as a Key Instrument for Reducing Poverty and Enhancing Food Security

2. Enabling Investment Climate for More Rapid and Inclusive Growth

Presentation 1 –Accelerating Agriculture Transformation as a Key Instrument for reducing Rural Poverty and Enhancing Food Security

In the paper presented, it was noted that agriculture contributes significantly to the overall economy in Tanzania, but had limited impact on reducing poverty most of which resides in the rural areas. In the 10 years period 1995-2005, agriculture contributed 48.8% and 25% of the GDP in the Mainland and Zanzibar respectively. Yet poverty in the rural areas has decreased by 3.4% in the 17 years between 1991 and 2007. As a result 37.4% of people in the rural areas in the mainland still live in poverty compared to national average of 33.3%. A robust agriculture sector in Tanzania has an enormous potential to raise farm incomes and generate decent and equitable employment. Although some progress has been made in the past decade in agriculture development this has been too small to achieve any significant reductions in rural poverty.

The sector continues to face many obstacles making it difficult to realize the growth targets set out in the MKUKUTA. These challenges include among others:

a) High transaction costs due to the poor state or lack of infrastructure to facilitate production and access to markets.
b) Under investment in productivity enhancing technologies
c) Limited access to technology demand and delivery channels (with 60-75% of households having no contact with research and extension services)
d) Limited access to financing for the up-take of technologies
e) Un- managed risk with significant exposure to variability in weather patterns with periodic drought.
f) Weak formulation and implementation of local investment plans, especially with insufficient participation of communities in the planning process.

Main points from the presentation included:

- In spite of Government policy pronouncements putting priority on agricultural growth as a driver for economic growth and reduction of poverty, public spending to the agricultural sector has remained relatively low over the past years at just over 1% of the GDP.
- Expenditure for core public goods (such as research and training policy and planning, institutional strengthening of regulatory agencies and agricultural bio-security) has remained critically low and in some cases decreased.

- The role of the private sector in agricultural value chains is critical to the development and growth of the sector.
- Challenges faced by the private investors more broadly in the economy are also faced by the private investor in agriculture in Tanzania. Hence improvements in general investment environment will also benefit the sector immensely.
- Access to credit and other financial services is a serious constraint in the agricultural sector. The result has been very low capitalization in the sector by both the public and private sectors.
- The issue of collateral has always stalked the agricultural sector and agro-based industries and enterprises. With the new land act there is an opportunity to use land as collateral if implementation of the land administration reform through BEST can be on track.
- Excessive taxation, both in the form of direct and indirect taxes, is a disincentive working against the growth of agricultural markets. Since 2004, Government introduced new tax reforms aimed at providing incentives to investors in agriculture.
- Key obstacles (such as phytosanitary issues, quality, grading, pricing, and licensing) hindering proper functioning of agricultural markets and undermining producer earnings need to be analyzed and remedies to be sought at all levels.
- Close coordination among sector MDAs (MAFSC, MITM, PMO RALG, and MLDF) and others as well as LGAs responsible for related infrastructure especially roads network and feeder roads is important in order to harmonize and prioritize development plans.
- Agricultural producers need appropriate incentives to invest in productivity enhancing technologies, which requires efficient and well performing markets to provide competitive and remunerative prices to farmers.

Development Partners' commentary on the presentation noted that while the provision of public goods such as infrastructure (rural roads and irrigation), R&D, extension services and financial sector policy, among others, is the core Government responsibility the establishment of an appropriate legal and regulatory framework is the most important of all the public goods, and it is the foundation for business environment. Commentary also underscored the important roles of pricing, land registration, taxation and markets for agriculture in fostering private sector initiatives. Following points were emphasized:

- Appropriate regulatory and institutional framework including streamlining and simplifing licensing procedures, implementing the Land Act, removing price distortions, and rationalizing the cumbersome local tax structure.

- Acceleration of agricultural growth that is needed if Tanzania was to achieve the MDG goals of halving the poverty rate by 2015 requires more than scaling up of fiscal resources within the realistic resource envelop.
- An innovative approach is needed beyond simple scaling up fiscal resources devoted to the agriculture sector. This will require a substantial improvement in productivity of small holding farmers through creating an appropriate incentive system and private sector initiatives in the form of PPPs in extension services, credit schemes and agro business.

Points raised in the discussion focused on rural sectors' importance on poverty reduction, impact of productive gains in agriculture on growth and employment opportunities, the need to have a wider perspective on agricultural modernisation and low value added and high cost of inputs.

Suggested areas for further discussion following the session include:

Agricultural Finance and Credit

- **(i)** To finalize and adopt the rural finance policy
- **(ii)** Strengthen and upscale current PPPs for Credit Guarantee Schemes.
- **(iii)** Strengthen and scale up the rural agro dealers inputs network
- **(iv)** Explore new and innovative modalities to increase credit access for farmers and agro SMEs

Improving ASDP Implementation

- **(i)** Improve LGA capacity for planning and implementation
- **(ii)** Increased budget allocations for community irrigation projects
- **(iii)** Complete and initiate implementation of irrigation capacity development plan and explore mechanisms for appropriate PPP.
- **(iv)** Finalize and initiate implementation of the national irrigation policy and strategy
- **(v)** Capacity of the private sector in the districts needs to be improved to facilitate partnership and involvement the private sector in implementation of the ASDP.

Legal and regulatory environment for business:
Review and rationalize the local taxes (cess, levies and VAT system for the agricultural sector.

- **(i)** Review regulatory framework for agriculture to ease the cost of doing business and transaction costs in agriculture, including licensing procedures
- **(ii)** Strengthen institutional capacity of regulatory agencies (TBS, TFDA and TPRI) and rationalize their mandates for proper delineation of responsibilities and policy reforms (as below).
- **(iii)** Operationalization of the agriculture marketing policy.
- **(iv)** Implementation of the Land Act.
- **(v)** Rationalize the current cumbersome tax structure with a view to creating a level playing field.
- **(vi)** Removal of price distortions.

Presentation 2 – Enabling Investment Climate for More Rapid and Inclusive Growth.

The presentation aimed at highlighting the necessity to enhance investment climate in the country. Emphasis was put on the regulatory and institutional environment specifically, using the current state of affairs in the Business Environment Strengthening Tanzania (BEST) programme as an example.

- The BEST programme aims to address the legal and regulatory environment for Business in Tanzania, as such to attract informal businesses into the formal

economy, creating possibilities for the private sector to grow, creating more jobs and higher income.
- However, in PAF 2008 BEST Review (an underlying process) was rated unsatisfactory and Doing Business Ranking (an outcome indicator) off-track from meeting its target for 2010. Implementation of the BEST programme has been slow.

The presentation came up with some proposed actions to take forward:
- Reconfirmation of Government's commitment at the highest level to creating a better investment climate for broad based growth.
- Fast track on-going reforms in: Commercial Dispute Resolution, Land and Business Registration and Licensing; and reconsideration of BARA.
- Strengthen Public Private Dialogue including Infrastructure Roundtable
- Establishing an integrated Annual Review process.

Discussions focused on the slow progress of BEST implementation and on the need for GoT to pursue coherent regulatory policies, especially in licensing and pricing.

Agreed Messages from the key issue session Enabling investment climate and accelerating agricultural transformation:

1. Need to strategically address issues of agriculture finance particularly financing of small holder farmers as a way of transforming the sector. Finalize the Rural Financial Services Strategy and put in place agreed measures to strengthen management, supervision and regulation of Savings and Credit cooperatives (SACCOS).
2. Improve the investment climate in agriculture to facilitate private sector activities including the regulatory framework and the structure of local taxes
3. Design and implement private sector friendly schemes for seed, fertilizers and extension services.
4. Completion of Land Registry and Land Information Assessment Study by October 2009 and agreement on Action Plan to implement the study by December, 2009 so as to inform the improvement of the Land registry and land registration services.
5. Agreed on the need to re-energize the implementation of BEST and the need to develop an action plan agreeable to all stakeholders including the private sector before the World Bank Mid Term Review in May 2009.
6. Irrigation policy to be operationalized by October, 2009.

7. Key Issue 3 - Equity and Efficiency in Service Delivery (Attracting Human Resources in Underserved areas)

The presentation focused on equity and efficiency in service delivery in the education and health sectors, as they remain key MKUKUTA priority areas and also attract 64.3% of the total local Government authority (LGA) budget. Both sectors have a high human resource element given the need for teachers and health workers and staffing in these sectors accounts for 50% of expenditure at the LGA level.

The presentation points to gains made in service delivery such as an increase in primary education enrolment from 59% (2001) to 84% (2007) and gains made in infant and under-five-mortality over the past eight years (41% decline). However, there is a problem of unequal distribution of gains across districts. Financial resources and hence staffing in these two key sectors are not equally distributed and the areas that are chronically underserved tend to be the poorest in the country. These patterns have persisted over the past decade and the gap has been widening in recent years.

Highlights from the presentation include:

- The range of distribution of health workers per 10,000 persons indicates that the best served region has over twice the number of health workers than the worst off region. Similarly in the primary education sector, the top 30 local government authorities are allocated double the resources of per 7-13 year olds than the bottom 30 local Government authorities. This pattern persists strongly from 1999 to 2007. Moreover, it was noted that there is a tendency for the areas that have the lowest numbers of staff to also have the least qualified staff.

- Poorer households remain less educated and less healthly than their wealthier counterparts. This difference in resource allocation translates to a significant discrepancy in pupil teacher ratio where, in the top 20% of local Government authorities, the average pupil teacher ratio is 43.5 in 2008 compared to 69.8 in the bottom 20%. There is also a strong relationship between resource allocation and enrolment and pass rates. The more that is spent per child from the staffing budget the higher the standard seven pass rate tends to be.

- This inequity in financial resource allocation and human resource distribution has persisted for the past decade, and the gap has been widening in recent years. The formula based block grant allocation system introduced in 2004 to allocate resources on a needs basis has not been applied for the staffing budget, Balancing the human resources situation across Tanzania is critical for reducing poverty and increasing opportunities in the poorest areas of Tanzania.

- The main underlying cause of these patterns are: the difficulties in attracting and retaining workers to under-served areas, continued recruitment and transfers into better served areas; a lack of coordination and clarity around administrative procedures and lack of necessary management information on staffing levels (new recruits, transfers etc).

- Additional measures need to be implemented to attract and retain staff to under-served areas in order for human resources to be distributed according to needs. There is a need to develop infrastructure, amenities and increase the number of workers.

However, this will only be achieved over the longer-term. In the short and medium term policies must focus on the pull factors, such as providing incentives in the under-served LGAs. Such incentive could be applied from either the central or local level and be monetary or non-monetary based.

The presentation then matured into a discussion of where some ‘quick wins’ can be achieved:

- Encourage and empower LGAs to create local incentives schemes and explore more flexible funding for LGAs. Financing such incentive schemes could occur via existing or new discretionary funding channels.

- Limit workforce expansion in and transfer some human resources from better served district councils. This must be managed centrally and by using an agreed classification.

- There is a need to draw an inclusive and broader based ‘road map’ to ensure success is realized in implementation. This must include a clear time frame and an overview of the technical and financial support required.

- Finalise the Medium Term Pay Policy.

Finally, and following a rich discussion from a broad base of stakeholders a number of actions were agreed:

Agreed messages from the key issue session Equity and efficiency in service delivery:

1. Agreed that there is a significant need for local level incentive packages to ensure that new staff are attracted and then retained. This could be funded via additional transfers to underserved districts.
2. The Government has identified the review of the Medium Term Pay Policy as an entry point to addressing inequity in the distribution of human resources in Tanzania.
3. MoFEA and Po-PSM has agreed to work together to eliminate delays in the payment of new staff salaries.
4. An inter-Ministerial task force will develop a roadmap to implement the outcomes discussed and agreed on the basis of the approved and revised medium-term pay policy.

8. Key Issue 4 - Challenges in the Combating Corruption in Tanzania

Good governance and particularly achievements in the fight against corruption is important in relation to GBS. Two specific questions were important for the overall performance of Cluster 3;

1. Are good governance and the rule of law ensured?
2. Is Government accountable to the people?

The following challenges were identified as determinants for positive responses to these questions:

- continued positive momentum across all corruption allegations,
- progress in the implementation and cohesion across the core reforms,
- getting pay and allowances right in order to attract and retain human resource in the public service and ensuring that those resources are directed at the areas of greatest need
- Increasing citizens' access to information and upholding Tanzania's reputation for a free media.

These questions and challenges were openly discussed in a key issue session during the 2008 GBS Review, with special focus on the challenges in the fight against corruption.

The first presentation in the review on Cluster 3 of MKUKUTA, which propagates for good governance and accountability, was done by the PCCB Director General Dr. Hoseah. Fighting corruption is one element of Good Governance and the subject matter he referred to was the enhanced National Anti-corruption Strategy and Action Plan (NACSAP II), which is a home grown strategy and action plan, a preventive tool against corruption and mismanagement. The program was launched in December 2006 after a consultative process involving different stakeholders to address corruption by a holistic approach. Tanzania ranks 102 according to Transparency International's Corruption Perceptions Index for 2008, which is lower compared with 2007, however ranked first of the East African countries.

Highlights from Dr. Hoseah's presentation include:

- In 1995 PCB had 8 cases in Court compared to the present (September 2008) where PCCB have 801 cases in Courts of law. In 1995 PCB had only 1 conviction compared to the present (September 2008) where PCCB have 137 convictions. The target set by PCCB for 2008 was to investigate and complete 10 grand corruption cases sent to the DPP.
- The results in 2008 show that 14 grand corruption cases relating to EPA have been taken to court and made public. 7 cases are completed by PCCB and submitted to DPP. 2 cases have been returned to PCCB out of which 1 has consent to prosecute and the other case closed. 3 cases are still under investigation because they involve external jurisdiction which requires cooperation from other countries under the 'Mutual Legal Assistance' scheme. The DPP is still working on the 4 cases before consent is granted.
- Through EPA, the Government has recovered approximately Tshs. 70 Billions within a period of 8 months (Feb – Oct, 2008).
- All stakeholders have agreed that political parties' campaign funding must be regulated before the next general elections.
- All procurements undertaken by the Government should be observing the spirit behind PPA, 2004 namely; competitive bidding, avoid nepotism/cronyism and efficient use of resources.

- The public leadership code of Ethics Act 1995 is at present being reviewed in order to make a clearer distinction between politics and business.
- Natural resources including hunting blocks, fishing industry and mining sectors are areas that have attracted a lot of complaints on corruption. To ensure that these resources are utilized for the good of the citizens of Tanzania, Dr.. Hoseah has declared that PCCB will carry out operations in these critical areas in the coming year.
- A proposed Whistleblowers Bill is ready for submission to the AG.
- Administrative action has been taken against public servants proven to be inclined to take bribes and other corrupt behavior and –847 civil servants have been dismissed.

In his presentation Dr. Hoseah also suggested areas where more work needs to be done:

- Continue to support the Government's efforts in restoring integrity in the socio-economic delivery systems, aiming at reducing poverty in the country.
- Enhance the involvement of different stakeholders (civil society, private sector, and the media and MDAs) in the fight against corruption.
- Mobilize financial resources for enhancing human and institutional capacities to effectively fight corruption.

The Development Partners' commentary highlighted that the fight against corruption will remain high on DP's agenda, and specifically focusing on the additional legislative reviews that are necessary to increase transparency and access to information, the challenges in capacity of key institutions in the fight against corruption and corruption in the area of natural resources relating to the EITI concept. The DP's stated that the widening of democratic space for all stockholders is critical in combating corruption. To that effect, the suspension of Mwanahalisi Newspaper is a set back to the freedom of the press. Other points raised in the commentary were:

- A comprehensive legal framework and effective enforcement of laws are critical for combating corruption
- Important pieces of legislation that are currently missing like the Whistleblowers Bill should be put in place. To increase transparency passing of the Right to Information Act is crucial, there is also a need to revise the Political Parties' Financing Act and the Public Leadership Code of Ethics Act so that information on the financing of political parties is publicly available as well as the Declaration of Assets of public leaders.
- Transparency also needs to be enhanced through submission of annual reports from key institutions such as the PCCB, the Registrar of Political Parties and the Ethics Secretariat to the Parliament.
- No government can succeed alone in the fight against corruption. Active participation of the Parliament, civil society and media is essential in winning the war against corruption. Increased transparency will enable greater insight and support from civil society in the fight against corruption.
- Lack of data on corruption makes it problematic to measure progress in the fight against corruption. Some information is available, however not coordinated and communicated appropriately
- A Monitoring and evaluation (M & E) framework for measuring results in the area of corruption is needed, coupled with clear dialogue structure. Putting a M & E framework

in place will contribute to strengthen the dialogue on progress and challenges in the fight against corruption.

- Financial and capacity constraints of key institutions for fighting corruption in Tanzania inhibit their effectiveness.
- Improved cooperation between the Development Partners and the Government is needed for the provision of the necessary support.

Development Partners also made a presentation on Extractive Industries Transparency Initiatives (EITI), which underscored that EITI seeks to address "managing natural resources sustainability" and raised the following points:

- Although Tanzania is not yet mineral dependent, given the global experience of development of resource-rich countries, it is important to lay a solid foundation for transparency and good governance in the sector,
- Transparency and good governance sector in the Tanzania's context could mitigate the "resource-curse" phenomenon associated with mineral richness and
- Tanzania is in the final stages of joining the EITI.

Points were raised in the discussion on EPA, since prosecution of grand corruption cases on this scale is unprecedented in Tanzania and perhaps in Africa. Much of the credit for revealing grand corruption cases goes to the media. Also, inclusiveness, transparency and participation by different stakeholders i.e. the civil society were listed as key ingredients of the successful fight against corruption. Prevention of leakages of funds by strengthening PFM systems and by addressing petty corruption was considered an important area for the Government to work on.

Agreed messages from key session Challenges in combating corruption:

1. Increased transparency and the right to information are crucial. GoT shall look into ways for further developing transparency through legislation, including Public Leadership Code of Ethics Act, Political Parties Financing Act and Right to Information Act.
2. Corruption is a world wide phenomenon requiring joint action. While Government has the main responsibility, Development Partners should be supportive and also provide timely mutual legal assistance when requested.
3. GoT continues to process and formally join EITI but need to customize to reflect Tanzania conditions.
4. Need to further strengthen the capacity of key anti-corruption institutions.
5. An M & E framework for anti-corruption activities is developed by GoT in collaboration with key stakeholders. A dialogue framework for strengthened dialogue between Government and Development Partners on anti-corruption to be developed.

9. Conclusion

Poverty eradication remains the main focus of public policies in Tanzania. Government and its Budget Support Partners agreed that the strategic allocation of the national budget is essential in order to promote stronger and more inclusive economic growth. Government and Budget

Support Partners also agreed that only by accelerating private sector led growth, including agricultural transformation, Tanzania will achieve its vision of becoming a middle-income country by 2025. Government and Budget Support Partners shall continue to work together to improve private sector led growth.

Looking back, Tanzania has made good progress in the last year in education and health sectors, where intensified dialogue and results monitoring have gained acceptance of broader stakeholders. Similar progress is expected to take place in other sector and thematic areas, where challenges still remain and, in some cases, pose a concern for Budget Support Partners. Such areas include Public Financial Management and business environment and implementation of core reforms, for which the progress in 2008 was rated unsatisfactory (although with some areas of progress). GBS Partners have emphasized that an unsatisfactory rating in the Annual Review should always be accompanied with an agreed way forward to ensure that in the coming review cycle a positive rating can be achieved. During the past year, the GBS Partners have continued to place emphasis on results on poverty reduction through increased GBS.

Therefore, the GBS Annual Review 2008 focused on the overall themes of poverty and inclusive growth based on the results of the recently published Household Budget Survey (HBS) for 2007. The Review discussions focused on jointly identified challenges to the implementation of Tanzania's National Strategy for Growth and Reduction of Poverty, commonly known as the MKUKUTA. The discussions were highly constructive and aimed at finding solutions to the identified challenges.

On the way forward, it was agreed to start the preparations for the next generation of the MKUKUTA to be known as Tanzania's Medium-Term Growth Strategy. The Review acknowledged Tanzania's sound macroeconomic performance with the emerging challenge of inflation. It also recognizes that the investment climate in the private sector, with a special emphasis on agriculture, needed to be significantly strengthened in order to increase growth and job creation. Further investments in infrastructure are also needed and contract management of infrastructure projects needs to be strengthened. Significant consensus was reached in this Review on the immediate need to address the uneven distribution of skilled human resources in Tanzania and the impact that it has on service delivery. Furthermore, the Review acknowledged the progress and discussed the challenges and impediments to combating corruption.

It was also urged that the next PAF be more realistic and consistent with the need to reduce transaction costs and improve efficiency and effectiveness of development assistance.

GBS is the Government of Tanzania's preferred aid modality and currently finances 12 per cent of Government's budget. Budget Support Partners remain committed to supporting Tanzania's development. In the current economic climate there is understandably increasing focus on the delivery of results. So accelerating progress towards poverty reduction will be a major feature of discussions going forward. 4.5% of GBS resources go to Zanzibar, and it was agreed to monitor progress in Zanzibar's Strategy for Growth and Poverty Reduction, commonly known as MKUZA, over the coming years as a parameter for General Budget Support Following the Annual Review, Development Partners will communicate to the Government their GBS commitments for the financial year 2009/2010.

Annex 1 – GBS Annual Review 2008 Programme

GENERAL BUDGET SUPPORT (GBS) ANNUAL REVIEW 2008
TENTATIVE PROGRAMME

24TH NOVEMBER – 27TH NOVEMBER 2008

VENUE: BLUE PEARL HOTEL, UBUNGO PLAZA – DAR ES SALAAM

MONDAY 24TH NOVEMBER 2008			
TIME	**PROGRAMME**	**CHAIR**	**RESPONSIBLE**
8:00-9.00	Registration		All
09.00-09:20	Welcoming Note & Overview of GBS cycle 2008		Permanent Secretary, Ministry of Finance and Economic Affairs- Chair for the Day
09:20-09:40	Opening Statement		Minister of Finance and Economic Affairs
09:40-10:00	Statement by DP GBS Chair		Ambassador Royal Danish Embassy (DP GBS Chair)
10:00-10:30	Presentation of the 2008 Tanzania Paris Declaration Survey Results	PS MOFEA	Representative MOFEA
10:30-10.45	Group Picture		All
10:45-11.00	**TEA BREAK**		**All**
11:00-11.45	Presentation of Progress against PAF 2008 targets	PS MOFEA	PS MOFEA
11.45-12:00	Development Partners Comments on 2008 PAF Targets	PS MOFEA	DPs Representative
12:00-12:30	Discussion on Progress against 2008 PAF targets	PS MOFEA	All
12:30-14:00	**LUNCH BREAK**		**All**
14:00-14:20	Presentation of NBS on Key Poverty Trends	PS MOFEA	Representative GoT
14:20-15:00	Presentation of MKUKUTA Implementation Report	PS MOFEA	Representative MOFEA
15:00-15:30	Presentation of Poverty Analysis Study	PS MOFEA	World Bank Representative
15:30-16:00	Discussions		All
16:00-17:00	Summary and conclusions of day 1		Facilitator
	END OF DAY I		
TUESDAY 25TH NOVEMBER, 2008			
09:00-09:30	Presentation on Key Issue 1 – Budget Strategy in a changing Macroeconomic Framework	PS – Planning Commission	Representatives MOFEA
09:30-10.00	Presentation on Rapid Budget Analysis	PS – Planning Commission	Representative from DP PER Macro Group
10:00-11:00	Commentary and Discussion	PS – Planning	All

		Commission	
11:00-11:30	**TEA BREAK**	**PS-Planning Commission**	**All**
11:30-12:30	Joint Agreement on Way forward	PS-Planning Commission	All
12:30-14:00	**LUNCH BREAK**		**All**
14:00-14:15	Presentation on Key Issue 2 – Part 1 Accelerating Agricultural transformation as a key Instrument for reducing rural poverty and enhancing food security	PS MAFS	GOT Representative
14:15-14:45	Commentary & Discussions on Key Issue 2: Part 1	PS MAFS	All
14:45-15:00	Presentation on Key Issue 2 – Part 2 Enhancing Investment Climate as a key to more rapid and inclusive growth	PS-PMO	GoT Representative
15:15:15	Presentation on background and on investment climate	PS-PMO	DP Representative
15:15-16:00	Commentary and Discussion Key Issue 2: Part 2		All
16:00-16:30	Joint agreement on Way forward		All
16:30-17:00	Summary of Day 2		Facilitator
WEDNESDAY 26TH NOVEMBER 2008			
09:00-10.00	Presentations of Key Issue 3: Equity and Efficiency in Service Delivery (Attracting HR in underserved areas	PS-POPSM	Representative PO-PSM and DP representative
10:00-10.30	Commentary and Discussion	PS-POPSM	All
11:00-12:00	Joint Agreement on Way forward	PS-POPSM	All
12:00-13:00	Representations on Key Issue 4 – Challenges in Combating Corruption in Tanzania	PS-STATE HOUSE	Director General PCCB, Representative DP Governance Working Group
13:00-14:00	LUNCH		
14:00-15:00	Commentary and Discussion	PS-STATE HOUSE	All
15:00-16:00	Joint Agreement on Way-forward	PS-State House	All
16:00-16:30	Summary of Day 3		Facilitator
THURSDAY 27TH NOVEMBER 2008			
11:00-11:30	Presentation of agreements on way-forward	PS-MOFEA	Representative MOFEA
11:30-12:00	Presentation of 2009 PAF	PS MOFEA	Representative MOFEA
12:00-13:00	Closing Statements		Minister for Finance and Economic Affairs, GBS Chair
13:00-14:00	Joint Press Conference and Launch of the PFMRP Strategic Plan		Minister for Finance and Economic Affairs, GBS Chair
14:00-15:30	LUNCH		

Annex 2 – Opening Statement by H.E. (Mkulo)

REMARKS BY HON. MUSTAFA HAIDI MKULO (MP), MINISTER FOR FINANCE AND ECONOMIC AFFAIRS, AT THE OPENING OF THE 2008 GENERAL BUDGET SUPPORT ANNUAL REVIEW ON 24TH NOVEMBER, 2008 AT UBUNGO PLAZA BLUE PEARL HOTEL, DAR ES SALAAM.

Hon. Regional Commissioners,
Hon. Chair of Parliamentary Committees,
Permanent Secretaries,
Regional Administrative Secretaries,
Excellencies Ambassadors and High Commissioners,
Representatives of the Civil Society,
Members of the Press,
Invited Guests,
Ladies and Gentlemen.

It is a great pleasure for me to welcome you all to the 2008 General Budget Support (GBS) Annual Review. The large number of participants present here is evidence of the importance you attach to this event. I am very encouraged and would like to thank you for your time.

I would like to take this opportunity to thank all development partners, Government officials, and all our other esteemed stakeholders who have worked toward making this event possible. I recognize that the preparation has involved many hours of hard work. Let me assure you that the Government and people of the United Republic of Tanzania value tremendously your contribution to this country.

In this connection, I would like to commend the cluster working groups for working tirelessly to regularly monitor the implementation of PAF commitments that were mutually agreed upon at the end of last year's annual review.

Your identification of the key issues for discussion at this review and your proposal of the PAF actions for 2009 are equally commendable. I also want to commend the joint secretariat first for the support provided to the cluster work groups and for the logistical arrangement for this annual review.

All this work was done under the able leadership of the troika, headed by its chair Mr. Gray Mgonja, Permanent Secretary of the Ministry of Finance and Economic affairs. I want to thank and commend them for their leadership.

Mr. Chairman, during the year under review, there was a change of leadership on the Development Partners side. The UK handed over the chair to Denmark. I want to commend the Danish Ambassador and his team, for the able leadership and coordination of the GBS partners group during the year under review.

During the year we have witnessed increased dialogue between the DPs and government. One important achievement in this regard is the regular meetings between the GBS Partners and the Minister for Finance and Economic Affairs. Based on my personal experience, these meetings have been very useful in terms of bridging the knowledge gap between Government and DPs, especially in dealing with the EPA issues.

Mr. Chairman, the GBS annual review event is an important requirement of the Partnership Framework Memorandum that we signed on in January 2006. It is intended to provide opportunity for GBS partners to assess their respective performance in implementing mutually agreed commitments that are considered essential for improving our country's socio-economic performance.

Based on the experiences of the previous three annual reviews, these events have proved to be very useful in many respects. Through these reviews, we have been able to review our performance against planned targets. We also have been able to identify areas of weaknesses and challenges, along with appropriate actions to address them. The reviews have also helped to strengthen dialogue between Government and its development partners, including Civil Society Organisations.

Mr. Chairman, I am citing these advantages just to emphasize the importance of this event and therefore to request every participant to participate effectively.

As we prepare to embark on the review process, I want to stress that this years annual review is uniquely important for the following reasons:

(i) First, you will recall that in early September, the development community gathered in Accra, Ghana to review progress on the implementation of the Paris Declaration Agenda on Aid Effectiveness. One of the key revelations at the conference was that for most of the countries, progress has been slow. It is good news to note that Tanzania was the point of reference for success/progress in almost all aspects of the Paris Declaration on Aid Effectiveness. The impression I got is that the success in Tanzania is an inspiration for those countries that have not made much progress in this regard. It is also an inspiration for the advocates of General Budget Support. For the critics and skepticals, the success in Tanzania provides encouragement. Overall, it is the anchor of the Paris Declaration. Over the next four days, the development community around the world will be watching. My appeal to you is that let us conduct a critical but objective review of our own performance with a view to set the basis for improvement. This will also set the standard for rest.

(ii) The second reason for uniqueness of this year's review is the fact that the review is taking place in the margins of an international conference on financing for Development that is scheduled to start on November 28, 2008 in Doha, the capital of Qatar in the Middle East. The issues that will be discussed in Doha are very much interrelated with what we will be doing here. Some of us are likely to attend and may wish to share the experiences coming out of this review with other participants at the conference. I am sure there will be a lot of interest at Doha about the outcome of this review.

(iii) Third, the review is taking place just as the dust of the EPA Saga has started to settle. I suspect some of you might wish to get assurances of measures to minimize chances of similar incidences in future. So you can see how this year's review is very unique. Let us work objectively in order to make objective conclusions.

Mr. Chairman, as one of the participants at this review, let me make some general reflections of the performance in implementing the PAF actions that were agreed at the end of the previous annual GBS review. I will not go into the specific actions. Rather, I will focus on broader issues in order to remind participants of the broader picture.

Mr. Chairman, during the year under review, two dramatic cases that caused commotion across the country and the General Public were brought to the attention of Government and general public.

First, was the revelation of fraud at the Bank of Tanzania in December 2007 that led to change of leadership and some restructuring of the institution itself, along with other measures, including criminal investigation that has led to the eventual prosecution of suspects.

Second was the Richmond saga that led to the resignation of the then Prime Minister and subsequent appointment of a completely new Cabinet.

I am mentioning these two cases not because I want to initiate a discussion on them but just to remind participants of their adverse effects on the pace of implementation of the various commitments, including the PAF actions.

You will agree with me that both cases were very challenging and unsettling. They consumed so much of Government time and financial resources. Definitely, the two cases affected the pace of implementation of many activities. However, the two cases also presented opportunities for Government to demonstrate commitment and resolve to deal with malpractices both in the public and private sectors. The actions that have been taken in both cases demonstrate that kind of resolve. The message is loud and clear: that there is accountability in this country and no public leader can get away scot-free.

In spite of the diversion effect of these two incidences, progress has been made in implementing the PAF actions. Reports from the cluster working groups indicate that most planned actions have been achieved or implemented to satisfactory levels.

In some cases however, progress has been slow for a variety of reasons including underestimation of the time and effort needed to implement some of the actions, the need to involve other stakeholders through consultations, and delays in disbursing essential resources.

My other impression regarding the failure to achieve some proposed actions is that the numbers of actions are too many for effective implementation in a single year. Further, it does not seem that the choice of these actions is associated with sufficient analysis of what it takes to achieve them.

My appeal to participants is that let us be concerned but not discouraged by the failures to achieve some of the planned target. Rather, use them to draw lessons as to why we were not able to get where we wanted be and then plan to do better in 2009. Have sufficient scrutiny of the actions we propose before committing ourselves. Equally important is the need to have a few actions and indicators in order to make impact.

The choice of PAF actions reminds me of the process of establishing standards of performance in management. There are behavioural implications in developing standards of performance. Adequate consultations are necessary to share performance experience and expertise of those who will implement PAF actions. An implementer who is involved in the establishment of PAF actions process is more likely to accept the resulting actions and to be motivated by them.

Performance standards that are attainable for a seasoned workforce may represent ideal standards to an inexperienced workforce. Unattainable standards tend to discourage. Thus, when establish PAF actions, balance between *being ambitious*, setting idealistic performance expectations, that represent perfection and reduce efforts to succeed, and *being practical*. Practical PAF actions constitute attainable goals with a reasonable degree of effort. Practical PAF actions have motivational appeal for most employees.

Equally undesirable are lax standards, because they are attained with minimum effort. Lax PAF actions would lack motivational appeal for most people. Deviations caused by superior or inferior performance are obscured by the built-in slack.

Besides, exercising care in the choice of PAF actions it is important to be clear about assessment techniques and conclusions.

At the previous review, one participant wondered whether the Government and Development Partners were watching different movies when the two sides arrived at different conclusions in their assessment of performance in a particular sector. There were many other cases of different conclusions by the two sides. This year again, I am told there are some areas of disagreement between the Government and Development Partners.

Having fundamental differences in assessments should not happen if the ground rules are clear enough. It suggests either that both sides are not using the same assessment methodologies and assessment indicators or that there may be lack of candour in communication.

As I have pointed out in my remark on establishing PAF actions, variances or deviations in implementation can arise from unrealistic ex-ante planning of PAF actions or poor implementation. We need to be analytical to determine the reasons for a particular level of performance.

But more importantly, Government and Development Partners representatives need to work toward standardizing assessment methodologies and indicators, to reduce the range of individual subjectivity in valuations, so that conclusions or realities are shared. I would like to urge a hard look into ways to get us to this point.

Mr. Chairman, In addition to my comments on the annual review, I also want to use this occasion to update participants about progress on Government effort to improve the management of public financial resources and on the promotion of good governance.

I have chosen these two topics because they are important and very related to the work you will be doing over the next four days. More to the point, sound public financial management and good governance are important in poverty reduction.

And, lest we forget, that the ultimate benefit that the donor community seeks from the General Budget Support it gives to Tanzania is poverty reduction, as measured by progress towards the Millennium Development Goals. Sound public financial management and good governance are important intermediate benefits that have demonstrable links to poverty reduction.

As some of you will be aware, public financial management reforms are a priority agenda for the Government. Again most of you are familiar with the measures that Government has taken in this regard.

The important measures include efforts to strengthen public financial management oversight bodies, public expenditure tracking, and strengthening top leadership in public financial management.

Strengthening public financial management oversight bodies has included establishment of procurement and audit functions in all MDAs; strengthening Parliamentary Public accounts Committee; strengthening the Internal Audit Function; creating a Public Procurement Policy Unit at the Ministry of Finance and Economic Affairs; Introducing Audit committees.

On the other hand, the Government has decided to establish Internal Audit and Procurement Departments in all MDA's and the National Audit Office continues to be strengthened. We are committed to sustaining these efforts until we got to the require level of satisfaction.

Strengthening Parliamentary Public accounts Committee

Regarding the Internal Audit Function, the Government has been aware for sometime that there is a need to improve internal controls and effectiveness of internal audit committees. To this end, the Government has decided to establish an Internal Audit Department as part of reforms in public financial management.

The internal audit function will be under a separate department from the office of the Accountant General, with internal audit staff deployed across the Government. The Head of the internal audit will be independent from the accountant general in selecting and recruiting his staff, deciding the scope of his work, training of his staff, and reporting his findings and recommendations.

The re-organization of the internal audit function will give more operational independence to the head of the Internal Audit Department, who will in turn, provide professional guidance to address staffing needs, scope of internal audit, and strengthen internal control systems within the public sector. Recruitment and on-the-job training of Internal Auditors and accountants continues in an effort to build and improve capacity in this field.

As to Audit Committees, all MDAs now have audit committees and the reforms in internal audit function will ensure there are checks and balances in our public financial management system. Efforts to establish audit committees in Local Councils are being stepped up in order to strengthen internal control systems in the Councils as well.

Improvements in internal controls, reorganization of the audit function, and revamping audit committees for effectiveness, will address most of the issues in public financial management and accountability systems.

The creation of a Public Procurement Unit under the new organisation structure of the Ministry of Finance and Economic Affairs to oversee public procurement policy and policy implementation across all levels of government is yet another important milestone that complements well the Public Procurement Regulatory Authority and the Public Procurement Appeals Authority.

Expenditure tracking and physical inspection of development projects has been strengthened by creating an Expenditure Tracking and Performance Monitoring Section under the Government Budget Division. The Section is responsible for follow-up on budget implementation and expenditure of Ministries, Departments, Regions and Local Government Authorities; collect and analyse data and information on project profiles; design expenditure and performance reports to be used by Ministries, Departments and local Authorities; facilitate the preparation of the Budget Guidelines by providing information on sectoral performance to the Budget Guidelines Committee.

The creation Section will enable the Government to respond effectively to the incessant demand from the Public, Parliament, Development Partners and MDAs for performance reports regarding the utilization of budgeted funds.

In the financial year ended 2007/2008, a report on expenditure tracking and physical inspection of the the development projects has been done for Mbeya, Manyara, Morogoro, Tabora and Lake Regions. Performance tracking will fulfill an essential role in public Expenditure Management and Financial Accountability in this country as it ensures intended us of public funds including checking on value for money for public service delivery.

At a more strategic level the Government has created a new post of Deputy Permanent Secretary, Public Finance Management. The creation of the post of Deputy Permanent Secretary for Public Financial Management is considered necessary in order to drive public financial management reforms in all Government Ministries, Departments and Agencies as well as Local Government Authorities.

The creation of the post of Deputy Permanent Secretary – Public Finance Management recognizes the importance of ensuring Public Financial Management reform initiatives that have been undertaken are sustained and that further reforms are championed to ensure that that all spending agencies – Ministries, Departments and Local Government Authorities – provide public services with value for money considerations.

The Deputy Permanent Secretary – Public Financial Management will be responsible for providing policy and implementation guidelines across all levels of Government to ensure that the entire public financial management system has the integrity to foster fiduciary responsibility. Under the new Deputy Permanent Secretary, public financial management reforms will be coordinated, publicized, monitored and evaluation of the impact of the reforms will be undertaken.

We believe these measures are essential in order to enhance accountability and restore public confidence in Government. The scope of these measures is detailed in the second phase of the Public Financial Management Reform Programme that I plan to launch at the end of this review. We will have the opportunity to learn more about how government plans to carry forward the reforms in this area during the launch event.

Regarding Good Governance, I would like to emphasize that promotion of good governance and accountability is another priority agenda for the government. Again, the main intervention on this are familiar to participants. Interventions on this agenda are anchored in four related programmes namely the Public Service Reform Programme II, Local Government Reform Programme, Legal Sector Reform Programme and the Anti-Corruption Strategy and Action Plan.

The Government is committed to sustain efforts in those areas. I want to take this opportunity on behalf of the Government to express our sincere appreciation to all Development Partners who have supported our efforts in these areas. Your continued support is needed in order to sustainprogress towards poverty reduction and meeting the Millennium Development Goals.

The government strongly believes that success in public financial management and good governance are basic building blocks for poverty reduction and socio-economic development. These basics are important to all of you who provide GBS to this country.

GBS donors and other stakeholders get concerned if there is no sound public financial management or good governance. If we don't publish timely annual financial statements, if we do not provide timely external audit reports or regular internal audit, the perception of fiduciary risk – the risk that GBS funds will be channeled to unintended use - increases.

You will be aware that since two years ago, the Government has been producing a structured response to matters raised by the national audit office. The National Audit Office annual audit report for 2006/07, which was issued in time, for the third consecutive year, since 2004/2005, acknowledges that there has been an improvement in our public financial management.

The National Audit Report states that, compared to 2005/06, unqualified opinions on the accounts of the Central Government as broadly defined, have risen from 57% to 74%, while qualified opinions have declined from 39% to 26%. The report also observes that in the 2006/07 audit report there have been no cases warranting an adverse opinion or a disclaimer of opinion. The Government considers this encouraging trend to be a significant pay-off from the public financial management reforms of recent years.

It is worth noting that the public financial management reforms have included facilitating the National Audit to overcome the perennial problem of releasing audit reports past the statutory due dates, which was typical for many years before 2004/05.

At the same time, the public financial management reforms have enabled the Treasury to revamp the government accounting system and to produce financial statements in time, thereby feeding into a timely external audit process.

Mr. Chairman, although the mandates of the NAO and the Treasury are different, the two institutions are complementary because the overriding objective in each case is to build parliamentary and public confidence in the use of public resources for delivery of public services. It is my conviction that the current public financial management infrastructure in the Government will continue to re-assure Parliament and the public in general, that there is a steadfast commitment to excellence in public sector performance.

The progress in our public financial management reforms ought to reassure our GBS donors that Tanzania has made significant strides in public financial management and financial accountability is in place. These reforms provide hard evidence that constituencies in your home countries need to be given to feel comfortable that our country has systems in place to manage the aid it receives.

By the same token, there is no good reason to have parallel systems that result in extra reporting, extra planning, extra execution and additional auditing that are inherent in project aid modality, purportedly to reduce fiduciary risks.

Mr. Chairman, General Budget Support is one important element of the Joint Assistance Strategy for Tanzania (JAST). In this respect, the principles that guide the implemented of JUST are also relevant for and applicable to GBS. One important objective of the JAST is to reduce the transaction costs of our development cooperation. This is also one of the principal reasons for our preference of GBS over the other two aid delivery modalities.

GBS is the preferred aid modality because it increases both government ownership and alignment of aid to government policies and strategies. GBS helps Government introduce basic changes in economic, financial and other policies of key importance for economic development because the funds are available for government programming. Thus, GBS builds our government’s sustainable capacity to design and implement poverty reducing strategies.

On your agenda, I noticed this aspect is not one of the issues that you will be reviewing. To me, this is an important omission that I would urge you to take on board during this review.

Another important aspect of the JAST that is also designed to reduce transaction costs is the introduction of a new dialogue structure that will guide Government - DPs interactions in the course of a given year.

I am pleased to note that this is already in place. Since this was prepared in a consultative manner, I believe both government and DPs are committed to adhere to that framework. On part of the government, I am taking the liberty to confirm that commitment. I am tempted to believe that the DP side has a similar level of commitment. Let us avoid parallel systems in order to avoid unnecessary frustrations.

Mr. Chairman, I understand that, this review is also a forum for agreeing on the next Performance Assessment Framework (PAF). I have noticed from the 2007 and 2008 PAFs that all the actions for assessment are focused on Government.

I think this is an anomaly because in our development cooperation and our partnership framework, both parties have obligations to implement. So there is need for both partners to be assessed on their performance of their respective responsibilities.

For example, disbursements under GBS are supposed to be front loaded. Practically, this does not happen 100%. In this regard, I would like to propose that the 2009 PAF be composed of actions and performance indicators for both parties. This will be a good demonstration of a real partnership between Government and DPs. And as I have said before, as a result of our good relationship which is anchored on our unswerving commitment to our poverty reduction strategy, we are the standard bearers. Let us set the standard for the rest even in this respect, of enhancing mutual accountability, as well.

Another important concern I would like to bring to the attention of participants of this GBS Annual review meeting is the need for consistence.

According to the Partnership Framework Memorandum (PAM) between Government and GBS partners, the basis for GBS Partners commitments for the next budget is a successful GBS review of the previous year.

This year, it did not happen because of very unrelated events, to be more specific, the EPA issue at the Bank of Tanzania. Government action on this case became the new basis contrary to the understanding in the PFM that both parties signed in 2006.

This shifting of the goal posts caused considerable uncertainties and difficulties in our preparation of the 2008/09 budget. At this point, I want to appeal to our partners to remain focused on agreements. Introduction of additional benchmarks will only serve to weaken that partnership that has been created at great cost.

I would also like to share with you yet another experience related to the foregoing point. As I have mentioned earlier, in early September 2008, I attended the High Level Forum on Aid Effectiveness in Accra. When I got to Accra, I was surprised to note that over 5 European Ministers for Development Cooperation wanted see me.

When I met them, each wanted me to confirm whether it was true that President Kikwete has stated that suspects of the EPA saga who have returned the money would not be taken to Court.

My second surprise was that all of them had the same version of the story. It was good I went to Accra and had the opportunity to provide the true version of the story about the Government position on EPA saga.

It was after my meetings with those ministers that the GBS partners started to make their disbursements. Again, I would like to appeal to our DPs to check with us on all contentious issues in order verify their views on matters before transmission to headquarters.

Mr. Chairman, let me also touch on the constraints and challenges relating to lack of Predictability of GBS Inflows, Sustaining GBS, Lack of Transparency and Trust, and .

In principle, GBS resources are supposed to be disbursed during first quarter of a given financial year. In practice however, this does not happen 100%.

Majority of the DPs manage to disburse by the second quarter but still there are those who disburse as late as the end of the fourth quarter; and there are also who fail to disburse completely. This is a difficult challenge but we can minimize its effects if DPs could improve the accuracy of the information they provide regarding their commitments.

Regarding sustaining GBS**,** there are more than 26 Development Partners operating in Tanzania. Out of this number, 14 have committed to GBS through signing a Partnership Framework Memorandum with Government (signed in 2006) to deliver part or all of their assistance to Tanzania through General Budget Support.

This number has remained constant and there are indications of efforts to reverse direction. As Government, we still believe this is the best modality and would like to see more DPs joining the GBS group.

Of course DPs, both those who have joined and the skeptical need to be convinced that GBS indeed is better than the other two modalities through practical demonstration. Thus, reducing fiduciary risk through strengthening public financial management commends itself.

As I have indicated, Government is committed and has taken specific actions in that direction. Given the public financial management reforms I have outlined above, there is no good reason to be concerned about fiduciary risk. There is no reason for overburdening the already stretched Government officers by demanding extra reporting, extra planning, extra execution and additional auditing that are associated with project aid modalities.

GBS has the potential to strengthen the partnership and to minimize mistrust between the Government and Development Partners. To foster good relationship, both parties are supposed to be open to each other. In practice, there is little progress in this area. Little surprise because human beings are not infallible. There are still some cases of individuals among the Development Partners fraternity who push for a particular agenda even if there is resistance from Government.

There is also the practice of DPs requesting letters or written correspondence as evidence of Government action on a particular issue. This is practically difficult sometimes as some correspondences may be restricted for public consumption. It is important for our partners to understand these practical limitations.

Mr. Chairman, an essential pillar in the reforms toward improving relationship with the donor community has been the adoption of poverty reduction strategies by the Government of Tanzania.

Based on the evidence of intermediate benefits of reforms in this country that have demonstrable links to poverty reduction in Tanzania – such as reforms in public financial management and reforms in governance, it is time to press for a greater momentum toward broad-based poverty reduction.

Reforms that we have undertaken, while necessary, are not sufficient to make an impact in poverty reduction. I would therefore like to call on all Development Partners to consider my plea for Scaling up of GBS Commitments to enable the Government to address bottlenecks to broad-based wealth creation and reduction of poverty.

The Government would be happy to see Development Partners increasing the proportion of their assistance that is delivered through GBS. Until now, only a few Development Partners have gone beyond 50% of their Overseas Development Assistance to Tanzania.

I would want to encourage all Development Partners to make reaching their own official target for Overseas Development Assistance a priority issue in order to put their money where their mouth is. The practical way to sell my plea to your home countries is to unequivocally present the progress that Tanzania has made over a short period of time using your financial support.

Tell them that Tanzania is committed to poverty reduction, as measured by progress towards the Millennium Development Goals; and that steps toward this shared objective are beyond doubt. To reinforce the point, Tanzania has a clear poverty reduction strategy – MKUKUTA - which is sound both in principle and in practice.

As we noted during the Rapid Budget Analysis presented by the World Bank at the Public Expenditure Review last week, the Government has walked the talk by ensuring that actual allocation and spending on MKUKUTA targets is consistent with its poverty reduction strategy.

Furthermore the Government of Tanzania has delivered significant intermediate outputs on the path to poverty reduction in the last few years, since the introduction of the GBS in 2000. The intermediate outputs which create a conducive environment for poverty reduction strategies include:

- We have made significant milestones in reforming the public service;
- We have undertaken reforms in planning and budgeting to promote good budgetary outcomes – fiscal discipline; prioritization of resources and working toward efficiency and effectiveness in public service delivery;
- We continue to strengthen the business environment;
- We have undertaken fiscal reforms leading to steadily increasing revenue collection;
- We have made significant gains in improving social wellbeing through higher primary and secondary school enrolments and reducing under-five mortality and
- Fiscal discipline has been restored.

Through reforms, the Government of Tanzania has created an environment for economic growth. The Government's main challenge now is to translate the progress made to-date into improving the welfare of our people through promotion of broad-based economic growth and development.

Extra GBS resources will step up economic growth and development to reduce poverty by unlocking growth bottlenecks. While recognizing that domestic and foreign investment and enhanced productive capacity of our people are prime movers of wealth generation, there is need to inject extra resources.

Extra GBS resources GBS will support investing in public projects which fuel the private sector as the primary growth engine. Private investors, both domestic and foreign need reliable transport infrastructure – roads, railways, power generation.

Increasing output capacity of our small scale farmers, traders, fishermen etc; will enable them to earn income to provide for education of their children as well as paying for health requirements of their families. Increased output and growth provide a sustainable way for addressing most of the ramifications of poverty in a sustainable way.

GBS funding modality underscores the importance of ensuring that our country's financial accountability systems rather than individual project pre-occupation are the enduring source of system-wide fiduciary assurance. This holistic approach to fiduciary risk mitigation , through improvement of our country's public financial management architecture, is consistent with building national financial accountability system as well as reducing transaction costs.

Conclusion:

Mr. Chairman, I have taken long, but I needed this much time because there are many issues at stake. I wouldn't want to take more of your time anymore. I believe my statement provides sufficient material for group and plenary discussions.

On behalf the Government, let me wish you very productive discussions over the next four days. Our expectations is that your conclusions will be mutual and the next PAF more realistic.

Thank you very much for your kind attention.

Annex 3 – Opening Statement by H.E. Bjarne H. Sørensen, Ambassador of Denmark, Chair of the PRBS Group.

Opening Speech at the GBS Annual Review 2008

By H.E. Bjarne H. Sørensen,

Ambassador of Denmark, Chair of the PRBS Group

[Honorifics and greetings]
Honourable Ministers, Permanent Secretaries, Ambassadors and High Commissioners, Representatives of International Organisations, Development Partners, Members of Parliament. Representatives from the Private Sector, from Civil Society Organisations, and from the Press, Mabibi na Mabwana.

It is an honour for Denmark to act as Chair of the 14 Budget Support Development Partners, and an honour for me personally to participate with you in the opening of the Annual General Budget Support Review for 2008.
General Budget Support is about providing funds directly to Government, and it is – according to the Joint Assistant Framework for Tanzania (the JAST) –Government's preferred aid modality. It embodies the principles of the Paris Declaration on: ownership by the recipient country, alignment with national goals, harmonisation, mutual accountability and managing for results.

The United Republic of Tanzania has received significant amounts of budget support since fiscal year 2000/01. Over the last eight years Budget Support Partners have demonstrated their commitment to support Tanzania's development to make the impact of budget support more efficient. Each year's Annual Review of Budget Support is an important opportunity to take stock of progress to see how we are jointly performing and to identify the challenges we need to address in order to deliver results. This focus on results is in line with the spirit of the Paris Declaration and should be one of the two main pillars of the Annual Review 2008.

While assessing results and identifying challenges it is also important that we discuss and agree on ways forward. Agreement between budget support partners and government on how these challenges can be addressed in the short to medium term should, therefore, be the other main pillar of this Annual Review.

In short, we should jointly look back to see what has been achieved and forward to see how we together can achieve more in the future.

Assessing results and addressing challenges should not only include Tanzania mainland but also Zanzibar, as 4.5percent of funds financed by General Budget Support go to Zanzibar. We need to improve the monitoring of the implementation of Zanzibar's poverty and growth strategy, the MKUZA. I hope this

Review and subsequent dialogue will provide some guidance as how to strengthen such monitoring frameworks.

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Honourable Minister, ladies and gentlemen, let me start by noting that this year's Annual Review takes place in a more challenging environment than previous years. There are three main reasons behind this.

[The EPA case]

The first reason is that, throughout the year we have seen several high profile cases of corruption and misuse of power. Without overlooking the significance of several of these cases, of particular concern to Development Partners have been the findings from the special audit of the External Payment Arrears account in the Bank of Tanzania which has posed challenges to the principles underlying our partnership. Findings from the audit were made public when budget support partners were considering their commitments for 2008/09 following the GBS review in October last year. It has led to delays in disbursements for Budget Support for this fiscal year due to doubts among Development Partners about the control environment in the Government machinery. This has inevitably affected the predictability of budget support.

The Government of Tanzania reacted promptly after the receipt of the special audit by developing an action plan for follow-up on the EPA case. And Honourable Minister your Government has made good progress in implementing this action plan. In relation to the Bank of Tanzania, you have instituted new accountability mechanisms, you have undertaken an assessment of fiduciary controls in the Bank, and you have strengthened the independence of the Audit Committee of the Bank, and for the first time in several years the annual external audit report of the Bank is expected to be completed in a timely manner.

The investigation team appointed by H.E. President Jakaya Mrisho Kikwete has come a long way in recovering funds from the companies involved in the fraudulent payments from the EPA-account, and in investigations involving the suspects behind these companies.
We have taken note of the recent events and the fact that several individuals linked to the companies that received fraudulent payments from the EPA account, and some BoT officials, have been arrested and charged. These are significant and encouraging developments.

It is our understanding that all the cases will be pursued by the legal system and that they will be brought to their proper conclusions. It will be up to the investigation team to follow up any further possible evidence against other culprits.

These measures have helped restore confidence among Tanzania and Budget Support Partners. The fourteen Partners who provide General Budget Support to Tanzania therefore re-affirmed [Press release of 17 September] their continued support to the Tanzanian Government's budget in September 2008. For the fiscal year 2008/09 the Partners plan to transfer approximately TSH 860 billion at current exchange rates to the Government of Tanzania's budget in the form of General Budget Support. This corresponds to 12% of the national budget. A significant proportion of this amount has already been transferred. We expect all partners to have disbursed by the end of this calendar year.

And please allow me to thank you, Honourable Minister, for showing leadership in the dialogue with Budget Support partners during these challenging times. Without such leadership, I do not believe, we would be where we are today.

[The International Financial Crisis]

The second reason for the environment being more challenging than in previous years is the recent global financial and economic crisis. The expected reduction in world economic growth will make for a more challenging environment for Tanzania. It is clear that the competition for resources has increased due to the credit crunch and the bail-out of banks and other credit institutions.
It will therefore prove harder to access finances in the future both on commercial and concessional terms. It is still unclear what impact this will have on Tanzania, but the need to demonstrate results is more important than ever.

[Mixed results]
This brings me to the third reason behind a more challenging environment for budget support this year. We, the Development Partners believe that during the last year there has only been slow progress in certain areas that are key to Tanzania's development. The preliminary results from the 2007 Household Budget Survey are not as positive as we would have hoped for. The good news is that we, for the first time in six years, have results for the incidence of poverty in Tanzania and the HBS provides an excellent baseline for measuring several other indicators that give us a better understanding of the state of Tanzania's development.

In addition, the National Bureau of Statistics has already sent people out in the field with questionnaires for the new Panel Survey. This will ensure we will also have updated data on poverty and other indicators annually from next year.

The Household Budget Survey, along with other important sources of data including the Tanzania HIV/Aids and Malaria survey, and data from the National Bureau of Statistics and the ministries, reported through the sector progress reports allow us to see what progress has been made and which areas lag behind. This provides an improved basis for managing for results, and responds to some of the concerns raised last year about the lack of data.

It is also positive to note that Tanzania is on-track to achieve a number of MKUKUTA targets for health and education. In addition to the gains within the health and education sectors, there has been progress within road infrastructure, and domestic revenue collection has increased sharply over the last five years. These achievements are commendable.
However, the bad news is that Tanzania despite these achievements has not made significant progress in reducing poverty. The preliminary results from the Household Budget Survey show that income poverty in Tanzania mainland has only dropped from 38% in 1992 to 35.6 in 2001 and to 33.4 in 2007. Tanzania is therefore undeniably off-track to achieve the MDG of halving poverty by 2015 and the MKUKUTA targets on poverty for 2010.

If, however, the right policy measures are put in place and the right actions are taken, we believe, that Tanzania may still have a chance of reaching the MDG of halving poverty by 2015. However, this will require annual real consumption growth of 3.2 percent per capita from now to 2015 – compared to an annual growth rate of 0.8 percent over the past six years. Clearly business as usual is not going to be enough to achieve this necessary four-fold increase in the growth rate of consumption. Surely this should be taken into account when Government will design the next phase of the MKUKUTA.

[How to improve results]
Now what will it take for Tanzania to achieve such ambitious targets of increasing consumption growth per capita to historic high levels. To answer this question I would like to turn the attention to some of the results from our main monitoring tools for budget support, namely the Performance Assessment Framework and the MKUKUTA Implementation Report.

[PAF results]

The results from the PAF 2008 and the MKUKUTA implementation report are consistent with the results from the Household Budget Survey. Tanzania has done well in improving access to primary and secondary education, in ensuring vaccination programmes for children, and thereby lowering child mortality, and in maintaining a high quality of the Tuberculosis programme and in sustaining the national HIV prevalence. In addition to the gains on the quantity of the services provided, Tanzania now needs to focus on improving the quality of services in the social sectors.
At the same time growth in agriculture has not been sufficient to lift significant numbers of Tanzanians out of poverty. Official growth rates for agriculture in 2007 stand at 4 percent. With more than two thirds of the population living in rural areas with their livelihood dependant on agriculture, making economic activity in this sector profitable for all stakeholders is key if Tanzania is to increase household consumption and halve poverty by 2015.
The business climate in Tanzania is still less friendly for business than the climate in neighbouring countries. The PAF includes an indicator from the World Bank's Doing Business report showing that Tanzania ranks 127th out of 181 economies. The neighbouring Kenya and Uganda are considered relatively easier places to do business ranking 82nd and 111th respectively. Tanzania has in fact moved backwards – in both absolute and relative terms – on the World Bank Cost of Doing Business Index and the World Economic Forum Competitiveness Index.

In the long run only the private sector – not Government or Development Partners – will be able to provide the jobs and the wealth creation to make Tanzania a more prosperous country. But unless Tanzania improves its business environment, it will not attract domestic and foreign investment necessary to unlock its largely untouched economic potential. Without that, it will not be possible to reduce poverty substantially and sustainably. Reforms designed to improve the business environment need to be driven forward much more effectively and urgently – and with full Government ownership.

Inflation has been rising. It has been above the Government target of 5% since 2004, and has accelerated significantly in 2007 and 2008, mainly due to rising international commodity prices. This constitutes a major burden to all Tanzanians. Inflation will need to be contained to maintain macroeconomic stability and protect the purchasing power of the population.

Another finding from the PAF is that Government is off-track in meeting its commitment to increase the share of Government budget transferred to local government on a formula basis to 25 percent. This poses a real impediment to local government's ability to provide service delivery in education, health and water services.

The 2008 PAF implementation also highlights a limited progress in the Public Financial Management Reform Programme, and in the Legal Sector Reform Programmes. This, coupled with less than satisfactory progress in public procuring entities' compliance with the Procurement Act, and the surfacing of several high profile cases of corruption, underline the need to discuss challenges in combating corruption. As we know corruption discourages investment and reduces confidence in public institutions and thereby undermines poverty reduction and economic growth.

[Key issues]

Honourable Minister, ladies and gentlemen, I am pleased that based on the results of the Household Budget Survey and the results from PAF 2008 Government and Development Partners have agreed on a number of key issues to discuss over the coming days with the aim of addressing some of the challenges that can help increase household consumption, ensure sustainable and inclusive growth, and thereby reduce poverty in Tanzania: Agreeing on next steps for addressing how Tanzania can improve the well-being of ordinary Tanzanians by increasing household consumption to new levels is the main aim of this Annual Review.

I consider it a great achievement that Government and Budget Support Partners have been able to agree on the following four key issues:

- The Budget Strategy in a Changing Macroeconomic Environment

- The Investment Climate – with a special emphasis on agriculture
- Equity and Efficiency in Service Delivery
- Challenges in Combating Corruption

The planned session on the Budget Strategy in a Changing Macroeconomic Framework will provide an opportunity to address the macroeconomic pressures and their implications for the extent of public spending and its composition.

The planned session on the investment climate with a special emphasis on agriculture will provide an opportunity to address how to improve the investment climate and spur growth and job creation in agriculture and other sectors.

The planned session on equity and efficiency in service delivery will address how the unequal distribution of human resources is affecting poverty reduction, using health and education as examples.

And the planned session on challenges in combating corruption will give guidance to measures to strengthen anti-corruption efforts in Tanzania.

[Conclusion]
Honourable Minister, Ladies and Gentlemen, my speech is not an attempt to focus only on areas where progress has been below the jointly agreed PAF targets. But we need to focus on the shortcomings if we want to see progress.

I am very grateful to you, Mr Minister, for the time and efforts that you have put into supporting the dialogue on General Budget Support. However, I do believe that our dialogue with your colleagues across all MKUKUTA sectors and thematic areas needs to be strengthened over the coming year in order to make sure we are collaborating as effectively as possible for Tanzania's advancement.
The Annual Review 2008 is the culmination of the Annual cycle of GBS dialogue. The outcome of this review strongly influences Budget Support Partners' commitments to support Tanzania's efforts to reduce poverty and boost growth to improve the lives of its citizens. It merits the time that we are about to commit to it.

It is of paramount importance that we have jointly identified some of the main challenges to Tanzania's implementation of the MKUKUTA. I do believe that we shall use the extent of progress against the PAF for 2008 and the results of the HBS as a wake-up call and jointly over the next four days discuss and agree how to achieve swifter progress over the coming year.
Only in this way are we able to demonstrate results and thereby implicitly stress the importance of GBS as an effective aid modality.

I thank you.
Asanteni sana.

Annex 4 – Cluster Working Group 1 Report

CWG1: GROWTH AND POVERTY REDUCTION PROGRESS REPORT

Contributors: NBS, BoT, TRA, BEST, MEM, MAFS, MoID, MNRT, MLD, & MITM, DPs

1.0 Summary Assessment

1.1 Overall Assessment: Satisfactory (GoT) / Unsatisfactory (DP)

During the year 2007/8, Tanzanian economy was beset by high prices of oil, food, agricultural inputs and towards the end a global financial crisis and a slowdown of the world economy. Against this background Tanzanian economy grew at an estimated rate 7 percent per annum sustaining the trend of a robust growth since 2000.

However, the 2007 Household Budget Survey showed that the growth since the last HBS had not converted to a poverty reduction expected from such a robust growth both in the rural and urban sectors, casting doubt towards the MDG goal of income poverty reduction.

This outcome compels a thorough review of the policies and programs and the progress made in implementing them during the past years.

An assessment against the PAF 2008 was made by Cluster Working Group 1, which shows that while policy dialogue through most sector reviews continued to improve some sectors of agriculture and BEST critical importance to poverty reduction showed a poor performance.

The Government and DP representatives agreed to disagree on the overall cluster rating. The Government assessed favorably the progress made in the cluster, especially in the financial sector reform, infrastructure, and tax modernization program.

DPs were of the view that while the quality of dialogue improved substantially the marginal poverty reduction and a sluggish growth of agriculture off the targeted growth path as well as an unsatisfactory progress in the implementation of BEST led to rating the cluster performance during 2007/8 as unsatisfactory.

1.2 Underlying processes

All six Underlying Processes have been conducted. Five Underlying processes have been satisfactory while one Underlying process (which is BEST) has been unsatisfactory.

1.3 Temporary process actions

Out of twelve Temporary process actions (TPAs), seven TPAs has been "Achieved" whereas five TPAs have been "Not Achieved".

Outcome indicators

There were eight Outcome indicators. Among them, three outcome indicators have been rated as achieved/ on-track whilst five have been rated as not assessed/ off-track.

MINISTRY OF AGRICULTURE FOOD SECURITY AND COOPERATIVES

Progress Report of CWG 1 – Growth and Reduction of Income Poverty – Agriculture PAF for GBS Annual Review 2008

2. DETAILED ASSESSMENT

2.1. Areas of good and weak performance

Main Sources of Information	ASR/PER and ASDP JIR Report

Key areas of good performance

- ASR/PER FY 2008 was completed with increased stakeholder consultations on the process;
- Increased sector dialogues and meetings;
- The ASR/PER for 2008 took into account issues raised in the ASR/PER 2007 and the findings and recommendations will be taken on board in the FY 2009/10 budget process;
- Joint ASDP Implementation Review was carried out in September - October 2008 and report presented to stakeholders. Agreed actions from the ASDP Joint Implementation review will be implemented as per integrated work plan and budget;
- 127 out 132 LGA's qualified for top up grants in FY 2008

Key areas of weak performance

Untimely disbursement of funds;
Low level of investment in the sector.
Low Agriculture Annual GDP growth
Very limited progress in rural poverty reduction

Overall Assessment **“Satisfactory**”

Underlying processes

The PAF-Action for the agricultural sector was composed of only one underlying process that is Agricultural Sector Review including Public Expenditure Review (ASR/PER) and ASDP Joint Implementation Review

Temporary process actions

The temporary is the Amendment of Legislation for all Crop Boards by June 2008.

A consultant report on the Review of Crop Boards Legislations submitted to government and stakeholder consultations conducted for all crop boards to get consensus on the amendments. Draft amendments for all crop boards (coffee, tea, cotton, sisal, pyrethrum, cashew nut, sugar and tobacco) have been prepared.

2. DETAILED ASSESSMENT

2.2. Underlying Processes

a) Underlying Process 1: Agriculture Sector Review (including PER and Performance Review of ASDP) for year 2008.

Assessment	**Satisfactory**
Main Sources of Information	Agricultural Sector Review & PER papers

The Agricultural Sector Review (ASR) and Public Expenditure Review (PER) was carried out focusing more on issues related to Public Expenditure Review and evaluation of progress made in the implementation of last year ASR/PER recommendations.

Status:

A consultant was recruited in early August 2008. The Sector Review Reference Group met on 26th of August 2008 to discuss the status of ASR/PER.

i) First Draft of the ASR/PER Report was presented in a stakeholder consultations meeting on 18th September 2008.
ii) The findings of ASR/PER and Joint ASDP Implementation Review were presented to stakeholders on 13th October 2008;

iii) The ASR/PER report was submitted in October, 2008.

Key findings of the ASR/PER include among others the following:

i) Inadequate sector budget allocation and timely disbursed and adequately distributed to users. It is recommended to increase sector budget gradually to 10% from the current level of 6.4 according to Maputo Declaration (Assembly/AU/Decl. 7(II) of July 2003) in order to stimulate sustainable growth in the sector. Commitment to the allocation of at least 10 percent of National budgetary resources to agriculture and rural development policy implementation within five years[2]

ii) Inadequate private sector investment – Government should give agricultural sector special incentives in tax, guarantee schemes and investment regulations in order to promote commercialization as well as land tenure rights.

2.3. Temporary Process Actions

a) Temporary Process Action 1: … Amendment of all legislations of crop boards by June, 2008

Assessment	**"Not Achieved"**
Main Sources of Information	Stakeholder Consultation Reports for all crops Consultancy for the Review of Crop Boards Legislation

In August 2007 a Legal Consultant was employed to use the Government decision of 2005, the government circular of March 2006 and stakeholder memoranda of Understanding to propose relevant amendments to Eight Crop Industry Legislation (Coffee, Cotton, Tobacco, Sisal, Sugar, Pyrethrum, Tea and Cashew nut). The consultant amendment proposals were presented before stakeholders meetings between October and January 2008 except for cashew nut, whose meeting was conducted from 12th – 13th March 2008. Stakeholders' views were incorporated in the consultant report in January 2008 and the report was submitted to the Ministry of Agriculture Food Security and Cooperatives the same month. However, because the cashew nut legislation was lastly amended in 1993, there are more proposals for amendment in the latter legislation.

The Consultant's report was submitted to a group of lawyers (from MAFC, MITM, Office of the Attorney General and respective Crop Boards) for proposing amendment Bill instructions in February 2008 for coffee, cotton, tobacco, pyrethrum, tea and sugar.

The process for seeking Cabinet approval to take the bills to the April/May Parliamentary Session was also initiated in February 2008 by submitting a Cabinet Paper to the Cabinet Secretariat. A cabinet paper was submitted to the Inter-ministerial Technical Committee (IMTC) and Cabinet for approval. As far as the Ministry of agriculture is concerned the process is completed and is waiting the bill to be tabled in the Parliamentary Session for approval.

a) Outcome Indicator 1: Number of LGA's qualifying for top up grants (in addition to base grants) according to agreed performance criteria

Assessment	"**Achieved**"
Indicator Values	Baseline 2005: 84 (2006) Status 2008: 127 Target 2010: 132

Definition of agriculture sector for the 10% budget calculation is based on Classification of Functions of Government includes Agriculture (crops and livestock), forestry and fishing.

Main Sources of Information	LGCDG Annual Performance Assessment 2008/09

b) Outcome Indicator 2: Reduction of income poverty in rural population (measured by annual agriculture GDP growth)

Assessment	"**Not Achieved**"
Indicator Values	Baseline 2005: 4.3% in 2005 Status 2007…4.0 Target 2010: 7%
Main Sources of Information	Tanzania Economic Surveys

The agricultural growth rate dropped from 4.3 per cent in 2005 to 4.0 per cent in 2007 as a result of un-favourable weather conditions in some districts which is the key variable for the sector to grow. Other factors include inadequate investment in infrastructure (irrigation, rural roads), agro-based industries and use of improved agricultural technologies and absence of long-term agricultural financing mechanism. The livestock economic activities were affected by Rift Valley Fever (RVF) which affected production of livestock products. The per capita consumption of meat declined from an average of 11.4 kilograms to 10.5.

The growth rate was computed based on the Revised National Accounts that make use of the factor prices rather than factor costs while fishery's sub-sector was excluded in the definition of the agricultural sector.

NATIONAL BUREAU OF STATISTICS
MINISTRY OF FINANCE AND ECONOMIC AFFAIRS

Progress Report of CWG 1 – Growth and Reduction of Income Poverty – NBS PAF for GBS Annual Review 2008
SUMMARY ASSESSMENT

2. DETAILED ASSESSMENT

<table>
<tr><td colspan="2">2.1. Areas of good and weak performance</td></tr>
<tr><td>Main Sources of Information</td><td>The 2006/07 Household Budget Survey (HBS) & The 2008/09 National Panel Survey (NPS).</td></tr>
<tr><td colspan="2">Key areas of good performance

<u>The 2006/07 HBS:</u>
• The 2006/07 HBS was conducted from January to December 2007 covering a total of 10,752 households in Mainland Tanzania. The last HBS was carried out in 2000/01.
• The survey managed to collect the consumption data, which is the basis for computing</td></tr>
</table>

poverty estimates.

- The local staff conducted the data entry and processing of the survey data.
- The data analysis to provide poverty estimates and poverty profile was done successfully in collaboration between local staff and consultants from UK.
- The preliminary results were ready by September 2008.

The 2008/09 NPS:

- The Government of Tanzania through MKUKUTA funding plus technical and financial assistance from the UNFPA, UNICEF, Royal Danish Embassy, the WB/Gates Foundation and other development partners managed to design the 2008/09 NPS, a new survey in Tanzania and first of its kind in Africa in terms of coverage and content.
- The fieldwork started in October 2008 and will continue to June 2009 using a mobile team approach where teams of enumerators move from one area to another..

Key areas of weak performance

The 2006/07 HBS:

Untimely disbursement of MKUKUTA funds delayed the survey for one year.
The data cleaning and analysis delayed the release of poverty estimates for three months.

The 2008/09 NPS:

Untimely disbursement of funds delayed the survey fieldwork for two months an.
Procured six out seven vehicles for the survey due to inadequacy of funds and high prices of cars suitable for fieldwork.
Some donor restrictions and high prices of cars delayed adequate procurement.

Overall Assessment	**“Satisfactory**”

2. DETAILED ASSESSMENT

2.2. Temporary Process Actions

Temporary Process Action: Poverty Estimates produced by June 2008, based on the 2006/07 HBS, and Undertaking a pilot 2008/09 NPS to provide indication of frequency of poverty estimates

Assessment	**"Achieved”**
Main Sources of Information	The 2006/07 HBS and the 2008/09 NPS.

- The HBS is carried out after every five years. The last HBS was conducted in 2000/01 and the current one was carried out between January and December 2007. The consumption data, which is the basis for computing poverty estimates, is collected from sampled households for one calendar month through household and individual diaries. Data collection continues for twelve months to accommodate seasonal variations.

- The 2008/09 NPS is a new survey in Tanzania and first of its kind in Africa in terms of coverage and content. It is expected to provide poverty estimates on annual basis to track MKUKUTA progress as well as other socio-economic indicators for the country. In the long run, its analysis will enable understanding how households move into and out of poverty, that is, poverty dynamics. It will also provide opportunity for monitoring and evaluating various development programmes and projects. The success of the pilot NPS in providing annual poverty estimates will determine its future.

Status:
1. The 2006/07 HBS

- The HBS was postponed from 2006 to 2007 due to delay in disbursement of funds for the survey from MKUKUTA pooled funds.
- The survey data has been entered by March 2008.
- Data validation and cleaning were finalized by 31st August 2008.
- Data analysis started in April 2008 and initial poverty estimates were expected by end of June 2008. However, changes in coding system of consumption items has necessitated longer period for data cleaning and analysis.
- Preliminary poverty estimates were produced by September 2008 as planned.
- Draft Final Report is ready and will be discussed among stakeholders in November 2008
- Final report is expected by end of November instead of October 2008.

2. The 2008/09 NPS

- The NPS planned for 2008/09 is on track.
- An International Resident Advisor to provide technical assistance in design, management and analysis of the survey recruited in May 2008.
- Questionnaire and sample design to be finalized by July 2008.
- Pre-test and Pilot survey undertaken in June 2008 and June/July 2008 respectively.
- Enumerator training conducted in September instead of July/August 2008.
- Field work for data collection start in October instead of August/September 2008 and will continue until May/June 2009.
- Analysis of data to be done in June-July 2009.
- Funds contributed through MKUKUTA, UNICEF, UNFPA, WB/Gates Foundation and Royal Danish. Other donors might join later.
- Technical assistance for questionnaire design contributed by the WB.
- Coverage of the survey includes Mainland and Zanzibar. Estimates disaggregated by Rural/Urban and Mainland/Zanzibar.
- Objectives of the survey:
    - Track MKUKUTA progress.
    - Understand poverty dynamics.
    - Evaluate policy, program and project impacts.

Progress Report of CWG 1 – Growth and Reduction of Income Poverty – BEST PAF for GBS Annual Review 2008

SUMMARY ASSESSMENT

Overall Assessment **Unsatisfactory**

Underlying processes

The PAF-Action for the BEST Programme was composed of only one underlying process that is Review of the Programme

Temporary process actions

The temporary is the Business Activities Registration Act subsidiary regulations consistent with one-stop-shop good practice approved and implementation started by April 2008.

2. DETAILED ASSESSMENT

2.2. Underlying Processes

a) Underlying Process: BEST Programme Review by June, 2008.

Assessment	**"Unsatisfactory"**
Main Sources of Information	**Draft Report of 5th Implementation Support Mission(ISM)**

a) Underlying Process: BEST Programme Review by June, 2008.

Progress on implementation of the programme has been disappointingly slow and DP's have raised their concerns with government. Pending response of the Government to these concerns and evidence of improved commitment and progress within the MDA's, bilateral DP's have decided not to fund the second phase of the programme. The World Bank, together with bilateral DP's will decide on the way forward during the Mid Term Review in May 2009.

The latest BEST review (27 October to 4 November 2008) had three objectives: to assess progress, to gauge MDA commitment and to set clear benchmarks for the Mid Term Review. Progress was rated marginally satisfactory in delivering planned outputs, including, for example: failure to move forward on amending the Business Activities Registration Act (BARA) to be in line with a one-stop shop registration concept and reduce the cost of doing business; long delays in the scanning/digitization of BRELA records; the low number of new land titles registered; and delays in the recruitment of a Senior Legal Adviser and Program Manager in the Commercial Dispute Resolution (CDR) Component. Baseline studies are also still lacking in most components. Components TIC and Labour are the better performers, the pace of implementation is promising to pick up in Lands and commitment somewhat improving in the CDR component. The Business Registry and Licensing component shows mixed results, with BARA creating a one stop shop for registering a business being off track.

Overriding constraints are weak governance mechanisms and unclear high level government commitment. The BEST Steering Committee (BSC) and the Tripartite Review Committee (TRC) have not served as effective governance mechanisms for the BEST program. High level Government and private sector attendance has been poor.

There is need for a much stronger Government commitment at the highest levels, which can strengthen the understanding across the government system of an improved business enabling environment, speed up the pace of the implementation of the BEST programme and generate results according to plans, and adequately address existing and future challenges.

MINISTRY OF INDUSTRY, TRADE AND MARKETING

2.3 Temporary Process Action

Assessment	**"Not Achieved"**
Main Sources of Information	**MITM**

Temporary Process Action:

Business Activities Registration Act subsidiary regulations consistent with one-stop-shop good practice approved and implementation started by April 2008.

The Business Activities Registration Act (BARA) was enacted in 2007. The TPA (agreed last year) stated that BARA subsidiary regulations "consistent with one stop shop good practice" should be issued by April 2008. A consultant was brought in to draft the regulations, but these were not issued - because in drafting the regulations, the consultant identified a number of inconsistencies and technical deficiencies within the underlying Act, which mean that the Act is not in line with one stop shop good practice and will not achieve the objective of reducing the cost and time taken to register a business in Tanzania. Consultative meetings with MITM and private sector stakeholders were held and it was agreed that the Act itself should be amended, prior to issuing the regulations. Amendments to the Act were accordingly drafted and agreed to by MITM in May 2008, before being forwarded to the Attorney General's office for review and onward presentation to Parliament.

However, on advice from the AG's office, the MITM have now decided to pursue a different course of action. According to the AG's office, the proposed amendments represent a change in policy and cannot be presented to Parliament under the miscellaneous amendments procedure.

The MITM now intends to proceed with implementation of BARA without amendments. New regulations have been drafted to be in line with the existing Act. The MITM now intend to pilot the Act in a number of districts. Substantive revisions and amendments to the Act and regulations may then be made (where necessary) based on practical lessons learnt from the pilot.

DPs have expressed serious concerns over this proposed way forward because it will create a business registration system that is costly for government to administer, costly for it to enforce and costly for the business community to comply with. Businesses registered under the Companies Act and Business Names (registration) Act will have to re-register under BARA. Far from encouraging those in the informal sector to register, BARA requires 17 pieces of information to be presented at the time of registration, of which only one is optional. Inspectors tasked with enforcing BARA will have the legal right to inspect and examine premises and ask for a wide range of information to be handed over, which will create clear opportunities for rent seeking.

The TPA is therefore considered to be "not achieved".

Outcome Indicator: Enabling environment for private sector lead growth improved as reflected in "Doing Business" ranking

Assessment	**"Off-track"**	
Indicator Values	**Baseline 2005: 150 (2005)**	
	Status 2008: 130	(recalculated in 2008 to 124)
	Target 2010: 110	
Main Sources of Information	**MITM**	

When looking at this indicator it is important to note that for two years in a row, the methodology for calculating the Ease of Doing Business rankings has been adjusted. This has resulted in recalculation of the rankings of previous years. As a consequence of this, Tanzania seems to have improved based on the annual rankings, when in reality it has dropped in ranking for two consecutive years. Every year, the rankings of the previous year have been recalculated, but in the 2009 ranking, the 2006 and 2007 ranking have not been recalculated, so the baseline of 150 is no longer relevant.

DETAILED ASSESSMENT

Temporary Processes Action

2.4 Temporary Process: Tanzania Trade Integration Strategy (TTIS) 2009-2013

Assessment	**"Achieved"**
Main Sources of Information	Tanzania Trade Integration Strategy (TTIS), 2009-2013 Framework Programme Document

TTIS formulation commenced in April 2007 based on a prioritization and updating of the Action Matrix developed in the November 2005 Diagnostic Trade Integration Study (DTIS). It was developed by

MITM-led transition team with support from a Process Consultant (also referred as to as International Consultant). Initially, there was a delay in obtaining Government approval of the DTIS due to change in the Government that arose following the Country's General Elections in the last quarter of the year 2005.

TTIS has three main purposes, namely: (i) To provide a single framework for strengthening ownership of trade sector development and all current or planned Aid for Trade interventions by the government; (ii) To provide a mechanism for coordination of trade sector related development initiatives and trade related development assistance; and (iii) To provide a mapping of current development needs and priorities within the Tanzanian trade sector, the role of current or planned bilateral development assistance, and possible areas of intervention for a multi – donor basket fund and for Enhanced Integrated Framework resources.

TTIS framework programme has two main objectives: (i) Enhancing Tanzania's capacity to manage trade policy and strategy and Aid – for Trade; and (ii) Strengthening and expanding a competitive export supply of goods and services from Tanzania. This is a robust programme that covers many economic as well as social sectors and runs from year 2009 to 2013. The strategy is output oriented providing more emphasis on the development of economic productive sectors and the private sector in order to accelerate economic growth, particularly through exports (GDP growth target of 6-8% per annum).

TTIS framework programme will be implemented under the leadership of MITM with strong involvement of MDAs and other stakeholders. It will be one of the key pillars of the MKUKUTA, implemented through planning and budget guidelines mainstreamed in MTEF. The implementation mechanisms will involve four levels which are: (i) National Steering Committee; (ii) TTIS Coordination Unit based in MITM; (iii) Network of Sector Trade Policy Analysts; (iv) TTIS Technical Committee.

TTIS will be funded in two ways namely: (i) Direct funding involving the Multi-Donor trade budget support fund and government's own development and recurrent funds; and (ii) Indirect funding and funding coordination. The TTIS program recognizes the sizeable, parallel, ongoing support of numerous trade sector development activities by DPs through development assistance that operate outside the formal GBS. Therefore, The TTIS Program is <u>both</u> a direct funding mechanism provided to the Exchequer through a multi-donor basket fund and aimed at addressing a resource gap resulting from meager Government financial resources allocated to trade sector development <u>and</u> a funding coordination mechanism aimed at avoiding duplication among all resources provided by Development Partners.

The indicative costing of TTIS is $175 million running over a period of five years. Out of the total estimate, TTIS basket fund, IF funding might cover $33-35 million. Three Development Partners (DPs), namely: Denmark, Sweden, Switzerland have already pledged to contribute to the TTIS basket fund and some other two more have DPs expressed interest to join. Other DPs may join this initiative sooner or later.

Status of TTIS

(1) The preparation of TTIS, which is the implementation project document for the DTIS recommendations, has been finalized and approved by the Government, Development Partners and the Private Sector late March, 2008;

(2) The Coordination and implementation mechanism is now in place, namely: (i) National Steering Committee; (ii) TTIS Coordination Unit; (iii) Network of Sector Trade Policy Analysts composed of at least sixteen (16) Sectoral Trade Policy Analysts from different MDAs; and (iv) TTIS Technical Committee. However, recruitment of the Project Coordinator is still under process. The Project Coordinator will head the Coordination Unit. One Trade Policy Analyst from MITM has been seconded to the Unit and procurement of office equipment, furniture and other facilities for the Coordination Unit is under process;

(3) Two sensitization workshops, one for the Sector Trade Policy Analysts and the other for the Trade Integration National Steering Committee have taken place;

(4) Two project proposals have been prepared and are in the process of being supported financially.

These projects are: (i) Hotel Classification in Dar es Salaam and Coastal regions, a project which will be undertaken by the Ministry of Natural Resources and Tourism. About USD 140,000 has been set aside for this project. (ii) Capacity building and market access strategy for export horticulture (Sanitary and Phytosanitary - SPS training) in Tanzania, which will be undertaken by Tanzania Horticulture Association (TAHA). USD 40,000 has been budgeted for this project;
(5) Memorandum of Understanding (MoU) for subscribing to a single framework has been submitted to DPs and the private sector for comments. It is expected that the signing of the MoU will take place before the end of November, 2008;
(6) Preparations for the Activity Plan and Costing for the first year has started and is expected to be completed by November, 2008

FINANCIAL SECTOR SUPPORT PROGRAM

Underlying Process: Financial Sector Support Programme Review	
Assessment	**Satisfactory**
Main Sources of Information	FSP Implementation Support Mission October - November 2008 Draft Aide Memoire; SGFRP progress report…

The Financial Sector Support Programme (FSP) is an arrangement adopted by the Government of Tanzania and Development Partners (DPs) as an integrated technical cooperation and funding framework (basket funding) to support implementation of the Government's Second Generation Financial Sector Reforms. Programme implementation is coordinated by the Bank of Tanzania (BOT). FSP is reviewed semi-annually. The last review was held in October/November 2008 and was rated ***satisfactory***.

Progress in programme implementation

Steady progress has been made in implementing the programme as most of the activities in the work plan are progressing well. All components (strengthening the banking sector; developing financial markets; reforming the pension sector, strengthening the insurance industry; development of long-term finance; strengthening micro and rural finance) have made **satisfactory** progress**.** Financial management is also ***satisfactory.***

Progress towards development objectives

The development objectives of the Financial Sector Support Program (FSP) are to promote increased household and firm access to financial services, facilitate efficient financial intermediation, and support financial stability and integrity. Performance in achieving development objectives is measured on the basis of a range of outcome and intermediate outcome indicators. It was rated ***satisfactory.***

Available results for the four key outcome indicators are:

(a) Credit extended to the private sector as a percentage of GDP has increased to 14.9% in June 2008 from 12.5% in June 2007, against a target of 10.6%.

(b)	Interest rate spread (lending versus deposit rate) has declined to 12% in June 2008 from 13.1% in June 2007, remains however still above its target (10.2% in June 2008).
(c)	The proportion of adult population that uses financial services provided by formal and semi formal financial service providers has been 11% as per the Finscope survey of June 2006. Updated figures will become available from the next survey in 2008/09.
(d)	The proportion of financial institutions in compliance with capital adequacy ratios (banks) increased to 77.14% in June 2008 from 68.75% in June 2007 and is above the target of 62% for June 2008.

MINISTRY OF INFRASTRUCTURE DEVELOPMENT

Progress Report of CWG 1 Against the Performance Assessment Framework (PAF) for GBS Annual Review 2008

Contributors	Ministry of infrastructure Development

1. SUMMARY ASSESSMENT	
Overall Assessment	**Satisfactory**

2. DETAILED ASSESSMENT

2.1. Areas of good and weak performance	
Main Sources of Information	Infrastructure: The 2nd Joint Infrastructure Sector Review, Aide Memoire

Infrastructure:

Key areas of good performance

- The increase of maintenance funding has resulted to improvement of national road network in good/fair condition significantly by 11% from 79% in 2007 to 90% in 2008
- The Annual Joint Infrastructure Sector Reviews has been institutionalized
- Sector coordination has continued to improve through regular institutionalized Joint Technical Committee (JTC) meeting.
- Local Government Transport Programme (LGTP) has been approved and has received the

intended allocation (Budget)

Key areas of weak performance

- The congestion at the port has persisted and resulted in high Import Container Dwell Time which limits storage space at the port

2.2. Assessment against PAF matrix

a) Underlying Process: Annual Infrastructure Sector Review

Assessment	**Satisfactory**
Main Sources of Information	Joint Infrastructure Sector Review (JISR)

After a preparation process which included several dialogue meetings between Government and Development Partners in the Joint Technical Committee, hereof one chaired by the Minister for Infrastructure Development , the 2nd JISR was held 8-10 October 2008 and attended by 135 participants from Government, Development Partners, Civil Society, NGOs and Private sector. The meeting and the preparation process as a whole was termed satisfactory by both sides. An Aide Memoire and an agreed action plan has been finalized and will be signed by Government and a representative of the Transport Sector Development Partner Group before the Annual GBS Review.

2.3. Temporary Process Actions

a) Temporary Process Action 1: Framework for PPP Policy: To be finalized and approved by September 2008.

Assessment	**Achieved**
Main Sources of Information	**MoID**

- Framework for PPP Policy was approved by MoID and other key stakeholders in early 2008
- Draft PPP Policy is finally formulated and approved by stakeholders by August 2008
- The PPP Policy has been submitted to Cabinet Secretariat and it is awaiting presentation to IMTC for clearance before it can go to Cabinet for approval

b) Temporary Process Actions 2: Road Safety policy adopted by the government by January 2008 and Safety Board in Place by July 2008.

Assessment	Not Achieved
Main Sources of Information	MoID

- The Road Safety Policy was submitted to Cabinet Secretariat and has been discussed and cleared by the IMTC.
- It is now awaiting presentation to Cabinet for approval.

c) Temporary Process Actions 3: To Establish TANROADS Board based on the Roads Act by the end of February 2008	
Assessment	**Achieved**
Main Sources of Information	**MoID**
▪ The President has appointed the Chairman of the Board and the Minister has appointed members of the Board under a press release of 19th November 2008	

2.4. Outcome Indicators	
a) Outcome Indicator 1: **% of Trunk and Regional roads network in good and fair condition**	
Assessment	On Track
Indicator Values	**Baseline June 2005:** Trunk and Regional Roads in Good and fair condition 47%. Trunk and Regional road in fair condition 35% **Status June 2008**: Good 56% Fair 34% **Target 2009**: Good: 67% Fair: 25% **Target 2010**: Good: 75% Fair: 20%
Main Sources of Information	TANROADS quarterly progress report
TANROADS reviews this indicator on a quarterly basis. The road condition normally varies over the year so it is important to base the monitoring system on values for the same Quarter every year. The condition of the national road network improved by 11% from 2007 to 2008. This is attributed to the more than 2 fold increase in the Road Fund Levy and to TANROADS efforts to improve absorption capacity.	
b) Outcome Indicator 2: **% of rural roads that are passable (good and fair condition)**	
Assessment	**On Track**
Indicator Values	Baseline 2005: 50% Status 2008: 57% Target 2009: 60% Target 2010: 75%
Main Sources of Information	PMORALG
LGA's carry out an Annual District Roads Inventory and Condition Survey (ADRICS) which is reported	

to PMORALG, who compiles the records on a national basis. The slow development in the road conditions is expected to be overcome when LGTP is implemented.

c) Outcome Indicator 3: Time Taken for Import Container from off – loading until clearing from port	
Assessment	**Not Achieved**
Indicator Values	Baseline 2005: 20.21 days Status 2008: 22.58 days Target 2009: 18 days Target 2010: 15 days
Main Sources of Information	Tanzania Ports Authority (TPA) – Congestion Assessment Study DSM Port Note that the indicator used in the 2007 PAF did not represent Import Container Dwell Time, but rather Overall Dwell Time, which takes into account export containers and empties. This has now been corrected.

TPA has the following reasons for failure to reduce the container dwell time:-

- Unprecedented TRA's slow pace in auctioning of containers which have overstayed in the port after the statutory free time; 75% of containers have overstayed the free time.
- Storage charges in the port are low compared to those outside the port; and TPA is awaiting response from SUMATRA for their request to increase the storage charges to market price levels.
- Unsupportive inland road and railways infrastructure due to limited budget allocations to develop the sub sectors. Currently there are few railway wagons to support the off - take from the port, i.e. the current wagon fleet is in poor state.
- Long turnaround time for transit trucks due to non-physical barriers such as too many Check points on the high way; poor paper works (clearing documents) slow custom clearance at the border; etc.

A port decongestion strategy will be implemented as follows:

GOVERNMENT PLANS TO IMPROVE PORT CONGESTION SITUATIONS

Improve technical and operational capacity of the port.

1.1 Dredging of port entrance channel and berths
1.2 Improve availability of tug services

Improve container handling capacity

2.1 Introduce competition in container handling – removal of exclusivity with TICTS
2.2 Procurement of equipment by operators
2.3 Enforce utilization of existing ICD's
2.4 Enable General Cargo Terminal to handle container vessels.

Increase container handling capacity

3.1 Acquisition of more operational area
- Within the port -
- Outside the port

3.2 Establishment of Cargo Freight Centres/Dry ports (dry port at Kisarawe)

3.3 Development of New terminals –
- Development of Berth 13 & 14
- Development of new port at Bagamoyo

4. **Improve Documentation Process**
   - 4.1 Enforce timely lodging of documents
     - Shipping line and their agents
     - Clearing and forwarding agents
   - 4.2 Discourage undervaluation of declarations
   - 4.3 Enforce speed clearance by TRA/TISCAN/Operators

5. **Improve Transportation system**
   - 5.1. Improve railways clearance operations in the port – currently at 7% compared to 93% by road.
   - 5.2. Improve access roads
   - 5.3. Reduce logistical bottlenecks such as road blocks, border crossing delays etc.
   - 5.4. Improve port gates to allow fast movement of trucks

6. **Improvement to Trade Facilitation issues**
   - 6.1 Introduce Tariff to discourage storage of containers in the port
   - 6.2 Introduce removal charges to promote effective utilization of ICD's.
   - 6.3 TRA to improve auctioning procedures and to conduct regular auctions of overstayed containers

7. **Regulatory issues**
   - 7.1 To amend TRA Act to allow TRA own area for impounded cargo instead of in situ**.**
   - 7.2 TRA to allow longer licensing period for ICD's owners/owners to enable them to invest in equipment.
   -

REVIEW OF THE TAX MODERNIZATION PROGRAM – FEBRUARY 2008 & UPDATE AS AT JUNE 2008

Progress Report of CWG 1 – Growth and Reduction of Income Poverty – TRA PAF for GBS Annual Review 2008

SUMMARY ASSESSMENT

Overall Assessment **Satisfactory**
Underlying processes

The PAF-Action for the TRA was composed of only one underlying process – Tax Modernization Program Review.

DETAILED ASSESSMENT

Underlying Processes	
Underlying Process: Tax Modernization Program Review	
Assessment	**Satisfactory**
Main Sources of Information	

Main sources of information: TMP Implementation Support Mission October - November 2008 Aide Memoire; TRA annual report on implementation of the Corporate Plan as at June 2008; TRA quarterly progress report on implementation of the Corporate Plan as at September 2008

1.0 BACKGROUND INFORMATION

The Tax Modernization Programme (TMP) is an arrangement adopted by the Government of Tanzania and Development Partners (DPs) as an integrated technical cooperation and funding framework (basket funding) to support TRA in implementing its Corporate Plan and to provide assistance to the Zanzibar Revenue Board This arrangement allows TRA to better focus management effort and resources on targeted priorities, results achieved and implementation progress. The TMP is reviewed semi annually and the last review was conducted from 13th – 25th October 2008.

2.0 REVIEW MISSION RESULTS

The review assessed progress against outcomes and implementation progress under the five strategic goals of TRA's Corporate Plan[3]. TMP has been performing well and TRA has made considerable progress against the goals set out in its Second Corporate Plan. Overall implementation progress has been rated **satisfactory**.

During the period under review, the Authority attained a remarkable achievement in terms of revenue collection, for which targets have continuously been increasing (by 48% for FY 2007/08; by 34% for FY 2008/09). The targeted revenue collection for FY 2007/08 was Shs 3,333.3 billion whereas the actual collection net of refund was Shs 3,465.8 billion hence making a performance rate of 101%. In contrast to the good performance in revenue collection, in the area of trade facilitation, the target for reducing customs clearance time at DSM port has been missed considerably (46:08 hours against target of 24:00 hours for June 2008) – the time has even increased compared to the previous year (41:08 hours in June 2007).

Implementation progress against the five goals in TRA's Corporate Plan was as follows:

2.1 **Goal one: Increasing revenue collection in a cost effective way** – was rated ***satisfactory.*** The initiatives related to compliance and broadening the tax base are progressing well.

2.2 **Goal two: Integration of TRA operations** – ***satisfactory.*** The strengthening of the large `taxpayers operations and the integrated IT system is progressing well. Initiatives to improving compliance management of medium taxpayers have been launched successfully. Gaps can still

[3] TRA's Second Corporate Plan ended in June 2008. TRA's Third Corporate Plan for 2008/09-2012/13 commenced on 1st July 2008.

be seen with regard to facilitating small taxpayer compliance.

2.3 **Goal three: Provision of high quality and responsive customer services** – ***moderately satisfactory.*** While TRA is moving ahead with taxpayer perception surveys and expansion of the taxpayer assistance program much remains to be done in the area of trade facilitation.

2.4 **Goal four: Promote tax compliance through a fair, equitable and transparent application of tax laws** – ***satisfactory.*** Efforts to strengthen the audit program to higher risk transactions are being pursued and show initial results.. Cooperation with Local Governments Authorities is improving and collection of property taxes has been initiated in DSM Municipals with effect from July 2008.

2.5 **Goal five: Improve staff competence, motivation, integrity and accountability –** ***satisfactory.*** TRA is making substantial progress in strengthening its anti-corruption program. Progress has also been made in implementing the recommendation of the job evaluation exercise.

2.6 **Zanzibar Revenue Board (ZRB):** The support being provided to ZRB has begun to show results with the strengthening of the Large Taxpayer Office.

KEY CHALLENGES

Revenue collection: Despite the impressive continued improvement in TRA's collection performance, the review mission raised concerns that the drive to increase revenues to meet the increased revenue targets might surpass the capacity of the TRA to put in place the required systems to ensure that review is collected and accounted for in a responsible and ethical way.

Trade Facilitation: Clearance time at the port remains a challenge as well as Port Decongestion**.**

Zanzibar: Measures to improve cooperation between TRA and ZRB in managing large taxpayer compliance in Zanzibar need to be accelerated.

MINISTRY OF ENERGY AND MINERALS

Progress Report of CWG I- Against the Performance Assessment Framework (PAF) for GBS Annual Review 2008

SUMMARY ASSESSMENT [max. 1 page]

Overall Assessment "Satisfactory"

An important outcome of the Joint Energy Sector Review (JESR) 2008 is MEM's stated intentions to review and further develop the process of stakeholder dialogue and monitoring of the sector performance.

2. DETAILED ASSESSMENT

2.1. Areas of good and weak performance

Main Sources of Information	MEM's Budget Speech 2008.09 and Consultants' Report on JESR 2008

Areas of good performance

- Electricity Act approved by the Parliament in April, 2008 and assented by the President in June, 2008.

- The Power System Master Plan (PSMP) report submitted to the Government in March 2008 and stakeholders' workshop held on 28th April 2008. The final report was planned to be submitted at the end of October, 2008.

- The Power Sector Reform Strategy is being finalized and will be submitted to the Government in January, 2009.

- Good progress has been achieved in implementing TANESCO'S Financial Recovery Plan.

Areas of weak performance

- Delaying the conversion of IPTL from Heavy Fuel Oil (HFO) to Natural gas
- The rate of electricity connection is low against the MKUKUTA target of 20% by 2010.

2.2. Underlying Processes

Underlying Process:

Energy Sector Review

Assessment	"satisfactory"
Main Sources of Information	Report of the Joint Energy Sector Review (JESR) stakeholders' workshop held on 10th October 2008.

Detailed assessment

Consultants submitted the draft report to MEM on 3rd October, 2008, presented it to the JESR Task Force on 6th October 2008 and to the stakeholders' workshop on 10th October 2008. Final report was submitted to MEM on 30th October, 2008 after incorporating stakeholders' comments.

In response to recommendations by the Joint Energy Sector Review meeting and in line with a proposal from the consultants, MEM intends to review and further develop the process of stakeholder dialogue and monitoring of the sector performance. The first step will be to invite Development Partners and other stakeholders to outline the way forward.

2.3. Temporary Process Actions

a) **Temporary Process Action 1**:

Government adopts the Power System Master Plan (PSMP) by September 2008

Assessment	"Achieved"
Main Sources of Information	MEM's third quarter management meeting.

Detailed assessment

The draft final report was submitted in March 2008. Power generation capacity shortages in the short term (2008-2012) were identified. Recommends the immediate installation of 150 MW of thermal (natural gas or liquid fuel fired) generation capacity and further generation capacity increments thereafter.

Transmission network reinforcements and expansion including the 400kV Iringa - Shinyanga line to facilitate bulk power transfers from existing and future generation plants are required. The national electricity demand is projected to grow from 700 MW in 2008 to 4,787MW in 2031

Following the cancellation of the Dowans lease, the ongoing ICSID arbitration filed by IPTL, the delay of reaching financial close for the Kiwira Coal Power Project, and the delay in commissioning the Tegeta 45 MW plant, the PSMP is being revised in order to redefine the short term generation strategy. The revised final report was submitted during the second week November 2008.

The GoT with financing from the Songo Songo and TEDAP Credits, is in the process of procuring legal, financial, and technical advisors to assist the Government in the preparation and negotiation of key project agreements, and the preparation and negotiation of a full suite of project and financing agreements for the public-private partnership development of the 358 MW Ruhudji Hydropower Plant.

After receiving the Final Report MEM will submit a cabinet memo to the cabinet Secretariate in December 2008.

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a) **Temporary Process Action 2**:

TANESCO'S Financial Recovery Plan.

Assessment "Achieved"
Main sources of Information Report of TANESCO's board meeting held in September,2008

Detailed assessment

Further progress in Implementation of TANESCO Financial Recovery Plan regarding:

(i) TANESCO's signing of the EPC contract for conversion of the IPTL plant from HFO to gas firing by October 2008.

The conversion of the IPTL plant from liquid fuel to natural gas firing is a component of the Songo Songo Project Credit 3569-TA. Due to insufficient gas processing capacity at Songo Songo, the ongoing ICSID arbitration filed by IPTL, the conversion process has been suspended until 2010.

ii) Any additional measures that may be required to strengthen TANESCO's revenue base, as appropriate by October 2008.

TANESCO signed a TShs. 300bn/= syndicated loan agreement with Stanbic Bank (T) Limited in September 2007. By May 2008, TANESCO had withdrawn TShs. 220bn/= for the settlement of debts, Songas capacity and energy charges, purchase of materials for customers' connections; repayment of principal and interest on the bridging financing; and payment of legal fees.

The buy-down of 75% of Songas' equity (USD 44 Million) for UGT 5 & 6 will be financed under the Songo Songo Project credit. Processing of the legal agreements is in progress. The buy-down will lower the capacity charges paid by TANESCO to Songas by USD1 million per month. The restructuring of TANESCO's debts has been completed, a 21.7% tariff increase was approved by EWURA in January, 2008; and TANESCO has commissioned the 100 MW Gas fired Power Plant at Ubungo. The GoT has relocated farmers and cattle herders from the Usangu plains and enforced water rights in the Great Ruaha river basin. Water flows into the Mtera reservoir have increased substantially.

Main Sources of Information Report of TANESCO's Board meeting held in September 2008.

c) **Temporary Process Action 3:**

Electricity Bill submitted to the Parliament by November 2007.
Assessment "Achieved"
Main Sources of Information Parliament Report of April, 2008.

Detailed Assessment

The Electricity Bill was approved by the Parliament in April, 2008 and Assented by the President in June, 2008. The key features of the Act include:-

Re-organization of the electricity market shall be initiated by Minister for Energy and Minerals through preparation and publication of policy one year after coming into force of the new Electricity Act;

In the case of rural electrification, every licensee will be responsible for supplying power to the local communities where electrical supply installation are located or along transmission lines; and

TANESCO shall have the right of first refusal to supply power to all power consumers in order to ensure that it retains big customers to sustain its business.

Temporary Process Action 4:

Power Sector Reform Strategy to be adopted by Government by March 2008.

Assessment	"Not achieved"
Main Sources of Information	Report of the meeting between the MEM and TANESCO held in November 2007.

Detailed assessment

The draft Power Sector Reform Strategy is being updated but incorporating comments received during the review of the Electricity Bill and draft Power System Master Plan (PSMP). Further discussions with the Government and Development Partners (DPs) will be held before the revised Strategy is submitted to the Cabinet Secretariat by January 2009.

Outcome Indicator 1:

Total electricity generated capacity and utilization

Indicator Values	**Baseline 2005:** Installed capacity 889MW, Availability of supply 62% **Status 2008:** 1046MW, Availability of Supply 75% **Target 2010: 1091MW,** Availability of supply 79%
Assessment	**"Not Achieved "**
Main Source of information	**Power System Master Plan Draft Report (March, 2008)**

Outcome Indicator 2:

Percentage increase in number of customers connected to the national electricity grid and off-grid.

Assessment	**"Not Achieved"**
Indicator Values	**Baseline 2005:** 8.2% of the population connected to the national grid. **Status 2008:** 9.8% of the population connected to the national grid. **Target 2010:** 11.90% of the population connected to the national grid.

Natural Resources

Progress Report of CWG 1 – Growth and Reduction of Income Poverty – Ministry of Natural Resources and Tourism ,Ministry of Livestock Development and Fisheries PAF for GBS Annual Review 2008

SUMMARY ASSESSMENT

Overall Assessment **Satisfactory**

The PAF-Action for the natural resources sector was composed of only one temporary process that is to collect information and report on transparent and accountable systems of licenses/concession allocations and how this meets markets value in Forestry, Wildlife, Fisheries, Oil and Gas sectors

Contributors	MNRT (Policy and Planning, Forestry and Beekeeping and Wildlife Division)

2. 0 DETAILED ASSESSMENT

2.1 Areas of good and weak performance

Main Source of Information	Audit of the Performance and Redesign of the Revenue Collection System for Forestry and Beekeeping Division Forest Act No. 14 of 2002, Finance Act of 1982 The Wildlife Conservation Act, 1974 (No.12 of 1974) Wildlife Conservation (Wildlife Management Areas) Regulation, 2005 (G.N No. 283 published in on 16/9/2005)

Key areas of good performance

- Expansion of Community Based Forest Management (CBFM) and Joint Forest Management (JFM) arrangements across mainland Tanzania in terms of forest areas and number of participating villages under the PFM sub-development programme. As of 2007, a total of 2,060,608 were under CBFM and 1,612,246 were under JFM. A total of 1,102 villages were participating in CBFM while 719 villages were participating in JFM. Also, Participatory Forest Resources Assessment (PFRA) was implemented in 15 Tanzania mainland districts.
- Land use planning is a key element in supporting forest development and provides a basis for appropriate management of different forest types and biodiversity habitats. One of the major achievements was surveying and demarcation of Angai Village land Forest Reserve (VLFR) and subsequently issuing VLFR registration certificates to 13 villages in Liwale District of Lindi Region in Southern Tanzania. The Angai VLFR covers 141,553 ha and consists mostly of miombo woodlands. Further, 30 village land forest reserves were surveyed and demarcated in Handeni District. Also land use plans for four villages in Kilosa and Kilombero Districts which are adjacent to Magombera forest reserve were prepared. NAFOBEDA will be developed further to provide also land use planning monitoring data.
- The new fee structure for forestry and Wildlife resources started in July 2008.

Key areas of weak performance

- Low retention rates or budget allocation which limits the capacity to conduct regular patrols to curb illegal logging, support anti poaching activities and improve revenue collection systems.
- Chain of command: Administratively, DNRO's, DFO's and DBKO's are employees of their District Councils, but professionally they are supposed to consult with FBD on all important technical matters. This currently often happens only, if individual officers at district level decide

to actually involve FBD, leading to gaps and delays in monitoring the sector at MNRT/FBD;

- In order to encourage sustainable utilization the Ministry sets Wildlife Quota but since the management system is not well known to the public and stakeholders, there has been complaint on quota allocation.
- Airline embargo: some airlines do not accept transportation of Live Animal.
- Outbreak of Avian Flue and subsequent ban of importation of Wild Bird in European Union
- Many internal and external exit points in the game reserves lack the necessary tool and equipments to carry out regular inspection. There are approximately 57 exits points these includes exits in the game reserves airstrips, railway stations, major airports and boarders.

2.1 Temporary Process 1: a) collect information and report on transparent and accountable systems of licenses/concession allocations and how this meets markets value in Forestry, Wildlife, Fisheries, Oil and Gas sectors for year 2008.

The Ministry of Natural Resources and Tourism has collected the information on transparent and accountable systems of licenses/concessions allocations and assess each type of license/concession/fee issued by the Ministry in a matrix form. Each license/fee has been assessed based on five criteria as follows: (1) Legal and regulatory framework, (2) a complete description of license/fee, (3) Procedures for Licensing at MNRT HQ and LGAs, (4) General administrative procedures and accounting control and (5) General findings from Audit reports.

Status:

Overall assessment shows that the Ministry has robust legal and regulatory framework in place to support revenue collection. The description of Forest and Beekeeping licenses and fees has been revised after consultation with stakeholders and based on findings from studies. There are plans in place to review wildlife sector. Procedures for Licensing at MNRT HQ and LGAs were found to be transparent both in the FBD and Wildlife sub sector. The general administrative procedures and accounting control are satisfactory. The findings from Audit reports show that the Ministry is making progress despite of the challenges. The overall assessment of both underlying process and outcome indicators shows satisfactory. However, assessment of the outcome indicator is limited to the revenue collected at the ministry and its outpost stations. Additional information is needed to assess collection in the LGAs. Assessment on the total value of revenue received from licenses for forestry and wildlife as percentage of their estimated value" was also constrained with the lack of up to date data on forestry and wildlife inventory in the country. However, Forest Inventory is underway; an International Consultant from FAO is engaged to develop a plan for the National Forest and Ecosystem Inventory. The actual inventory is anticipated to start in 2008.

Key findings of the PAF matrix include among others the following:

iii) The clean certificate awarded to the ministry by the Controller and Auditor General (CAG) in December 2007

iv) The royalty rates are well documented in a single document – Forest Act No. 14 of 2002, Fourteenth Schedule

v) An analysis of ten district council budgets shows that forest products are an important source of LGAs budgets. For example in Bukombe district forest products contributed 36% and 42% of the budgets in the financial years 2002/03 and 2003/04

vi) MNRT/FBD has no control with staff who collect 90% of its revenue in the districts

vii) Inadequate financing at all levels.

viii) MNRT, NAO and LGA carry out internal audit regularly but because of the volume of activities the internal audit team of six staff is definitely not able to cover all the critical sections of MNRT during a financial year.

To address the challenges noted in the main report the Ministry plans to:

iv) Conduct National Forest Inventory, so far an International Consultant from FAO is engaged to develop a plan for the National Forest and Ecosystem Inventory. The actual inventory is anticipated to start in 2008. PFRA was conducted in four forest reserves in Njombe district. Also, PFRA in six villages in Rufiji District was completed and the information helped in drafting village harvesting plans which will be implemented.

v) The review of National Forest Policy of 1998 is on going and the final draft is expected by the end of December 2008.

vi) Harmonized Central and Local Government Forest and Beekeeping management structures, plans and budgets, reporting, and conduct Joint Reviews under Sector Wide Approach (SWAp). So far, two Joint Annual Sector reviews have been conducted with all stakeholders and plans are under way to hold joint planning and budgeting exercise.

vii) Implement a strategy to improve revenue collection under the Public Finance Management Reform Programme. A strategy includes among other plans to computerized revenue collection, strengthening revenue collection systems including system for setting up natural resources charges, natural resources market valuation, system for setting retention rates, strengthen check points and out post stations and develop a procurement plan for the ministry.

Contributors Ministry of Livestock Development and Fisheries

2.2 DETAILED ASSESSMENT

2.2.1 Areas of good and weak performance

Main Source of Information

Key areas of good performance

- Collaborative Based Fisheries Resources Management introduced through Beach Management Units will enhance resources base, which will in the long run contribute to increased fish, catch with ultimate increase revenue. The BMUs have been introduced in Lake Victoria which contributes over 80% of all the revenue collected from fisheries sector due to Nile perch fishery potential in the export. Introduction of BMUs is now extended to the marine fishery.
- Enhanced fisheries monitoring, control and surveillance which addresses Illegal Unreported and Unregulated Fishing both in the Fresh water and Marine Fisheries. This will be implemented through Regional Plan of Action (RPOA) and National Plan of Action (NPOA). Curbing of the illegal Tran boundary fish and fishery products in exist areas will also increase revenue since the amount of fishery products taken out illegal will be controlled.
- Review of fees charged on the fisheries products conducted from time to times helps to charge fees as per prevailing market situations. This helps to enhance revenue accruing from this industry.
- Efforts done by MLDF in 2008 in establishing new revenue collection centers will contribute in increased collection.
- Establishment of the Deep Sea Fishing Authority a body which will over see fishing operation in the Deep sea fishery will lead to increase Government revenue as among, the institution will over see revenue collection from this fishery.

Key areas of weak performance

- Low level of retention and merger budget allocation limits the capacity to conduct fisheries patrols to curb illegal fishing, fish trade and bad fishing practices which affects catch rates and therefore revenue collection.
- Chain of command: Administratively, Fisheries employees in the LGAs are not directly answerable to the MLDF, this in a way undermine efforts done by the Ministry in sustainable

management and utilization of Fisheries resources which affects the revenue accruing from the sector.

- Inadequate number of staff at potential revenue collection areas lead to under collection of revenue.
- Inadequate airport facilities in Mwanza airport lead to exporters to export products in neighboring countries such as Kenya denying our country some revenue.
- Unsustainability of fish stock i.e. Nile perch, prawns etc affects revenue expected from the industry.
- Inadequate skills and facilities affects collection of revenue
- Lack of a fishing harbour in the country denies the country revenue which could otherwise be realized from especially the Deep sea fishery

2.2.2 (b) Temporary Process: To collect information and report on transparent and accountable systems of licenses and how this meets market values in the Fisheries Sector

Assessment: Achieved

Main Sources of Information	The Fisheries Act No. 22 of 2003
	Fisheries Regulations of 2005
	Up country Revenue collection
	TRA reports relevant to Fisheries revenues

Status:

Overall assessment shows that the Ministry has legal and regulatory framework in place to support revenue collection. The description of Fisheries licenses and fees are reviewed with involvement of stakeholders in transparent manner. Procedures for Licensing at MLDF were found to be transparent and accountability of the revenue monitored in the fisheries sector. The general administrative procedures and accounting control are satisfactory. The overall assessment of both underlying process and outcome indicators shows satisfactory. However, assessment of the outcome indicator is limited to the revenue collected at the ministry and its outpost stations.

Key findings of the PAF matrix include among others the following:

ix) When the Sector was under Ministry of Natural Resources and Tourism clean certificate was awarded by the Controller and Auditor General (CAG) in December 2007

x) MLDF has no control with staff who deals with resource management

xi) Inadequate financing.

xii) MLDF monitor revenue collection and measures to address identified issues implemented.

To address the challenges noted in the main report the Ministry plans to:

viii) Conduct Fisheries resources assessment i.e. in the EEZ and Catch Assessment Surveys (CAS).

ix) The review of National Fisheries Policy of 1997 expected to be conducted in 2008/2009.

x) The review of National Fisheries Act of 2003 and

xi) The Fisheries Regulation of 2005 review is at advance stage and will be complete early 2009.

xii) Harmonized Fisheries regulations with neighbouring countries for international water bodies shared with other countries.

Implement a strategy to improve revenue collection under the Public Finance Management Reform Programme. A strategy includes among other plans to computerized revenue collection, strengthening revenue collection systems including system for setting up natural resources charges, natural resources market valuation, system for setting retention rates, strengthen check points and out post stations and develop a procurement plan for the ministry.

Contributors Ministry of Energy and Minerals

2.2.3 DETAILED ASSESSMENT
2.2.3 Areas of good and weak performance

Areas of good performance

- Readily availability of information related to licenses, fees, due annual rents and other license holders' obligations
- Expedited processing of license applications
- Easy retrieve of license information
- Increase transparency in access to the cadastral data
- Increase in investment and increase in Government revenues
- Improve accuracy and efficiency in storage of data and records of licenses
- Decrease in disputes caused by overlapping of minerals rights.

Areas of Week Performance

Although the system was designed to ensure efficient processing of mineral license applications, it faces the following challenges:
Technical

- Diminishing storage capacity of the server.
- Frequent freezing of the system due to increase of load to be processed by the server.
- Unreliable power supply, which is detrimental to functioning of the server.

Users of the system

Lack of frequent refresher training to some of personnel who operate the system.
Lack of a fully functional IT unit/Department

Status
MCIMS was launched in February, 2007. The role of *MCIMS* is to process licence and permit applications efficiently and in accordance with the provisions of Mining Act 1998 and Regulation 1999; systematically monitor the operations of all licence holders and compliance with the mineral sector policy, the Mining Act and the Regulations; take prompt action to ensure compliance by all licence holders.

The system has been programmed to incorporate both information about Mineral Rights/ Mineral Trading licence applications, licences granted, historical data concerning cancelled licences and geographical coordinates. The system is also designed to remind the requirements to be fulfilled by the licence holder, such as various fees and annual rent payments; work programs reports, approvals and communications.

The Mining licensing functions in the mineral sector are split between the MEM'S Cadastre Office within the Mineral Division in Dar es Salaam and Zonal & Resident Offices in the field. There are eight

(8) Zonal Mines offices namely: Eastern Zone, Western Zone, Lake Zone, North Zone, Southern Zone, Central Zone, Central Western Zone, and South West Zone. The Main *Server* links the Zonal and Resident Offices in the field. There are 8 Zonal Mine. The field offices are also responsible for collection of revenues which are then transferred into the central budget.

Annex 5 – Cluster Working Group 2 Report

Progress Report of CWG 2 against the Performance Assessment Framework (PAF) for GBS Annual Review 2008

PROGRESS REPORT OF ENVIRONMENT	
Contributors	***GoT-Vice President's Office, Division of Environment and GBS DP Leads-Danish Embassy.***
1: SUMMARY ASSESSMENT	
Overall Assessment	**"Satisfactory"**
2. DETAILED ASSESSMENT	
2.1. Areas of good and weak performance	
Main Sources of Information	*VPO Budget Speech 2008/09, VPO MTEF 2008/09, Draft State of Environment Report 2008, Environmental Working Group Minutes, VPO MTEF Periodic Reports for 2007/08 etc.*

Areas of Good Performance:

1. Implementation of Environmental Management Act, 2004 (EMA)

In 2008 as an effort to facilitate implementation of EMA, the Vice President's Office (VPO) prepared the following regulations: Biosafety Regulations; Regulations for Solid Waste Management; Regulations for Hazardous Waste Management; Air Quality Standards Regulations; Water Quality Standard Regulations; and Soil Quality Standard Regulations. Also as a move to reach the general public, the following regulations were translated into Kiswahili language: Air Quality Standards Regulations; Water Quality Standard Regulations; Soil Quality Standard Regulations; EIA Regulations; and Registration of Environmental Experts Regulations. In addition, popular versions of the following instruments were prepared: Strategic Environmental Assessment Regulations; EIA and Audit Regulations and National Environmental Policy. During this period also, the VPO assisted various Sector Ministries to establish Sector Environmental Sections and appoint/designate Sector Environmental Coordinators; and Local Government Authorities to appoint/designate Environmental Officers. More than 90% of Sector Ministries have established Sector Environmental Sections and designated or appointed Sector Environmental Coordinators, and more than 50% of the Districts/Municipalities have appointed District/Municipal Environmental Officers and are now allocating budget for implementation of EMA. Moreover, a Government Financial System (GFS) Code has been established for channeling funds allocated/earmarked for Environmental Management in Sector Ministries and Local Government Authorities. Furthermore, through EMA-Implementation Support Programme fourteen (14) Ministries were supported with Office equipment; training of their Sector Environmental Coordinators on EIA and Strategic Environmental Assessment; and in preparation of their Environmental Action Plans in order to facilitate implementation of EMA in their respective Ministries.

2. Implementation of a Strategy on Agent Action to Conserve Land and Water Catchments

The VPO has also been making a direct intervention in various areas to ensure implementation of EMA. The major interventions were made through the Strategy on Argent Action to Conserve Land and Water Catchments which was established since 2006. In 2008, among others, the following activities were implemented: identification and conservation of various water catchments; completion of the campaign of removing all cattle keepers who had invaded/encroached various wetlands and water catchments; removing cattle keepers from neighbour countries who had crossed the border areas with herds of cattle of about 100,000 cattle. During this period also, about 82 million trees were planted, with most of districts exceeding the target of planting 1.5 million trees annually. The Government has established a competition in trees plating where the winners will be awarded. This competition is expected to start on 5th June 2009 in the World Environmental Day.

Areas of Weak Performance

Education and Awareness Raising on Environmental Management

Despite the various efforts which the government has been directing in education and awareness raising on EMA and National Environmental Policy, still awareness is low among some of the stakeholders. This is a major predicament in the whole issue of implementing EMA, for the enforcement of the act relies very much on the awareness of all the stakeholders.

Capacity building of sectors and LGAs on various aspects of environmental management

Various sectors and LGAs have appointed the Sector environmental coordinators and District/council environmental officers respectively. The capacity most of the sectors and LGAs in dealing with their relevant aspects of environmental management is low. There is a need of capacity building of these institutions in order to effectively deal with environmental management in the areas.

2.2. Underlying Processes

a) Underlying Process 1: Implementation of Environmental Management Act, 2004

Assessment	**"Satisfactory"**
Main Sources of Information	*Budget Speech 2008/09, MTEF for VPO 2008/09, VPO Periodic Reports on MTEF Implementation for 2007/08*

2.3. Temporary Process Actions:

a) Temporary Process Action 1: *A Preliminary State of Environment Reporting System in Place before GBS Annual Review 2008.*

Assessment	**"On Track/Achieved"**
Main Sources of Information	*Budget Speech, MKUKUTA Progress Report, MTEF Periodic Reports 2007/2008, EMA-Implementation Support Programme Reports*

In order to report on the State of the Environment, the VPO realized that it was important to ensure that the linkage between the VPO and various Sector Ministries and Local Government Authorities is established. This was done by ensuring that the following activities are accomplished: Sector Environmental sections are established in various Ministries; Sector Environmental Coordinators are appointed/ designated in various Ministries; District Environmental Officers are appointed/designated in all districts and municipalities. Up till now, more than 90% of the Sector Ministries have appointed/designated Sector Environmental Coordinators and more than 50% of Districts/Municipalities have appointed/designated District/Municipal Environmental Officers. The VPO in collaboration with Urban Development Environmental Management Programme (UDEM) has prepared State of Environment Reporting Plan/format for the Local Government Authorities. This plan/format will be used by the LGAs to prepare their State of Environment Reports which will be prepared in every two years. The LGAs biannual SoER will be important input in the biannual National State of Environment Report which is prepared by VPO. The first National SoER has been prepared and is expected to be presented to the Parliament in 2009.

2.4. Outcome Indicators

a) Outcome Indicator 1*: % of solid waste collected in DSM (amount collected)*

NB: the geographical area covered by waste collection is not expected to vary in the near future)

Assessment	**"On track/Achieved"**
Indicator Values	**Baseline 2007**: 27-39% **Status 2008:** 40-60% **Target 2009:** 40-60% **Target 2010:** 40-60%
Main Sources of Information	*Dar es Salaam City Council.*

Solid waste collection services in the city of Dar es Salaam covers 44 wards out of 73 wards. This is 60 percent of the total area of the city, which include urban, peri-urban areas. Rural areas are not yet covered by solid waste collection services due to lack of the necessary infrastructure and hence rely on the available land for the disposal of solid waste.

Currently, the city generates 3,350 tones of solid waste materials per day. Only 27 to 39 percent of total waste generated can be collected and transported to the disposal facility. Collection of solid waste is done by municipalities in collaboration with the private sector. It is estimated that in 2010, 3,899 tones of solid waste will be generated per day. It is the projection of city council that approximately 40 to 60 percent of the total waste generated will be collected from the urban and peri-urban areas and transported to the disposal facility.

b) Outcome Indicator 1*: % of industries in Dar es Salaam with waste water treatment plants (Annualized indicator)*

Assessment	**Not assessed**
Indicator Values	**No data available**
Main Sources of Information	**N/A**

c) Outcome Indicator 2: Number of Districts Allocating Budget to EMA (annualized indicator)

Assessment	**Not assessed**
Indicator Values	Baseline 2007: 0 Status 2008: 11 Target 2009: 50 Target 2010: 133

Main Sources of Information	*EMA-Implementation Support Programme Reports*

A quick scan that was done on the Local Government Authorities (LGAs) indicated that although most of LGAs allocate budget for various aspects of environmental management, 11 out of 133 LGAs indicated to have specific budget line for environmental management. With establishment of a Government Financial System (GFS) code for Environment in 2008/09 budget, we expect that more LGAs will have specific budget allocation for environmental management. Moreover, a Public Expenditure Review (PER) for Environment which is expected to be conducted this year is expected to reveal more authentic information on LGAs budget allocation for implementation of EMA.

d) Outcome Indicator 3: Number of Environmental Focal Points Appointed at the District Level (annualized indicator)

Assesment	Not assessed
Indicator Values	Baseline 2007: 0
	Status 2008: 52
	Target 2009 100
	Target 2010: 133
Main Sources of Information	**VPO**

A quick scan that was done to the Local Government Authorities (LGAs) indicated that 52 out of 133 LGAs have appointed/designated Environmental Management Officers. This is in response to the letter that was written by the Prime Minister's Office Regional Administration and Local Government (PMO-RALG) requiring all the LGAs to appoint/designate Environmental Management Officers as required by EMA. More LGAs are expected to appoint/designated their environmental management officers in 2008/2009 Financial Year.

PROGRESS REPORT OF EDUCATION SECTOR

Contributors	MoEVT, MoFEA, PMO-RALG, MCDGC, CSO, Development Partners

2. SUMMARY ASSESSMENT

Overall Assessment	**"Satisfactory"**

2. DETAILED ASSESSMENT

2.1. Areas of good and weak performance

Main Sources of Information	*JOINT EDUCATION SECTOR REVIEW; BUDGET SPEECH*

1. **Areas of good performance:**

Major progress made over the last year include:

- Joint production of a performance monitoring tool based on agreed performance indicators; templates for education sector performance report; a calendar and education sector performance report for the year 2007/08.
- Introduction and assessment of agreed new quality indicator Pupil: Qualified Teacher Ratio in Primary Education.
- Decision, as part of the DbyD Policy to devolve the management and supervision of Secondary Education to Local Government Authorities.
- Restructuring of the Ministry of Education and Vocational Training to include Higher and Technical Education within the MOEVT.
- Finalization and approval of Teacher Development and Management Strategy (TDMS) by Education Sector Development Committee (ESDC).
- Review of the Education Sector carried out according to agreed time frame.
- Continued assistance through earmarked General Budget Support
- Finalization of ESDP document. This is now the key document for the MOEVT and guides the Medium Term Strategic Plan 2007/08 – 2009/10.
- On-going process of reviewing Education and Training Policy.
- Joint agreement to undertake Public Expenditure Tracking Study (PETs) in the financial year 2008/09 in a harmonized system with MoFEA.

2. **Areas of weak performance:**

- Insufficient financial flow data for the education sector
- Inadequate sector financing, which calls for the need to access additional funding mechanisms through MOFEA or global initiatives such as FTI, etc.
- Operationalisation of the ESDP over the coming three years through the MTEF, would be more effective if a comprehensive operational plan informs the MTEF.
- Slow completion of a capacity building strategy that is based on analysis of situation and requirements for an articulated strategy.
- Insufficient Human Resources in the education sector
- Inadequate qualified staff and teachers focusing on strategies on teacher's training, recruitment, retention and continuous professional development.
- Low performance in Science, Mathematics and Languages across all levels of Education.
- Failure to implement some agreed priorities in the Aide Memoire for year 2007 as they were not reflected in the financial year 2008/09 budget.
- Low advanced secondary education graduates to feed into Tertiary and Higher Education Institutions.
- Harmonization of data sets for the education sector at all levels through institutionalization of ESMIS within each sub-sector
- Implementation of DbyD policy on the devolution of secondary education to LGAs with insufficient budgets for secondary activities for FY 2008/09 at LGA level

Implementation of TDMS is not fully prioritized, costed and budgeted for in the current financial year for it to be effectively implemnted as a comprehensive plan.

2.2. Underlying Processes

a) Underlying Process 1: Education Sector Review 2008

Assessment	**"Satisfactory"**
Main Sources of Information	*2008 ESR Aide-Memoire* *Education Sector Performance report* *Annual Education Sector Review workshop*

The underlying process has been assessed against the criteria for satisfactory sector reviews agreed in the GoT/DP Partnership Framework Memorandum for General Budget Support and agreed Education Sector Rating framework.

The third education sector review was held on 6th and 7th October 2008. The purpose of the review was to assess the overall performance of the sector with respect to the requirements of the National Strategy for Growth and Reduction of Poverty (NSGRP) or (MKUKUTA) in general and against the agreed milestones summarized in the Education Sector Review Aide Memoire of 2007.

The GoT is committed to reflect the priorities therein in the forthcoming budget. In 2008/09, the budget share continued the downward trend of the last three years from 18.8 to 18.3 to 17.7%. The MOFEA documents show an increase of absolute value of 21%.

There has been increased participation by all education stake-holders in ESR 2008 including senior management level. Overall, the leadership of Government has increased in the last year, particularly at technical level. However, the involvement of senior level cadres of MDAs, in the agreed dialogue structure remains to be strengthened in the coming year.

The template for preparing the education sector performance report was jointly prepared and agreed upon by education sector representatives and stakeholders. The template was distributed as per the roadmap schedule, and filled in to come up with the education sector performance report, which included the sector monitoring tool indicators. The performance report for this financial year (2007/08) is more analytical and informative compared with the previous year (2006/07) although it was delivered only two days before the ESR stakeholders meeting, and there is an expectation that the documents will be available two weeks prior to the ESR for 2008/09 to ensure all stakeholders have adequate time to review and comment on the findings of the performance report.

In a nutshell, the following are some of the key findings, the details of which are found in the Annual performance report for the education sector:

The Basic education sector comprises pre-primary, primary, secondary and teacher education. The Key achievements in 2007/08 included increased Pre-primary enrolment, increased OVC enrolment, decreased pupil classroom ratio at primary level as well as an increase in the number of qualified primary school teachers. At secondary level, the NER increased in both lower and upper secondary, as well as increased completion rates for forms 1-4, and a decrease in secondary drop out rates.

The implementation of activities in the basic education sub-sector was not without challenges. These included

- Decreased NER for primary education
- Primary school completion rates decreasing trend
- Transition rates decreasing
- Increasing rates of illiteracy and poor numeracy skills
- Although percentage of OVCs in primary is increasing, it remains low
- PSLE pass rates decreasing trend and disproportionately higher for girls
- Primary pupil teacher ratio has been increasing since 2000

- Primary pupil/textbook ratio is high, with large variations across regions, with the national average of 5:1 compared to an average of 3:1 in 2005.
- Proportion of children with disabilities remains below 1%, with a 20% target for 2010
- Division I-III in lower secondary exam pass rates remains low and below MKUKUTA target
- Lower secondary repetition rates are increasing
- Secondary school pupil/textbook ratio is unknown which is problematic for adequate planning and budgeting purposes
- Net secondary enrolment in progressing but doubling it within 2 years to reach MKUKUTA target is unrealistic to achieve
- Upper secondary completion rates are decreasing from 90.9% in 2004 to 73.2% in 2007/8
- Percentage of qualified secondary school teachers is decreasing
- Sanitation and water supplies to both primary and secondary schools remains well below sufficient levels of provision

Through the sector monitoring tool, the Ministry is able to better see and identify trends on key indicators such as those mentioned above for the basic education sub-sector. These challenges are in the process of being addressed at various stages of implementation. They include:

- Enforcing compulsory enrolment and attendance regulations.
- Continuing improvement of the school environment including urging communities to provide school meals.
- Monitoring closely age specific enrolment inline with primary school enrolment guideline issued by MoEVT.
- Reviewing the repetition policy whereby pupils failing Std. IV will have to undergo remedial classes instead of repeating the grade.
- Strengthening the alternative programme (COBET) to accommodate over-age out of school children.
- Expanding secondary education construction was prioritized for FY 06/7 and 07/08, with *c*onstruction of 313 new secondary schools at ward level in 2007/8.
- Focusing on improving quality for FY 08/9 through in-service teacher training and provision of teaching and learning materials.
- Conducting education research to assess causes for poor performance in PSLE results
- Continuously sensitizing parents/ communities in collaboration with disability associations.
- Strengthening inclusive education to enable all schools admit learners with non-severe disabilities.
- Providing special equipment and materials.
- Developing a special needs strategy, draft to be completed by end of *FY 08/09*
- Training special needs teachers.
- Providing capitation grant, and ensuring the allocations are maintained for textbooks, etc, with a view to 100% provision of primary grant of 10,000 per pupil and 30,000 per secondary pupil for 2008/09.
- Strengthening school supervision and provision of professional support to teachers.
- Implementing TDMS from July 08.
- Starting 2 tier system for pre-service, grade A, and diploma, starting from 2009/10 to 2009/10 respectively.
- Recruiting 61,210 teachers between 2007 – 2010 in order to improve PTR to 40:1 targeted.
- Reviewing Form 2 examinations to allow those who fail to continue with Form 3 with remedial classes instead of repeating the grade.
- Encouraging publishers to publish textbooks appropriate for the new curriculum.
- Reviewing textbook ratio at secondary schools (Form 1-4, 5+6) to be conducted before April 2009
- Ensuring compulsory attendance of enrolled pupils at primary and secondary school levels.
- Expanding Teacher Education at Diploma and Higher Learning Institutions including encouraging all

Universities to offer Education degrees and developing a primary teachers diploma programme .

Key achievements in higher education included an increase in GER with an increase of female enrolments over last year, a draft rehabilitation plan for public universities is under review for finalization in 2008/9, Loan Management Software system has been put in place to enhance performance of HELSB in processing loans. A World Bank assisted Science and Technology Higher Education "Quick Wins" Project was developed for implementation in 2008/09. The Tanzania Commission for Universities (TCU) has been active with six more universities and university colleges being registered in 2007/08, for a total of 32 universities and university colleges.

A number of challenges need to be addressed in the higher education sub-sector, these include among others:

- Insufficient data available at higher education level, particularly for tertiary education for effective planning and budgeting, especially as HEST was not completed for 2007/08.
- Gender equity is a problem as students move further through the system. Although there are more females than in 2006/07 (up to 34%), there are still less than 20% enrolled in science and engineering programmes
- Low enrollment in higher education institutions compared to a good number of academically eligible students who have the required qualifications to join higher education institutions following the success in PEDP and SEDP programs by 2008 (the enrollment in secondary schools ≅ 361,447 Vs Higher Education Institutions enrollment ≅ 82,000)
- Inadequate qualified teaching staff in higher education institutions accompanied by poor mastery of teaching in English language.
- Inadequate budgetary allocation for higher education development.

Key achievements in technical and vocational education sub-sector include technical education and training policy draft document was finalized. Auditing the qualifications of teaching staff for technical institutions was conducted and 328 teachers were awarded with full registration status, with 150 teachers awarded provisional registration. A database on information of qualified teaching staff has been established at NACTE.

A number of challenges need to be addressed in the technical and vocational education sub-sector. These include:

- Mobilizing adequate resources to facilitate the expansion of VET so as to accommodate graduates from primary and secondary education.
- Unequal distribution across regions of technical an d vocational institutions creates inequities
- Low enrolment levels in engineering programmes is considerably too small to sustain social economic and technological development.
- Insufficient data available for analysis at technical and vocational education levels for effective planning and budgeting

Proposed PAF revisions to underlying processes

2.3. Temporary Process Actions:

a) Temporary Process Action 1:

I. *By September 2008, agree on education sector performances report on the basis of an agreed sector monitoring tool*

II. By January 2008, agreement on a calendar of Key Education sector meetings.

Assessment	**"Achieved"**
Main Sources of Information	I) Performance report and the Education Sector Monitoring tool. II) Calendar of key Education Sector road map.

The Education Sector Monitoring Tool was developed and agreed in May constitute the basis for the Performance report that was developed and agreed during August through October. The road map was agreed in January 2008, and was revised and approved by BEDC in May, 2008, in part because of the restructuring of the MOEVT. This document then guided the process of education sector review in this year.

2.4. Outcome Indicators

a) Outcome Indicator 1*: Net primary school enrolment*

Assessment	**"Not achieved"**
Indicator Values	**Baseline 2005:** Average 94.8%; Boys 95.6%; Girls 93.9% **Status 2008:** Average 97.3%; Boys 97.5%; Girls 97.0% **Target 2010:** 99%
Main Sources of Information	Basic Education Statistics in Tanzania – National Data June, 2008

Successful implementation of PEDP has contributed to nearly achieving the target and the country is optimistic that with the commitment to continued implementation of PEDP II (2007/2011) the achievement of the target is likely to be achieved.

b) Outcome Indicator 2: *Transition Rate from Standard VII to Form I*

Assessment	**"Achieved"**
Indicator Values	**Baseline 2005:** Average 36.1%; Boys 36.6%; Girls 35.6% **Status 2008:** Average 56.7%; Boys 63.5%; Girls 49.6% **Target 2010:** 67.5% for PAF and 50% for MKUKUTA Target 2010: 133
Main Sources of Information	Basic Education Statistics in Tanzania – National Data, 2008

The decrease in transition rate from 67.5% in 2006 to 56.7% in 2007 is due to the decrease in pass rate at Primary School Leaving Examination Certificate from 70.5% in 2006 to 54.2% in 2007. Because efforts are currently directed toward improvement of quality, improved annualized targets and associated budgets for increasing the number of qualified teachers, particularly in rural areas, textbook provision, improved infrastructure, particularly on secondary classroom construction, and including water and sanitation at school level both for primary and secondary schools will assist this target to be achieved by 2010 as planned.

c) Outcome Indicator 3: *Gross Enrolment Ratio at Higher Education*

Assessment	**“Achieved”**

Indicator Values	**Baseline 2005:** 0.27% (2002) **Status:** 1.43% (2007/08) **Target 2010:** 2% for PAF and 6% for MKUKUTA
Main Sources of Information	Statistics from Higher Education Department as no HEST was produced in 2007/08.

A total increase of 17% from 1.22% in 2006/07 to 1.43% in 2007/08 was achieved. This is in spite of inadequate financing, inadequate infrastructure and human Resources as well as low output from Advanced and Post Secondary Education. However, to clarify this progress, there is a continued need for better data collection and analysis to confirm these rates of increase. Given the role of higher education to stimulate economic and social development, the Ministry is determined to continue improving quality and increase access, particularly to advanced level of secondary education, so as to have a large pool of qualified graduates to feed into higher education institutions. In addition, the Government is developing a Higher Education Development Programme (HEDP) to attract more investment at this level.

d) Outcome Indicator 4: *Pupil: Qualified Teacher Ratio in Primary School*

Assessment	**"Achieved"**
Indicator Values	**Baseline 2005: 73:1** (2007) **Status 2008: 63:1** **Target 2010: (**62:1)
Main Sources of Information	Basic Education Statistics in Tanzania – National Data, June, 2008

This indicator shows a significant reduction in QTPR attributed to direct recruitment of teachers upon their graduation from different teachers' colleges and upgrading through in-service training. Throughout PEDP I and PEDP II period the government has been investing in teacher training and recruitment so as to address the shortage of teachers country-wide. In the meantime the ministry has been upgrading the under-qualified Grade B/C primary school teachers so as to meet the minimum qualification criteria which are Form 4 and Grade A professional training. A total of 22,017 Grade B/C teachers out of 26,217 existing under-qualified teachers successfully passed their professional up-grading examinations in 2007/08.

PAF Progress Report: Water sector

Contributors ***Ministry of Water and Irrigation.***

1. SUMMARY ASSESSMENT

A: Performance on the underlying processes:

1. **Water Sector Review:**
The Annual Joint Water Sector Review was held from 16^{th} to 17^{th} October 2008. The review was attended by about 200 water sector stakeholders who were active throughout the meeting. High level participation of GOT, Private Sector, CSOs and DPs leaders was remarkable. The review agreed on undertakings for 2008/2009 that sharpens water sector priorities so as to effectively inform the 2009/2010 budget. ***(Assessment: Achieved and Satisfactory)***

B: Performance on the temporary processes:

1: Approval of the National Water Sector Development Strategy by October 2007

The National Water Sector Development Strategy was approved by the Cabinet on 23rd March 2008 ***(Assessment: Achieved)***

2: Submission to Parliament of Principal Water Bills by end of first quarter 2008

The Principal Water Bills (Water Resources Management Bill and the Water Supply and Sanitation Bill) were not submitted as scheduled due to the delay of approval of the National Water Sector Development Strategy. The main reason was the requirement for broadened and empathetic stakeholder participation. Submission is now expected by end of first quarter 2009 (calendar year). (***Assessment: Delayed but in Good Progress***)

C: Proposed sector revisions of temporary processes in the PAF

1. ***Modified:*** *Submission to Parliament of Principal Water Bills by end of first quarter 2009* (*calendar year*).
2. ***New:*** *Completion and Gazzetting of Subsidiary Legislations or Regulations by June 2009*

D: Performance on Outcome Indicators (Dec 2007)

Indicator: Percentage of the population that has access to clean and safe water from a piped or protected source

Baseline 2003: Rural **53%** (2003) and Urban **73%** (2003)

Status as of Dec. 2007: Rural **57.1%** (Dec. 2007)and Urban **79.9%** (Dec.2007)

Target 2010: Rural **65%** and Urban **90%** (***Assessment: On track in Urban but at risk in Rural Areas***

E: Key Issues Emerging from the JWSR 2008

i) *Consolidation and harmonization of the sector performance monitoring for improvement of data accuracy, consistency and accessibility*
ii) *The low profile of sanitation sector in the country's institutional framework and budget frames*
iii) *Geographical, social, gender and financial equity*

Water sector capacity building targets, including enhancing the capacity of the private sector

Overall Assessment **SATISFACTORY**

2. DETAILED ASSESSMENT

2.1. Areas of good and weak performance

A: Areas of Good Performance

Strategic Policy Framework

The National Water Policy of 2002 leads the sector towards realization of the Vision 2025, MDGs ar MKUKUTA targets through various instruments including the National Water Sector Development Strateg (NWSDS), which guides implementation of the Water Sector Development Programme (WSDP), under tl principles of Sector Wide Approach to Planning (SWAP), which was adopted since 2006. This framewo provides a mechanism whereby the Government and Development Partners support a jointly agre implementation, monitoring and evaluation framework, which is jointly coordinated under Governme leadership, done through both pooled and earmarked budgets and expenditure frameworks.

The Institutional Framework

The role of Central Government, through the Ministry responsible for Water, is to co-ordinate sector progress, support capacity building, monitoring and quality assurance, policy formulation and provision of guidelines and regulation through various legal instruments. The institutional framework for water resources management has been streamlined to meet the challenges of effective integrated water resources management at basin level. The responsibilities for provision of water supply and sanitation services have been transferred to decentralized entities. These are commercialized Water Supply and Sewerage Authorities (UWSS) in predominantly urban areas; and Local Government Authorities that also provide support to Community- owned Water Supply Organizations (COWSOs) which manage water supply and sanitation facilities in more rural settings. In all cases, roles and responsibilities of different stakeholders, including the central government, local government authorities, development partners, non governmental organizations, community based organizations, private sector entities, water user associations, village water committees, basin water boards, shared water course dialogue and management frameworks and beneficiaries; have been defined to ensure effective participation.

Sector Coordination

The agreed principles and terms of partnership between the Government and Development Partners, which is a l for steering sector coordination and dialogue, works within the Joint Assistance Strategy (JAS) implementa framework and its annual Performance Assessment Framework (PAF). The structure of the water sector dial comprises an Annual Joint Water Sector Review that is held once a year, the Water Sector Working Group meets quarterly and four Thematic Working Groups, which meet bimonthly, each; all responding to the hierar forward linkages for reporting and backward linkages for feedback and guidance, which define wor relationships at each level. Each level has a specific role with regard to monitoring and evaluation of water se progress and in drawing the future action plans for implementation.

During 2007/2008, stakeholder consultations were held through four meetings of Thematic Working Gr convened bimonthly as scheduled; three Water Sector Working Group (WSWG) meetings including extraordinary meeting that were held and a third Joint Water Sector Review (JWSR) meeting that was held from to 17th October 2008. Furthermore, quarterly internal financial audits were carried out; sector review reports timely prepared, shared and presented;

Communication, Education and Information

Development of a simplified or popular version of the National Water Policy in Kiswahili for both print media other educational material is on final stages. A broad mutual understanding between the sector and the media wi fully utilized to expedite intra and extra communication amongst stakeholders and the public in general.

B: Areas of Weak Performance

Low Speed of Implementation of Water Sector Reforms

Since 2005, water sector transformed its planning framework from project approach into a sector-wide approa planning (SWAP). The new framework collates stakeholders in a joint effort guided by the National Water S Development Strategy to implement the Water Sector Development Program as a designated plan implementation of the National Water Policy of 2002.

The programme aims at improving water resources governance and improvement of service delivery. Amongs concerns recorded during 2007/2008 was a slow pace in the Government's approval of the National Water S Development Strategy, which was eventually approved in March 2008. This has led to delays in preparatio water bills and enactment of new water laws by the Parliament. *The new Water Legislation, which will rein implementation of the policy and institutional arrangements as well as mandate oversight and control of pr sector practice and development, is in final stages of preparation and will be tabled to the parliament durin November 2008 Session.*

Institutional Strengthening and Capacity building: The organizational, institutional, human and physical capacity to effectively manage water resources and provide reliable water supply and sanitation services in the country is a challenge. There is a critical inadequacy of qualified personnel in all fields, but finance and procurement fields are affected most. *The sector has adopted a comprehensive institutional strengthening and capacity development framework for each implementing agency to prepare an action plan of implementation. Also, Water Resources Institute is being strengthened and has been upgraded to enable it offer more relevant courses as per demand and qualified personnel are being recruited.*

Management Information System: Various information and data management systems operating in sub sectors are still not harmonized. Inadequate reliability of information and varied operational frameworks bring difficulties in coordinated decision making**.** *The Ministry will embark on the MIS strategy to harmonize the sub sector information and data management systems.*

Capacity of the Private sector: The private sector which is expected to execute various contractual obligations in implementation of the WSDP is still at infant stage in the water sector, they are few, not found in some LGAs and lack adequate capacity to produce value for money outputs**.** There is low capacity of the private sector to execute contractual obligations of project design, feasibility studies, detailed design, and preparation of tender documents, project supervision, and works. Using some of the contractors is a risk because of their low capacity both in technical and financial terms. Major risks include risking on quality outputs and delays. *Capacity building and technical support to the private sector has been included in the institutional strengthening and capacity development framework for the whole sector*.

Procurement

Procurement of goods, works, non-consultancy services as well as selection and employment of consultants was identified as weak area during first year of WSDP implementation (2007/2008). *The sector has adopted a comprehensive institutional strengthening and capacity development framework that is being used to lay out an action plan for strengthen the capacity of WSDP coordination and strengthening of the Procurement Management Units and respective Tender Boards of implementing agencies so as to rectify the situation during 2008/2009.*

Performance Monitoring

Although MoWI in collaboration with stakeholders has prepared the comprehensive sector monitoring framework for monitoring sector progress, whereby all stakeholders including MoWI, EWURA, BWOs, Ministries, Executive Agencies, UWSAs, LGAs beneficiary communities, private sector, NGOs, and Development Partners are involved; the general assessment found that it was weak in implementation. *The sector will review its monitoring framework during 2008/2009 to make it efficient in monitoring sector progress. As a further step to improve sector performance assessment; the water sector Performance Assessment Framework (PAF) was adopted by the Water Sector Working Group meeting held on 28th August, 2008, preceded by discussion and guidance of the Thematic Working Groups.*

Financing: Financing WSDP implementation during 2007/2008 was below the Programme's planned envelope. The WSDP planned budget deficit of about 47%, notwithstanding other technical reasons including the procedural, procurements and other absorption capacity reasons, has a direct relationship with the slow pace of the sector in moving along the path to attaining MKUKUTA targets by 2010. *The Government and Development Partners will continue strategizing so as to address this challenge*.

Main Sources of Information	*Water Sector Performance Report 2007/2008, MoWI;* *CSOs report on Monitoring Equity in Water and Sanitation, September 2008, TAWASANET;*

	Agreed Undertakings of the Joint Water Sector Review Meeting, 16th – 17th October 2008.

2.2. Underlying Processes

a) Underlying Process 1: Water Sector Review

Assessment	**Satisfactory**
Main Sources of Information	*Water Sector Performance Report 2007/2008, MoWI;* *CSOs report on Monitoring Equity in Water and Sanitation, September 2008, TAWASANET;* *Agreed Undertakings of the Joint Water Sector Review Meeting, 16th – 17th October 2008.*

The Annual Joint Water Sector Review was held from 16th to 17th October 2008. The review, which was previously arranged for 11th -12th September 2008 was rescheduled to the new dates so as to precede it with the Joint GOT-DPs Joint mission of field visit to the Water Sector Development Programme implementation sites in selected areas. The report of the field visit added value to the deliberations at the Water Sector Review meeting and assisted the stakeholders in drawing up the agreed actions for 2008/2009. A broad spectrum of water sector stakeholders from all levels (Central Government Ministries, Regional Secretariats, Local Government Authorities, Development Partners, Urban Water Supply and Sewerage Authorities, Water Basins, Representatives from Civil Society Organizations, the private sector and Members of Parliament).

Participation, oversight, leadership and ownership of the 2008 Water Sector Review by the high level leaders of both the Government and Development Partners; was exceptionally remarkable. Besides officiating the opening the review meeting, the Minister of Water and Irrigation personally chaired day one of the meeting and officiated its closing on day two. His Excellency Dr. Guido Herz, the Ambassador of the Federal Republic of Germany, delivered a statement on behalf of Development Partners. The active participation of CSOs of which in addition presented a synthesis paper on equity; and active participation of the Private Sector who also presented a paper on experiences of the private sector in WSDP implementation was highly reckoning. All participants were anxiously active during plenary and group discussions.

The Water Sector Review deliberated on actions required to address practical impediments to efficient implementation of Water Sector Development Programme, that were challenges encountered by implementing agencies and other stakeholders during 2007/2008. The issues that came out of the review include:

i) The need for consolidation of the sector performance monitoring including data accuracy and consistency;
ii) The need for a speedy enactment process of water legislations;
iii) declining budgetary commitments of the Government to Water Sector Development Programme;
iv) The low profile of sanitation sector in the country's institutional framework and budget frames;
v) The issue of geographical, social, gender and financial equity;
vi) Delays in disbursing funds to implementing agencies;
vii) Sustainability of water schemes versus community affordability;
viii) The issue of water sector capacity building targets, including enhancing the low capacity of the private sector;
ix) Disaggregated gender data in decision making organs at all levels; and
x) The need for clustering of various utilities to benefit from economies of scale.

The review agreed on undertakings for 2008/2009 that will address these issues using the priorities set in the Water Sector Development Programme and they will effectively inform planning and budgeting for 2009/2010.

2.3. Temporary Process Actions

Temporary Process Action 2: ***Submission to Parliament of Principal Water Bills by end of first quarter 2008***

Assessment **"Not achieved"**

Main Sources of Information

Speech of the Minister of Water and Irrigation, Hon. Prof. Mark Mwandosya (MP)Presenting Budget Estimates to the Parliament in July 2008

Water Sector Performance Report 2007/2008, MoWI;

CSOs report on Monitoring Equity in Water and Sanitation, September 2008, TAWASANET;

Agreed Undertakings of the Joint Water Sector Review Meeting, 16th – 17th October 2008.

The Principal Water Bills (Water Resources Management Bill and the Water Supply and Sanitation Bill) were not submitted as scheduled due to the delay of approval of the National Water Sector Development Strategy. The main reason for delays of approval of the strategy and submission of water bills to the parliament is the requirement for broadened and empathetic stakeholder participation. The water bills are expected to be submitted to the Parliament during the November 2008 session

2:4 Outcome Indicators

a) Outcome Indicator 1: ***Percentage of the population that has access to clean and safe water from a piped or protected source***

Assessment **On track in Urban But At Risk in Rural**

Indicator Values

Baseline 2003: Rural 53% (2003) and **Urban 73% (2003)**
Status 2007:Rural 57.1% (Dec. 2007)and **Urban 79.9% (Dec.2007)**

Target 2010: Rural 65% and **Urban 90%**

Main Sources of Information *Speech of the Minister of Water and Irrigation, Hon. Prof. Mark Mwandosya (MP)Presenting Budget Estimates to the Parliament in July 2008*

Water sector routine data annual progress reports indicate that rural water supply coverage has increased from **53% in 2003** to **57.1% in 2007,** which is a **4.1% increase in 4 years.** The prospect to attain the **65% by 2010,** an increase of **8%** in the period of **3** years, can be possible if more actions in terms of investments in village community large water supply projects and capacity building are taken**.** If the current trend in investments and capacity do not improve, attaining the **65%** target for rural water supply by 2010 will be at risk.

The proportion of people in urban areas who use drinking water from improved sources has increased from **73% in 2003** to **79.9% in December 2007** for the **19 UWSAs,** which is equivalent to **6.9% increase** during a period of **4** years, leaving an increase of **7%** to attain **90%** coverage of MKUKUTA target in the remaining period of **3 years** by **2010** to be possibly **on track,** due to the planned investment activities in Urban Water Supply and Sewerage Authorities and clustering strategies.

PROGRESS REPORT OF HEALTH SECTOR

Contributors	MOFEA, PMO, VPO-Environment Division, MOHSW, MOW, MHEST, TACAIDS

SUMMARY ASSESSMENT

Overall Assessment **"Satisfactory"**

2. DETAILED ASSESSMENT

2.1. Areas of good and weak performance

Main Sources of Information	The Joint Annual Health Sector Review (Sept.-Oct.2008) with the minutes of the Technical Workshop, the report of the Joint Annual Health Sector Review meeting and the Performance Assessment Framework for the Health Sector. Health Sector Performance Profile Report 2008. Child survival gains in Tanzania: analysis of data from demographic health surveys, Honorati Masanja et all, Lancet, vol 371, April 12, 2008. The Joint external evaluation report (1999-2006) 2007. MDG Progress Report 2007 (MoHSW). District Self Assessment Study April, 2007. Service Availability Mapping Report 2006. Annual Health Statistical Abstract Report, 2008. Drugs Tracking Survey 2007. MMAM, 2007-2017, MNCH roadmap, District Assessment report of CCHPs and Regional Assessment Report of 21 Regional plans 2008/09, Result Based Bonus (P4P) report and implementation arrangements.

1. Areas of good performance:

Confirmed Gains in Child Survival
Under five Mortality rate and Infant Mortality Rate (IMR) have significantly declined in Tanzania between 1999- 2005. Under five mortality rates by 24% and infant by 31%. The new under-five mortality estimate is 91 per 1000 live births which is more than 20 points lower than the 2004/05 survey. The neonatal mortality has not changed much over the past decade though there was a small decline from the 1999 rates from 40 to 32 per 1000 live births. Interventions which contributed to this positive trend include, doubled public expenditures linked to decentralisation and Sector Basket funding, high coverage of vaccination of infants under age one year, implementation in all districts of the IMCI and increased coverage of malaria prevention and case management.
If the recent rate of progress can be sustained, the MKUKUTA 2010 target of under-five mortality of 79 per 1000 live births should be attained and Tanzania is on its way to achieve MDG 4. However, investments in health systems and scaling up up of interventions will be required to ensure more sustained progress.

Tuberculosis
Tuberculosis is a major cause of morbidity and mortality in Tanzania especially among adults The treatment success has remained high, above 83% in 2007 statistics and is anticipated to reach above 84% at the end of 2008. Despite the problem of 30% co-infection with HIV & TB, the number of cases continues to show a declining trend since the peak of 2005.

Malaria
No previous nationally-representative data are available to which the data from the 2008 malaria survey can be compared. However, the decline observed in anaemia and in self-reported fever point towards a major reduction in childhood malaria. Also notable is the major variation in malaria prevalence across regions – from less than 5% to over 30%. Severe anaemia down sharply overall from 12.2% to 7.7%. Also, major reduction is observed in rural areas and major decline is noted in fever, especially in rural areas from 36% to 18% and urban

from 33% to21%.

Major Policy Developments

- National Health Policy has been revised and approved by Cabinet in 2007. This was necessary in order to include for example on-going public financial and sectoral reforms, new and re-emerging diseases (e.g. HIV and AIDS and TB) and new developments in science and technology.
- Development of MMAM (Mpango wa Maendeleo wa Afya ya Msingi), a ten year plan for improving primary health services across the country which was approved by Cabinet in 2007.
- National Multisectoral Framework for HIV/ADS and Health Sector HIV/AIDS Strategy are in place.
- The Health Sector Strategic Plan III (2009 -2015) has been approved and endorsed during the JAHSR September 10th 2008. The strategy is geared to consolidate the gains made in reforming the health Sector including the focus on PHC to ensure increased and improved services, and equity of access specifically at council (LGA) level. Furthermore the Strategy aims at enhancing the PPP, reforming the hospitals, improving quality of services and implementing a monitoring and evaluation strategy. A shift from out of pocket payment to social health insurance is foreseen.

Service Delivery

- The draft Health Sector Performance Profile report 2007/08 gives in details the areas of success, weaknesses and the next steps required.
- The external evaluation report 2007 revealed a clear improvement in district health services availability and quality.
- The preliminary results of the Household Budget Survey show an increase in the use of services of the public health facilities.
- Spending on essential drugs has increased by almost 150% between 2002-5, but stock-outs of essential drugs are still occurring.
- Over 3,500 health workers have been recruited in 2006/07.
- The immunization coverage remains well over 80%
- ANC attendance is well over 90%, but although increasing, the delivery rate in health facilities is generally still low at 51% for public and private health facilities (RCH). The coverage varies widely by region from 35% (Shinyanga) to 90% (Dar es Salaam)

2. Areas of weak performance:

- Of the new health workers recruited, a large number did not report in underserved regions of the country and salary payments for new recruits reportedly took up to 6 months to process. This challenge of recruiting, posting and retaining staff in remote areas need to be addressed jointly by the MoHSW and other MDAs concerned.
- Funding of the health sector is 10.5% of the total government budget for FY 07/08. This remains well below the Abuja target of 15%. Increasing (or at a minimum, sustaining) the share of financing going to health. Including a relative larger share allocated for services delivery at LGA level, will be critical to produce further health gains, and also to convince more Development Partners to shift from sector support to GBS.
- Out of pocket payment has decreased (cf. NHA) but to implement the planned shift to social health insurance and exemption of the poor and vulnerable, the management of the CHF will need to be further strengthened and decentralized.
- Cash flow problems from MOFEA and within the MOHSW affect the implementation of planned activities as well as the regular drug supply (e.g. Health Basket grant for the 3rd and 4th quarters did not reach the districts until May or June, despite donor approval for release in January).
- Much of the health infrastructure is still run down despite funding through the LGCDG and the Joint Rehabilitation Fund. The process appears to be lengthy and implementation stalled. Funding is also

needed to update outdated equipment and to fund new cost-effective technologies.

- Routine annual information on performance in the health sector remains weak (especially reproductive health). The health sector has agreed to 22 annual and 11 periodic indicators as part of the HSSP II, but few of the annual indicators are reported upon annually. A new set of sector indicators will be factored in the HMIS to monitor the performance against the new HSSP III.
- Management is still weak at all levels, especially for the crucial issue of human resource.
- LGA teams still weak, with low capacity in management areas. Turnover rate of skilled staff is high. We need to ensure that the PSRP works more closely with the health sector to consider its effects on service delivery.
- There is an urgent to address the challenge of regular drug supply and to further decentralize the pharmaceutical budget.
- The decline of DPT HB3 coverage for the third consecutive year will require thorough analysis and remedial action.

3. Way forward:

- Implementation of MMAM 2007 – 2017 (10 years horizon).
- Inreased share of the Government budget to the Health Sector, including a relative larger share allocated for services delivery at LGA level.
- Implementation of MTEF 2008.
- Definition of Health Financing Strategy and Monitoring and Evaluation Strategy
- 132 LGAs implementing CCHPs with the support of strengthened Regional Health Management Teams (8 full time positions of qualified health workers in charge of supervision and support to the Council Health Management Teams).
- Agree on a set of key Health Sector indicators and targets that are relevant to daily implementation and to the various levels of the health system from health dispensary to national level. Progress on this set of indicators will be reflected in the Annual Health Sector Performance Profile report.
- Strengthen HMIS so that timely and accurate data is available, and produce an annual sector performance report to review annual progress and identify challenges.
- Agree with POPSM on incentives for HRH to work in underserved areas.
- Finalization and introduction of the Result Based Bonus (P4P) to motivate the staff for quality improvement (with focus on Maternal and Child Health).
- Reduce delays in resource transfers, protect the allocations to the sector and expand health insurance coverage, including social health insurance and strengthening the CHF & TIKA.
- Improve Management of the health systems at all levels to ensure value for money spent.
- Introduction of Health Window of Local Government Development Grant to improve health infrastructure

Abide to the new streamlined MoU for Health Basket Fund 2008-2015, in order to improve predictability and transparency of flow of funds.

2.2. Underlying Processes

a) Underlying Process 1: Health Sector Review

Assessment	**"Satisfactory"**
Main Sources of Information	*Same as under (2.1)*

2008-2009 Draft Milestones for the Health Sector

1. The budget section under DPP is staffed to take responsibility of the PER and of the development of health financing strategy **by December 2008.**
2. A comprehensive health financing strategy is developed and ready to be approved **by September 2009.**
3. A public/private partnership mechanism for recruitment, retention and to fund and expand Private Training Institutions in line with the MMAM is established **by March 2009.**
4. Payment for Performance contributions to the motivation and productivity of staff are documented and presented to the next JAHSR **by September 2009.**
5. The mapping of public and private health service providers is completed **by December 2008.**
6. Operation of a HR information system (including public and private sector) and presentation of the national overview of human resource situation at JAHSR **in September 2009**
7. CCHP guidelines, assessment tools and National Essential Health Interventions Packages are revised in line with HSSP III and facilitate implementation of service agreement **by March 2009.**
8. HSSPIII document translated into Kiswahili and disseminated to all levels of the health sector in order to input into their respective annual plans for 2009/10 **by March 2009.**
9. A full time PPP Secretariat established and tasked with drafting policy guidelines (including the Strategic Plans) **by March 2009.**
10. Number of Health Centres and dispensaries that are providing Basic EmOC increased from 5% to 10% and Number of Hospitals providing Comprehensive EmOC increased from 64% to 70% with priority to the most underserved areas such as Rukwa and Shinyanga **by June 2009**
11. HMIS strengthening plan finalized and strategic implementation in line with HSSP III and ready for scaling up including allocations in 2009-2010 MTEF **by March 2009**
12. Medicines allocation formula is implemented and medicines budget from MoFEA to MSD is fully disbursed by MoHSW as per quarter.
13. Identify areas within MoHSW needing strengthening in order to adapt the core roles and functions to respond to HSSP III requirements **by March 2009.**
14. Monitor key health development challenges for example in the areas of maternal, new born, child health, human resources and health infrastructure through joint yearly field visits by **June 2009.**

2.4. Outcome Indicators

a) Outcome Indicator 1*: Proportion of children who received three doses of DPT_HB3 vaccines (against Diphtheria, Pertussis, Tetanus and Hepatitis B) by their first birthday*

Assessment	**"On Track/Achieved"**
Indicator Values	**Baseline 2005:** 81% **Status 2007:** 83% in 2007 **Target 2010:** 80 **-** 85%
Main Sources of Information	Expanded Programme of Immunization (EPI) Unit

The performance is within the range of 80% - 85% which is a target for year 2010. At this level the immunity is maintained and the transmission of the diseases halted.

b) Outcome Indicator 2: *Proportional of Births Attended by a Skilled Health Workers*

Assessment	**" Off-track "**
Indicator Values	**Baseline 2004/05: 46%** **Status 2007: 51%** **Target 2010: >= 65%**
Main Sources of Information	Tanzania Demographic and Health Survey and Reproductive and Child Health Annual Zonal Reports

This indicator can only be obtained from TDH survey (next in 2010). Routine data (HMIS) do not provide such information. However, pregnant women who delivered at a health facility is used as proxy indicator. Deliveries in all public and private health facilities is the numerator, all deliveries is the denominator. This is a proxy for skilled health worker attendance, because noone can tell who is a NM or just a Nurse or CO in the delivery room especially in the night shifts.

In this regard new data on births in health facilities have been sourced from Reproductive Child Health (RCH) zonal annual reports for 2007 and compared to the official NBS projection of births (by region) for 2007. Data from RCH indicate that 51% of all expected births in 2007 took place in health facilities. Comparing 2004/05 TDHS result indicates that the proportional of births in government and faith based facilities health facilities has risen from 41% to 51% in 2007 an ten point increase.

c) Outcome Indicator 3: *TB Treatment Completion Rate*

Assesment	**"On track/Achieved"**
Indicator Values	**Baseline 2005: 82.6%** **Status 2007: 84.8%** **Target 2007 >= 80%**
Main Sources of Information	National TB & Leprosy Programme

Performance in TB is measured using proportional of TB 'treatment completion rate'. A patient is said to have completed treatment after using anti-tuberculosis for eight months. The indicator is showing positive performance from 82.6% in 2005 to 84.8% for 2006. There is a lag period on the data reported of about one year awaiting treatment completion results of the patients enrolled at the end of the previous reporting year.

PROGRESS REPORT OF HIV/AIDS SECTOR, CWG 2

Contributors PMO, VPO-Environment Division, MOHSW, MOW, MHEST, TACAIDS, MOEVT

SUMMARY ASSESSMENT

Overall Assessment **"Satisfactory"**

2. DETAILED ASSESSMENT

2.1. Areas of good and weak performance

Main Sources of	TACAIDS Annual Report, Joint DPG report, Mid term Evaluation of national

Information	Multi Sectoral Strategic Frameworks, MoHSW budget speech, PMO Budget speech July, 2008 and MoHSW quarterly and Mid-year and Annual Reports 2008.

1. Areas of good performance:

- **Declined HIV/AIDS prevalence**:
  Rates are slightly lower than those recorded 2003-04 Tanzania HIV survey which was 7 % and for Tanzania HIV and Malaria survey(THIMS) 2007/08 is 5.8% for general population. The prevalence in age group 14-24 years is estimated to ranges between 1% for 15-19 years and 4.3% for 20-24 years. This value is within the range of (4%) which is the PAF-indicator. Acceptance for HIV testing in higher than previous years. Awareness of prevention methods and modes of transmission is still high (or higher than recorded in 2003/04 Tanzania HIV indicator Survey

- **District and Community Response** :
  Acceleration of the response through Community AIDS fund under the facilitation of Tanzania Social Action Fund TASAF who have added value in reaching the community for disbursing funds .

- **Private Sector Response :**
  Good progress as far as mainstreaming of HIV/AIDS. AIDS Business Coalition Tanzania (ABCT) is supporting private enterprises with prevention and care measures for their employees. The membership of the ABCT has grown from 23 members in 2004, to 68 members in 2008. However, the coverage of workplace interventions among the local private sector is still very limited.

- **Political commitment**:
  Increased national political commitment at top level as indicated by the President J.M Kikwete campaign on National Voluntary and Testing. This endeavor has not only stimulated the rate of people seeking VCT services but also enhanced the implementation of HIV and AIDS interventions in the country in all thematic areas by all partners: at local, district and regional level.

- **Ministries, Departments and Agencies (Public HIV and AIDS response)**
  Increased quantity and quality of HIV/AIDS interventions in the Ministries, Department and Agencies is an indication of good progress concerning mainstreaming of HIV and AIDS at work place . It has been possible through the Government's establishment of essential minimum packages to guide both LGAs and MDAS in planning and budgeting of HIV and AIDS interventions. Furthermore, Many MDAs have planned and implemented activities related to their core mandate as well as work place programs.

- **Development partners:**
  Signing the Memorandum of Understanding with the Government on the implementation of the National Multi-sector Strategic Framework for 2008 to 2010 (NMSF II for 5 years) is an indication of long-term commitment. The dialogue between development partners (DPG -AIDS) and GOT (TACAIDS) is frequent, honest and productive. The new dialogue structure is implemented and the work is now taking place in 5 technical committees namely : Prevention , Care , treatment and support , Impact mitigation and Enabling environment and one Joint Thematic Working Group. For first time representatives from several Non-State-Actors are also included in the work and contribute to a high extent.

- **Legal framework:**
  Signing of the AIDS bill provides a clarification of the national legal context of HIV and AIDS

- **Follow up of expenditures**:
  The establishment of a specific code to track HIV/AIDS expenditures in the Government budget has enhanced the mainstreaming of HIV/AIDS in the national budgeting process
-

2. Areas of weak performance:

- Low national funding and high dependence on external funding which challenge sustainable prevention, care and treatment (sustainability financing of HIV and AIDS)
- Weak coordination and oversight at regional and local government levels
- Weak accountability at LGA levels
- Shortage of human resources in the health sector is a major obstacle to responding to the need of service delivery for HIV/AIDS treatment and prevention.
- Weak and sporadic interventions, particularly at community level
- Unable to determine the dynamics/ drivers of the epidemic as indicated by the big variation between regions in terms of prevalence (e.g. the lowest Kigoma has 0.9% and the highest Iringa with 14.7%)

***3.* Way forward:**

- To strengthen community and district levels so as to be able to implement prevention strategies and manage HIV and AIDS
- To continue to implement the Advocacy Communication Strategy by developing guidelines and popularization of the same
- To continue strengthen the national M&E system
- To popularize and cost the NMSF by developing an operational plan
- To mobilize HIV and AIDS resources from both externally and internal sources
- To study the dynamics of the epidemics and come up with evidence based interventions
- Increase capacity to develop and effectively implement comprehensive HIV/AIDS programmes at all level

2.2. Underlying Processes

a) Underlying Process 1: National Multisectoral Strategic Framework for HIV/AIDS Joint Bi- HIV and AIDS Annual Review 2006-2008

Assessment	**"Satisfactory"**
Main Sources of Information	The Technical Bi Annual review held between 29 and 30 October , 2008, 2008/09 MTEF , Budget speech , Tanzania HIV and AIDS Indicator surveys for 2003 /04 and 2007/08 respectively , TACAIDS annual report 2006/07, Tanzania Monitoring HIV and AIDS report 2006/07. Researches on HIV and AIDS 2004 to 2008 and Joint Bi Annual review of HIV and AIDS

The Joint Bi- Annual HIV and AIDS 2008 Review was conducted between 10 and 11 November , 2008 . Prior Main review a technical review was done on 29 to 30 October, 2008.
The outcome of Main review was development of milestones to be assessed after two years (2010). **Main issues were :**

- Coordination of national response foe HIV and AIDS at all levels
- Resource mobilization and tracking (long term financing strategy for HIV and AIDS)
- Need for developing prevention strategy which is costed
- Costing the National Multi-sectoral strategic Framework
- Identification of Most vulnerable children and development of package of services
- Scaling up care , Treatment and support

2.4. Outcome Indicators

a) Outcome Indicator 1*: National HIV/AIDS prevalence in the 15-24 years age group*

Assessment	**"Achieved"**
Indicator Values	**Baseline 2003/04:** 4% **Status 2008:** 15 -19 years (1%) and 20 - 24 years (4.3%) **Target 2010:** 4%
Main Sources of Information	Tanzania HIV and malaria Indicator Survey 2007/08(THMIS)

This is long term indicator measured every 3 years through population survey.(THMIS) The baseline value for 2003/04 was 4%; Targeted value is 4%

The 2007-08 THMIS found that 5.8 percent of the population age 15-49 in Tanzania is living with HIV/AIDS. HIV prevalence is higher among women than men (6.8 percent and 4.7 percent, respectively). These rates are slightly lower than those recorded in the 2003-04 Tanzania HIV/AIDS Indicator Survey (THIS), percent overall, 7.7 percent for women and 6 3percent for men.

The preliminary findings shows that HIV prevalence among women rises sharply with age from 1 percent among women age 15 -19 to peak at 10 percent among women age 30-34 before falling to a level of 7 percent among those age 45-49. Among men age 15-49, the HIV rate rises more gradually with age to a peak at age 35-39 (10 percent), before declining to 6 percent among men age 45-49.

HIV prevalence in the urban areas is almost double that in the rural areas. Among women, HIV prevalence is 11 percent compared with 5 percent in rural areas. For men, the corresponding prevalence is 7 percent and 4 percent, respectively.
Highest prevalence regions are:- Iringa (14. 7%), Dar es salaam (8.9%) Mbeya 7.9 % Mara (5.3%), The lowest prevalence region are Kigoma and Arusha with 0.9% and 1.4 respectively.

The prevalence rate under age group 15 -24 ranges between 1% to 4.3 percent for 15 -19 and 20- 24 years of age respectively. This value is within the range of our MKUKUTA target.

b) Outcome Indicator 2: *Number of People with Advanced HIV Infection Receiving Antiretroviral Combination Therapy (ARVs)*

Assessment	**" Achieved "**
Indicator Values	**Baseline 2006: 60,000** **Status 2008: 193,978** **Target 2007 >= 110,000**
Main Sources of Information	National AIDS/HIV Control Programme

Up to 2008 193,978 of patients were on ARV.

Annex 6 – Cluster Working Group 3 Report

Progress Report of CWG 3 Against the Performance Assessment Framework (PAF) for GBS Annual Review 2008

Contributors	PO-PSM, PMO-RALG, MOCAJ, GGCU, MOFEA, PCCB, PMO and DPs
Date	15 December 2008

3. SUMMARY ASSESSMENT

(a) Overall Assessment: Satisfactory

This Cluster Report is a joint GoT and DP product. It is the result of hard work by many people and the Co-Chairs would like to thank all those who were involved in its preparation. The aim of this report is to provide a summary of performance against the CWG3 PAF, including answering the two agreed questions for this Cluster: Is good governance and the rule of law ensured? Is Government accountable to the people?

GoT and DPs agree that the cluster is satisfactory and that several of the areas included in the CWG3 PAF have been delivered, but they have a number of concerns, particularly relating to implementation and cohesion across the core reforms.

GoT and DPs agree that two of the six Temporary Process Actions (TPAs) and one of the four Outcome Indicators have been achieved. In addition, GoT considers the TPA focusing on simplifying GoT budget structure to make central local transfers more transparent, easy to monitor and on time to be achieved. DPs consider this TPA as not achieved. Progress to address challenges can be seen in each cluster area. In some cases the Outcome Indicator could not be measured due to lack of data. The follow-up by GoT on commitments from the GBS Annual Review 2007 has been limited with challenges experienced relating to pay and allowances and inter-governmental transfers. CWG3 recognise the importance of progress on cohesion across the core reforms and amendment of Public Service regulations to comply with Decentralisation-by-Devolution (D-by-D). The cross-linkages between reforms and the lack of progress to resolve the issues where one reform programme may hinder development in another reform programme is also an area of concern. GoT and DPs hope to address this issue as soon as possible so an agreed way forward can be implemented early in the next Annual Review cycle. DPs continue to seek clarity on the Constituency Development Fund (CDF) and its alignment with existing GoT policy.

Regarding alleged cases of abuses of public resources, GoT has made considerable progress over the past year including preparing over 14 cases of grand corruption for prosecution. GoT has assured DPs and other stakeholders that more investigations are underway and any necessary action will be taken upon the conclusion of the investigations in line with the rule of law. DPs congratulate GoT on the achievements to date and look forward to continued action on this.

Agreement on PAF revisions for this Cluster including definitions for Underlying Processes, TPAs and Outcome Indicators have been agreed by DPs and GoT and will be captured elsewhere in this report.

(b) Underlying Processes

Five of the six Underlying Processes have been assessed to be satisfactory by GoT. Four have been assessed to be satisfactory by DPs. Both DPs and GoT recognise that some progress and achievements have been made over the past year despite the remaining challenges. All reviews that were scheduled to be undertaken in the past year were completed as planned. This included the first Annual Review of the LSRP for the year 2007/08, completed in June 2008, and a Supervision Mission of the PSRP in November 2008. NACSAP II embarked on implementing its action plan, despite having only $1 million of the required $8 million of programme funding in place. In addition, GoT commenced the investigation of several cases of grand corruption, which have been a cause for concern on both GoT and DP sides.

Regarding Executive's accountability to Parliament, a number of productive meetings have been held between DPs and PMO over the course of the year. In particular, DPs have engaged with MPs and Parliamentary Committees. Other areas of progress include the establishment of a weekly Prime Minister's question time in Parliament, the implementation of Standing Orders and the creation of three new public enquiry committees that are chaired by members of the opposition.

Regarding the quality of consultations between domestic stakeholders and GoT, CSOs and non state actors' contribution to sector reviews, cluster working groups and the GBS Annual Review has improved considerably with more structured interaction. CSOs participated in both Poverty Policy Week and the Annual Review and contributed to the PAF proposals for 2009.

The CWG has agreed to slightly modify the Underlying Processes and definitions for PAF 2009 which will be captured elsewhere in this report, so as to more holistically capture the achievements and challenges within Governance and Accountability in Tanzania.

(c) Temporary Process Actions

GoT and DPs agree that two of the six Temporary Process Actions (TPAs) have been achieved. One has been delayed but is proceeding and is expected to be achieved in February 2009. In addition, GoT considers the TPA focusing on simplifying GoT budget structure to make central local transfers more transparent, easy to monitor and on time to be achieved. DPs consider this TPA as not achieved. Both GoT and DPs recognise the efforts undertaken this year to prepare a minimum of 5 grand corruption cases that are either ready for prosecution or have been dismissed for reasons which have been made public by September 2008 and look forward to these investigations reaching fruition during 2009.

(d) Outcome Indicators

One of the four Outcome Indicators is on track and one is off track; there is insufficient data available to assess the remaining two

The CWG has agreed some new Temporary Process Actions and Outcome Indicators for PAF 2009 which will be captured elsewhere in this report.

Key areas of good performance

Legal Sector

- The National Prosecution System continues to be harmonised, unified and civilianised
- The investigation systems are being modernised
- The Judiciary has overseen the construction of three and rehabilitation of four primary courts using LSRP basket funds
- Establishment and operations of the Law School of Tanzania
- GoT's renewed efforts to finalise and approve the Legal Sector Policy
- Information, education and communication activities introducing the LSRP and its objectives to the public
- Restructuring of the Ministry of Constitutional Affairs and Justice
- Commissioning of a study for the development of a system of capacity development and technical assistance for the PCO and the legal sector institutions
- Budgets and activities prepared and fully mainstreamed into the government system through the Medium Term Expenditure Framework (MTEF)

Public Service

- Adoption of a demand driven Programme Implementation modality
- Implementation of demand driven interventions in key areas such as Performance Management
- Programme coordination arrangements were maintained to ensure the effective implementation of PSRP II

Local Government

- The LCDG system is encouraging, well understood and has clear support of stakeholders

- Funding of sector programmes is steadily being integrated and harmonised with the LCDG system
- D-by-D has been identified at central government level as a way forward for improving service delivery and hastening development at the local level as reflected under Phase II of the LGRP (2008–2013)
- Disbursements to Local Government Authorities (LGAs) for Other Charges (OC) are more predictable and on time
- Number of LGAs bank accounts particularly for development funds have been significantly reduced
- Financing of the LGRP, including LGCDG system (excepting the sector specific funding) has been consistent and stable, with consistent financing from the DPs

Anti-Corruption

- 14 Grand Corruption cases relating to EPA have been investigated by the PCCB and taken to court and made public. DPP and PCCB continue to work on other cases.
- Ethics Infrastructure training delivered to 11 Honourable Judges of the High Court and Court of Appeal and to eight Higher Learning Institutions
- An initiative establishing the Civil Society Anti-Corruption Coalition has commenced and is in progress

Executive's Accountability to Parliament

- Report of the Controller and Auditor General (CAG) on the financial statements of central government, local authorities/public authorities and other bodies of FY 2006/2007 were submitted and discussed by the MPs in April 2008
- Implementation reports on Government commitments made in Parliament were prepared and submitted to the Parliament
- From January–August 2008, 84% of the total questions raised by MPs were answered by the Government
- Introduction of Prime Minister's questions session. From April–August 2008, the Prime Minister answered 85 questions posed by MPs focusing on good governance, rural development, poverty reduction, social and economic issues and international relations
- The presentation and discussion of the Bomani and Richmond reports to Parliament

Quality of Consultations between Government and Domestic Stakeholders on the implementation of the MKUKUTA

- Good progress in increasing CSO engagement in the GBS process by inviting CSOs to contribute directly to the 2008 PRBS AR report
- Increased Government transparency through release of current Accountant and Auditor General Annual Reports
- Increased opportunities for civil society to engage in sector policy debates
- The PER exercise is increasingly seen as a key tool for line ministries to determine the allocation of resources, set priorities and ensure that the PRSP targets are achieved

Key areas of weak performance

Legal Sector

- Still no indication of progress against performance indicators, targets and outcomes as identified in the LSRP MTS, Memorandum of Understanding (MoU) or MKUKUTA for the concerned year
- Reporting has been problematic over the course of the year
- The preparation of the annual workplans by the implementing agencies is not related to the GoT budget planning cycle
- There is still no fully operational Monitoring and Evaluation (M&E) framework in place that could provide information as to whether the LSRP is delivering on its core objectives

Public Service

- Late disbursement of funds. While PSRP II was officially launched in January 2008, the funds were received at the end of last quarter of 2007/08
- Delay in establishing and updating PSRP II baseline indicators

- Lack of adequate quarterly reporting, both on overall implementation and procurement activities
- A study to update the Medium Term Pay Policy was not completed

Local Government

- Restricting application of formula based distribution of Recurrent Grants to OC only seriously limits benefits of D-by-D implementation
- Persistent existence of multi-channels of funding development at the local level limit transparency and accountability and only serves to overstretch capacity at both central and local government levels
- Limited progress in providing autonomy in human resources management at the LGA level
- Lack of clarity of the national budget structure on the amount of funding flowing to LGA levels
- Limited progress on legal harmonisation of LGA related legal framework
- Limited progress in allocating sufficient financing to LGAs to meet the PAF target of allocating 25% of the government budget (minus CFS)

Anti-Corruption

- Lack of programme funding for NACSAP and untimely disbursement of funds
- Non-state actors still lack resources (especially financial) and capacity to be able to set collective workplans for effective implementation

Executive's Accountability to Parliament

- Greater clarification on the assessment criteria for GBS performance assessment required
- The role of Parliament in the Annual Review

Quality of Consultations between Government and Domestic Stakeholders on the implementation of the MKUKUTA

- Despite progress in 2007, the assessment criteria needs greater definition for measuring the quality of consultations
- The heavily structured dialogue process can be counterproductive in delivering timely decisions by policy makers
- A broader range of CSOs could engage given greater notice and a higher use of Kiswahili
- Civil society welcomes the opportunity for dialogue with GoT outside of the GBS forum
- Overall, civil society engagement in sector reviews is varied from very good and inclusive to sectors in need of improvement
- Data collection and management constraints continue to need serious attention

As was highlighted during last year's Annual Review, there remains insufficient coherence between the core reform programmes and relevant policies leading to cross cutting problems in the implementation of the reforms. Each core reform is reliant on progress in the others if it is to achieve the established goals and objectives. To address this problem the Government formed a Reform Coordination Unit under the Chief Secretary. Efforts to strengthen the Unit to fulfil its mandate are ongoing.

The upcoming period has a number of important Governance legislative proposals due to be debated; Media Services Bill; Right to Information; Whistleblowers; Political Party Financing; and Public Leadership Code amongst others. Stakeholders are expected to be engaged in the consultative process.

2. DETAILED ASSESSMENT

2.2. Underlying Processes

a) Underlying Process 1: LSRP Review

Assessment	**UNSATISFACTORY (with a clearly positive trend)**

Main Sources of Information	LSRP Progress Report 2008, Annual Review Report 2008, Capacity Development and Technical Assistant Report 2008, LSRP Annual Operational Plans 2007/08 and 2008/09

Implementation of the LSRP activities during financial year 2007/08 progressed as per the approved workplan. However, the implementation started only in the third quarter of the financial year due to late approvals of the operational plans. Although there has been substantial amelioration with regards to the LSRP during the last year, the programme and the overarching legal sector is yet to reach a level of satisfactory performance. Given that the overall trajectory of the reform is good, and that there are considerable improvements in the coordination and management of the reform, it should be expected that the reform will reach a satisfactory level of performance in the near future. The LSRP Annual Review Report notes that "*though the LSRP has had a very slow start and faced significant management and coordination challenges, its successes have been impressive*."

Planning and reporting has improved but has yet to meet satisfactory standards. The quality and regularity of the dialogue amongst stakeholders has been low. Although there has been a satisfactory level of discussion at the coordination level, it has not been the case at the oversight level.

The notable progress recorded for implementation of the main activities is highlighted below:

<u>Areas of Good Performance</u>

Operations of National Prosecution Service and Implementation of Action Plan

The National Prosecution System continued to be harmonised, unified and civilianised. The National Prosecution Service Act was passed by Parliament in January 2008, assented by the President in April and became operational on 9th June 2008. Other activities made good progress such as the recruitment and deployment of 157 state attorneys in the AGC offices in the country; the completion of the rehabilitation of the AGC's Zonal office premises in six regions (Tanga, DSM, Songea, Shinyanga, Moshi and Mwanza) and ongoing in two others; and the acquisition of plots of land in various regions and districts for offices of the National Prosecution Service.

Strengthening the Investigation System

The investigation systems are being modernised. Police officers have been trained in modern investigation mechanisms through short and long term courses; new and modern equipment for the Police Force has been procured; and there has been close collaboration between the Office of the Director of Public Prosecutions, the IGP and the Director of Criminal Investigations.

Access to Justice for the Poor and the Disadvantaged

The Judiciary has overseen the construction of three and rehabilitation of four primary courts using LSRP basket funds. At the same time, using GoT's non basket funds, the Judiciary constructed 34 new primary courts, equipped one primary court, rehabilitated six primary courts, and constructed one primary court magistrate's residential house.

Steps have been taken for the establishment of the Legal Aid and Literacy Network. Legal aid service providers continued to provide legal aid services as part of their normal activities. Notably, with the LSRP support, Tanganyika Law Society launched a Legal Aid Day throughout the country on 10 November 2007. The event will henceforth be held annually.

Establishment and Operations of the Law School of Tanzania

Following the establishment of the Law School of Tanzania by an Act of Parliament in February 2007 and its coming into effect on 2 May 2007, the School developed its curriculum for practical legal training and made necessary regulations and rules for its operations.

The School enrolled two cohorts of 274 and 208 students respectively for its non-residential practical legal training within the arrangements of a Memorandum of Understanding entered into between the Ministry of Constitutional Affairs and Justice and the University of Dar es Salaam.

The Law School's organisational structure has been approved. An approval had also been obtained for recruitment of the initial staff complement of 34 employees during the financial year 2008/09.

LSRP Annual Review
The first Annual Review of the LSRP for the year 2007/08 was carried out from April and was completed June 2008. The final report, approved by GoT and DPs, contains a number of important recommendations for strengthening the reform. The Government, in consultation with key stakeholders, has been pro-active in identifying 10 of the most important recommendations from the Annual Review for implementation on a priority basis.[4]

The Legal Sector Policy
The Government has renewed its efforts to finalise and approve the Legal Sector Policy. An advanced draft of the Policy has been shared for comments with the Tanganyika Law Society (TLS), legal aid service providers and other stakeholders. The plan is to have the Draft Legal Sector Policy submitted to Cabinet for approval by the end of the year.

ICE Activities
The LSRP carried out its Information, Education and Communication activities with the objective of introducing the LSRP and its objectives to the public. These activities included the introduction of the LSRP Newsletter dubbed "Timely Justice"; participation in the Public Service Week and the Dar es Salaam international trade fair; and the airing of TV and radio programmes.

Restructuring of the Ministry of Constitutional Affairs and Justice
The Government took the initiative to reform the MoCAJ for allowing increased coordination and management of the LSRP. The roles of the Deputy Attorney General and Permanent Secretary, usually held by the same person, have been separated. The new PS for MoCAJ is yet to be appointed. The PS will now have a key role in the management and overseeing of the LSRP while the PCO will become part of its directorate of reform.

Capacity Development and Technical Assistance
The Government commissioned an important study for the development of a system of Capacity Development and Technical Assistance for the PCO and the Legal Sector Institutions. The study report was approved by a Joint Programme Implementation Review Committee on 28th October 2008 and the drafting/approval of ToRs for various assignments for implementation of a system of Capacity Development and Technical assistant is currently under way. The planned TA is expected to have a very significant impact on LSRP progress.

Management and Coordination
This is the first year that the budgets and activities are prepared and fully mainstreamed into the government system through the MTEF. FY 2008/09 marks the first year spending will be fully decentralised to all public sector institutions and a complete narrative is used to describe the logic behind the annual operational plan which links for the first time outputs and activities in the MTEF. Interaction between the PCO and DPs is positive and has developed significantly.

Areas of Weak Performance

There is still no fully operational Performance Measurement Framework. After three years of implementing the LSRP, there is no indication as to whether there has been an increased access to and administration of justice in the country as a result of the programme's activities. No reports have been submitted measuring progress against performance indicators, targets, outcomes, milestones or outputs as identified in the LSRP MTS, MoU or MKUKUTA. Furthermore, incomplete physical and financial reporting have not allowed for

[4] The 10 priorities are detailed in Unblocking the Road to Timely Justice for All: First Annual Review of the Legal Sector Reform Programme (LSRP) of the United Republic of Tanzania, June 2008. They are: ownership and common understanding of reform; capacity of the PCO; lack of monitoring and evaluation; salaries of PCO Staff; mainstreaming of the LSRP planning and implementation process; DP/GoT dialogue; procurement; increased involvement of NSAs in LSRP and funding NSAs for monitoring and advocacy activities; gender mainstreaming; and financial management manual.

assessing if the budget execution has been in line with the approved budgets. While the LSRP should be reported on a quarterly basis, only annual reports have been prepared.

The preparation, approval and funding of the annual budgets and workplans for the sector is not yet fully integrated into the GoT cycle. For example, workplans have been submitted late to the JPIRC, after parliamentary approval.

Moreover, the contents of the action/workplans are frequently not reform oriented, and thus lead to further delays in approval, which then lead to late disbursement, and thus conflicts with the following planning period.

There is sluggish procurement due to lack of capacity in all Implementing Agencies to carry out proper procurement processes.

Challenges Ahead

- Late approvals of the 2008/09 workplans, budgets and procurement plan that will delay progress for the current financial year.
- Unpredicted delays in procurement process by legal sector institutions is partly due to lack of sufficient capacity to effectively meet the required procurement procedures, long process (minimum period for complete procurement process as per WB guidelines is six months); and central procurement system by MoCAJ of all major LSRP items (in compliance with the requirements to package similar items) slowed the pace of timely implementation of the approved action plan.
- Disharmonised LSRP and government planning and budgeting processes.
- Use of LSRP programmatic terminologies in LRSP planning processes that do no match with the required MTEF terminologies and codes.
- Limited capacity at all levels across the legal sector institutions, including gaps at the programme management level (budget, plan, report, monitor, evaluate, procurement).

Opportunities

- Strong and encouraging commitment from the Government to improve the management and coordination of the LSRP with a view to achievement of the results.
- The government is actively engaged in trying to address the more pressing capacity gaps in the PCO and the Legal Sector Institutions.
- The Legal Sector Policy will provide for a solid framework for achieving results through the LSRP.
- Public pressure for timely justice.
- There is a good level of trust and cooperation among stakeholders.
- Development Partners have committed to a long term approach for the support of the LSRP.

Temporary Process Action: Government to develop and implement a comprehensive capacity development and technical assistance programme for the LSRP's implementing institutions including link officers

Assessment: ACHIEVED

The Government has initiated a number of processes for the achievement of this TPA. Notably, a concept paper was approved, an important study for the development of a system for Capacity Development and Technical Assistance for the PCO and the Legal Sector Institutions was conveyed, the cost of the programme

was budgeted for in the 08/09 workplans, the ToRs for consultants to provide for the TA have been prepared and the methodology for the recruitment of the consultant was established.
Temporary Process Action: Government to implement the LSRP Medium Term Strategy Coordination and Monitoring Structure as agreed with the LSWG
Assessment: NOT ACHIEVED
The LSRP is coordinated and monitored by three different committees: the Technical Coordination Committee (TCC), the Joint Programme Implementation Review Committee (JPIRC) and the Steering Committee. The TCC should be meeting four times per year, and this has been achieved. However, while the JPIRC should be meeting four times a year it has met only twice. The Steering Committee (SC), supposed to meet at least four times per year, has met only once. Moreover, the functioning of the JPIRC and SC, which are to monitor the implementation of the LSRP and exchange views and take actions on key issues relating to the reform process, have not been adequate.
Outcome Indicator: Percentage of outstanding court cases for 2 years or more

Assessment	**NOT ACHIEVED – to be assessed during FY 2008/2009**
Indicator Values	**MKUKUTA Baseline 2005 :** 70% **Target 2010:** 40%

The M&E Expert in the PCO has put together a team of 12 people, including representatives of the Judiciary and the National Bureau of Statistics, to visit all the 13 High Court Centres in Tanzania for two weeks in order to establish the baseline and set up a system that will in the future allow for a simple an regular monitoring of the indicator. The funds for this mission are included in the 2008/09 LSRP workplans and budget, which are yet to be approved.

b) Underlying Process 2: PSRP Review

Assessment	**MODERATELY SATISFACTORY**
Main Sources of Information	PSRP 1st Quarterly Reports for 2008/2009 FY, PSRP Reviews, Supervision Mission aide memoire, November 2008

<u>Areas of Good Performance</u>

Adoption of a demand driven Programme Implementation modality
The design of the Public Service Reform Phase II (PSRP II) took into account lessons learnt during the previous public service reforms and amended the implementation strategy to ensure a holistic supply and demand driven approach differing from PSRP I which used supply-side methodology. This shift aims at strengthening ownership and sustainability of the reform and has resulted in the following key achievements:

- Involvement of all Ministries in various stages of Programme Implementation including situational analysis, prioritisation of areas of reforms and signing of MoUs
- Increased leadership and authority of Ministries, Departments and Agencies (MDAs) in overseeing two key areas: resource allocation and human resources management
- Integration of PSRP II activities in the MDAs Medium Term Expenditure Framework (MTEF)

Implementation of demand driven interventions
Following the planning process of the new demand driven interventions for 2008/09 FY, ministries were assisted in the implementation of identified key areas such as Performance Management Improvements which have included Client Service Charters, Open Performance Review and Appraisal Systems and Strategic Planning.

Programme coordination arrangements and reviews
Coordination arrangements were maintained to ensure an effective implementation of PSRP II. This includes organisation of coordination meetings and reviews such as Programme Management Committee (PMC), Programme Implementation Review (PIR) and Supervision Missions. The PMC is now constituted with membership from all MDAs who have been well represented at senior level in meetings. This has ensured senior officers in MDAs are closely involved in the implementation of the programme.

Coordination of Core Reforms
A Reform Coordination Unit (RCU) has been established under the Chief Secretary's office. The RCU is charged with oversight functions which would enable the Chief Secretary to monitor the aggregate performance and oversee coordination of the core reform programmes.

Areas of Weak Performance

Late disbursement of funds
While PSRP II was officially launched in January 2008, the funds were received at the end of last quarter of 2007/08. Facilitation process took place in the last quarter (April–June 2008). Nevertheless both demand and supply led interventions for 2008/09 FY were successfully concluded. Again the first quarter of 2008/09 faced some difficulties related to late disbursement of funds to Ministries for implementation of MDAs led interventions.

Delay in establishing and updating PSRP II baseline indicators
The PSRP II baseline indicators linked to the results framework were to be established and some indicators to be updated before December 2008. This has not been achieved, even though the programme began in January of 2008. There is a need for urgency in establishing the baseline indicators. This includes a key indicator for the General Budget Support on the percentage of citizens' requests for information that were met by Government. This indicator has not been updated.

The lack of adequate and timely quarterly reporting
This includes both on overall implementation and more specifically procurement activities.

A study to update the Medium Term Pay Policy was not completed
The planned update of the Medium Term Pay Policy was not completed by October 2008. Delays in the procurement of this consultancy have meant this activity will be completed in February 2009. The MTPP update is expected to address issues related to (i) the excessive use of allowances to augment pay by public servants which distorts incentives to service delivery; (ii) pay and incentives for staff working in underserved and remote areas; as well as (iii) decompression of the salary structure that has in recent years faced the pressure of increased employment of public servants, particularly in the social sectors.

Limited progress in addressing areas of conflict in coordination of reforms
There has been little progress in addressing key issues that affect human resources management in sectors. These include (i) addressing recommendations on improving coordination between PO-PSM and MOFEA on managing the human resources database and payroll management system that would have reduced the time required to get staff on the payroll; (ii) changes in the Public Service Act and regulations that would have given clarity on Local Government Authorities recruitment powers; and (iii) addressing issues regarding motivating and retention of staff working in underserved and remote areas.

Challenges Ahead

- MDAs accessing funds through the budget process remains a challenge to execute in a timely manner.
- PO-PSM has to find an adequate balance between the facilitation process with the MDAs which are demand driven and the direct implementation of other activities that cut across the public service that it has to implement itself.
- PO-PSM has to learn to provide continuous knowledge and facilitation to MDAs to ensure demand

driven activities being implemented add value to the respective MDAs. This includes facilitation and guidance to MDAs in the development and implementation of demand driven activities such as client service charters, records management systems, training needs analysis, etc.
- PO-PSM in collaboration with MoFEA needs to develop the capacity of MDAs to ensure procurement and financial management procedures and guidelines are adhered to across MDAs and that agencies have the capacity to execute procurement according to the guiding principles.
- PO-PSM has to closely work with PMO-RALG to ensure adequate motivation and retention of staff serving in remote and underserved areas for enhanced service delivery.

Opportunities

- Organisation and efficiency (O&E) reviews of MDAs to improve the implementation of demand driven PSRP II and service delivery.
- The strengthening of the Reform Coordination Unit as a central unit to monitor and coordinate the reforms and the impact of cross-linkages between reforms.
- E-Government, through computerisation of systems and the development of a standardised records management system across MDAs.
- The creation of a framework to assist MDAs to relate to non-state actors lays the foundation for stimulating "louder voices and demand for better accountability and services" and the effectiveness of client service charters and complaint handling mechanisms.
- Wider MDA and LGA payroll and data cleaning.

Underlying Process – PSRP Review

The current Public Service Reform Programme Phase II (PSRP II) is a result of Government's long term efforts in an attempt to improve public service delivery. The initial efforts include the implementation of Civil Service Reform Programme (CSRP) which was implemented from 1991–1999. The major focus of CSRP was on cost containment and restructuring of the Government.

CSRP was followed by implementation of PSRP Phase I (2000–2007) which centred on instituting Performance Management Systems (PMS). The instituted PMS include Client Service Charters (CSC), Strategic Plans, Open Performance Review and Appraisal Systems (OPRAS) and M&E. Overall these initiatives showed positive and significant improvement in the performance of public sector institutions in delivering services.

On 28 January 2008, GoT launched the second phase of the Public Service Reform Programme which is to be implemented over a five year period (2008–2012). The major focus of PSRP Phase II is on enhancing performance and accountability. The design and implementation approaches of PSRP Phase II took into account lessons and experience gained from the past reforms. PSRP II therefore aims among others to have:

- A more explicit focus on reforming and improving policy and regulatory processes;
- A more explicit programme design which aims to promote demand driven accountability through working with civil society organisations;
- An approach to leadership development, which goes beyond leadership training, will be pursued; and
- The creation of Human Resource (HR) planning systems and processes.

The 2007/08 FY was used primarily as a preparatory phase. Implementation procedures were finalised, internal capacity assessed, the process for facilitating a demand-driven was designed and internal facilitators trained. The demand-driven approach aims to strengthen ownership and sustainability by having MDAs plan, implement, and monitor and evaluate their own reform plans.

A total of 25 Ministries have thus far have identified and prioritised their key areas for PSRP II support. This participatory inception process included:

- Awareness creation of the MDAs' management teams to enhance PO-PSM individualised delivery of services to MDAs and to manage MDA administration's expectations for reform.

- The PO-PSM conducted a situational analysis which lead to the identification of key reform areas for each MDA, assessed past performance and ascertained areas where the impact of reform is likely to be highest. This resulted in a clear set of reform priorities in all 25 Ministries.
- Based on the indentified priorities, all 25 Ministries designed reform activities and integrated these planned interventions into their respective MTEFs.

Overall the implementation of the demand driven approach proceeded smoothly. MDAs management was enthusiastic about this and are currently implementing their reforms. In 2009/10 FY on ward, PSRP II interventions will take a broader outlook by covering wider range of public institutions such as Independent Departments (IDs) and Executive Agencies (EA) as well as reviewing and enhancing ongoing interventions in the Ministries.

Temporary Process Action: Pay Reform: A revised Medium-Term Pay Policy is adopted by Government by February 2009 as the basis for reform of pay (Government to concluded a consultative process on the draft Medium Term Pay Policy by December 2008)

Assessment: NOT ACHIEVED – To be assessed on 2009 PAF

A consultant is currently revising the Policy and developing an implementation strategy. The timeline for finalising this TPA has been delayed due to procurement issues. Both GoT and DPs have agreed to a February 2009 completion date.

Outcome Indicator: Percentage of Citizens' requests for information that were met by Government

Assessment	**NOT ACHIEVED**
Indicator Values	Baseline and targets to be established at the latest by AR 2008 and be part of PAF 2009.

The baseline data to be used will be data from the State of Public Service Report of 2004 which is already available. The baseline needs to be up-dated for more accurate data.

c) Underlying Process 3: LGRP

Assessment	**UNSATISFACTORY (but positive trends in certain aspects)**
Main Sources of Information	LGRP Common Basket Fund Steering Committee Minutes; LGCDG Technical Committee Minutes; LGCDG Quarterly Reviews; Draft Rapid Budget Analysis 2007/08; LGRPII (D-by-D) 2008-2013 Draft Programme Document

Areas of Good Performance

- The LCDG System is encouraging, well understood and has clear support of stakeholders
- Funding of Sector Programmes is steadily being integrated and harmonised with the LCDG System
- D-by-D has been identified at Central Government Level as a way forward for improving service delivery and hastening development at the local level as reflected under Phase II of the LGRP (2008–2013)
- Disbursements to LGAs for Other Charges (OC) are more predictable and on time
- Number of LGAs' bank accounts particularly for development funds have been significantly reduced
- Financing of the LGRP, including LGCDG system (excepting the sector specific funding) has been consistent and stable, with consistent financing from the DPs)

Areas of Weak Performance

- Restricting application of formula based distribution of Recurrent Grants to OC only seriously limits benefits of D-by-D implementation.

- Persistent existence of multi-channels of funding development at the local level limit transparency and accountability and only serves to overstretch capacity at both central and local government levels.
- Limited progress in providing autonomy in human resources management at the LGA level
- Lack of clarity of the national budget structure on the amount of funding flowing to LGA levels
- Limited progress on legal harmonization of LGA related legal framework
- Limited progress in allocating sufficient financing to LGAs to meet the PAF target of allocating 25% of the government budget (minus CFS)

<u>Underlying Process – LGRP</u>

Progress towards harmonisation of development funds into the Local Government Capital Development Grant (LGCDG) System is showing signs of encouragement. In 2008/09, the Government opened the Education Sector Window and the Health Sector Window within the LGCDG System. The Government of Tanzania has allocated from its 2008/09 budget a contribution of Tsh. 5.0 billion for the Education Window and it is hoped that DPs who are supporting the Basic Education Component of the Education Sector Development Programme (ESDP) will channel their financial support for local level development through the LGCDG system Common Basket Fund.

The Government of Tanzania has also allocated Tsh 23 billion in FY 2008/09 to establish a similar window within the LGCDG system for the health sector. This funding is expected to be used for rehabilitating dispensaries and health centres as part of the implementation of the Primary Health Service Development Programme (MMAM). Several DPs are planning to channel additional health development funding for the LGAs through the LGCDG Health Sector Window during 2008/09.

Despite this encouraging progress on the health and education sectors, there remain the following concerns regarding the effective harmonisation of development funding flowing to local levels in Tanzania. 1) Although the LGCDG has had an Agriculture and Water Sector windows since 2007/08, these systems are yet to be fully integrated into the LGCDG System, having their own Steering and Technical Committees and reporting systems. 2) These also remain several major funding channels outside the LGCDG System (including TASAF) which have separate funding conditions, regulations and procedures – causing confusion and perverse incentives for effective planning, implementation and reporting at the local levels. The Government and the Development Partners must make concerted effort to harmonise, streamline and integrate these various development funding flows into the LGCDG System in accordance with Government policy.

Government has made progress in undertaking a comprehensive D-by-D compliance exercise to identify specific activities and funding to be devolved from the central government to the LGA levels. Although the D-by-D compliance exercise has been undertaken in 14 ministries over the past two years, there is some lack of clarity on how these amounts have been effectively transferred from the central government budget to the LGAs. The D-by-D process is an ongoing activity with progress expected to be achieved over time.

There continues to be a need to ensure that the budget structure and reporting is improved to allow all stakeholders to appreciate the progress being made towards supporting the Government policy of D-by-D. Despite extensive technical discussions, some parties continue to believe there is a lack of clarity concerning the flow of funds to LGAs. Funds continue to flow through multiple channels, through MDAs, special agencies, regional votes and to local government accounts. Greater harmonisation and transparency in the reporting of these budgetary flows has not progressed as smoothly as it was expected. The plan was also to reduce the number of funding channels for recurrent expenditure at the local level. To that end an idea for the establishment of separate votes for the sectors that are attracting more significant funding from Central Government and other sources namely, education, health, agriculture and livestock, roads and water was mooted and discussed in Government at the technical level. Such votes should capture all the allocations to respective sectors. While the need for that is largely appreciated, progress is still needed to realise the expected gains in accountability, transparency and efficiency.

However, improvements have been recorded on the reporting of LGA financial flows through the

introduction of the Council Financial Report. This information has been consolidated and made available through the www.logintanzania.net system, which, however, has experienced delays in providing up-to-date information on budgeted and actual expenditures. Progress has also been recorded in the development of the complementary Council Development Report which will report on all council level development expenditures from 2008/09. This combined quarterly reporting system will provide the information needed by all stakeholders. These reporting system developments are very welcomed and will need to be maintained systematically to ensure the delivery of timely, relevant and accurate information. This is an area which requires a concerted effort by both the central and local level governments. Local government reforms are in the midst of a major transition. The Local Government Reform Programme I has ended with the new LGRP II (D-by-D) in the last stages of finalisation, approval and commencement. The LGRP II (D-by-D) is being mainstreamed into the PMO-RALG framework signalling Government commitment and capacity for managing the D-by-D reform process. Similarly, the LGCDG system is also in a transition phase, awaiting the finalisation of a new MoU between the Government and the respective DPs. Although interim transition plans have been put in place to maintain the reform momentum. For the benefit of the 38 million Tanzanians depending on the results of these local government reform efforts, it will be critical for Government and the Development Partners to effectively ensure a successful transition to the new reform support activities and a continuation of these important local government reform efforts. The current Public Service Regulations are clearly at variance with the principal legislations, the Public Service Act as amended in 2004. As the regulations are right now, they do not allow for council autonomy in the management of staff. PO-PSM and PMO-RALG will collaborate to expedite changes to the regulations so that they are D-by-D compliant, and that in particular, they are in step with the Public Service Act.	
Temporary Process Action: Fast track harmonisation of channels of funding to LGAs from central government, DPs and NGOs	
Assessment: NOT ACHIEVED	
This exercise is ongoing. A pilot study was undertaken in Dar es Salaam LGAs and they agreed to minimise their bank accounts to four bank accounts. Other pilot studies are planned to be undertaken in Mtwara, Arusha, Dodoma and Mwanza. It is expected that all funds from Central Government for development programmes in LGAs will be sent to a single development account of each LGA. Since 2008/09, GoT Development monies have been channelled through a single development banking account. There remain a number of individual funding channels (e.g. TASAF) which need to be further harmonised to improve transparency and accountability.	
Temporary Process Action: Simplify GoT budget structure to make central local transfers more transparent, easy to monitor and on time	
Assessment: PARTIALLY ACHIEVED	
Steps have been taken to provide more timely and transparent information on the flow of resources. For example, transfers to LGAs from Central Government are posted to the Ministry of Finance website and LGAs are informed through electronic messages. Also appendices of the volume 3 are now showing the recurrent budget for LGAs and volume 4 for development budget. DPs believe that GoT budget structure continues to lack clarity, making it difficult to monitor the flow of transfers from the central to local government.	
Outcome Indicator: Percentage of total government budget allocated on a formula basis to LGAs which does not go through ministerial votes	
Assessment	**OFF TRACK**
Indicator Values	**Baseline 2005:** 16.1%

	Status 2008: 17% **Target 2010:** 25%

According to the PAF indicator, at least 25% of the Government budget (net of CFS) should be transferred directly to LGAs and on a formula basis by the year 2010/11. To successfully achieve this target, it will be necessary to

(1) Fully implement the government policy to allocate the recurrent block transfers to LGAs according to formula. Currently due to the continued perpetuation of the "hold harmless" provisions, the PE portion of the recurrent block grants is not being allocated on a formula basis, creating increased inequity in the allocation of resources across Tanzania Mainland and making the achievement of the 25% PAF indicator illusive.

(2) Increase the level of resources budgeted and released to LGAs in 2009/10 and 2010/11. Currently the Government is estimated to be budgeting almost 20% to LGAs, but figures on the release of funds to LGAs is difficult to estimate. To meet the PAF indicator of 25%, the Government will need to increase the amount budgeted and released to LGAs to about 23% in 2009/10 and 25% in 2010/11.It is expected that the budget guidelines for the medium term 2009/10–2011/12 will address and finally resolve this issue.

A combination of increasing the amount released to LGAs and shifting to a full formula basis for the recurrent grants (including both PE and OC components) should allow the successful achievement of the PAF 25% indicator. Without these changes, the PAF indicator of 25% will likely not be achieved.

d) Underlying Process 4: NACSAP II and anti-corruption

Assessment	**SATISFACTORY**
Main Sources of Information	TANGO Reports, LHRC Annual Reports, FORDIA, Agenda Participation 2000, The Leadership Forum, CSO Consultations, Tanzania Private Sector Foundation, NACSAP II Implementation Unit

The Government of Tanzania has undertaken a number of successful anti-corruption activities over the course of the year, many of which fall outside of NACSAP II. The investigation of several cases of grand corruption, including 14 cases related to EPA, deserve specific mention. GoT's efforts in this regard are unprecedented, demonstrating an ongoing commitment to address corruption within Tanzania.

The legal framework for fighting corruption is relatively strong in Tanzania. It requires further strengthening however, ensuring that the legislation remains useable and relevant. The Government is in the process of revisiting the Public Leadership Code of Ethics Act to improve and streamline noted inconsistencies. The President has recently elaborated to the public that Ministers and Members of Parliament will in future have to choose whether to serve the public or become businessmen. This step is aimed at removing conflicts of interest and corruption among the leadership ranks.

Plans are also in the pipeline to review the Political Parties Act and the National Elections Act with a view to introducing legislation to control money in politics including political campaigns and political party funding. In collaboration with the Office of the Registrar of Political Parties, a political parties workshop was held in October 2008. The workshop was on political funding and providing legal provisions to regulate political parties financing, especially during elections. The workshop was officiated by Honourable Sophia Simba, Minister for Good Governance, and was attended by over 100 participants.

Key Bills such as the Whistleblowers and Freedom of Information Bills are also in the pipeline which are relevant to anti-corruption and can have a direct impact on current corruption efforts in the country. The proposed Bills are still being seriously discussed by stakeholders.

GoT recognises that anti-corruption needs to be approached in a holistic way beyond but including the remit of specific programmes such as NACSAP II. NACSAP II will continue to have a role at the forefront of fighting corruption in Tanzania in partnership with all stakeholders through education, prevention, detection and prosecution.

Underlying Process – NACSAP II

NACSAP II implementation is progressing with an increased level of involvement from different stakeholders namely DPs, the private sector, civil society, the media, LGAs and politicians. The National Steering Committee of NACSAP II initially approved a 6 month workplan in July 2008 which was later revised into a 3 month plan to cover October–December 2008. Unfortunately there were delays in the release of funds and, consequently, a delay in the implementation of the approved workplan.

Integrity Committee systems have been introduced and training conducted at five MDAs, including Foreign Affairs; Land, Housing and Human Settlement; Energy and Minerals; Education and Vocational Training; and Justice. The work of these committees has been streamlined into each Ministry; as a consequence separate budgets and financial reports on the anti-corruption activities have not been established.

A NACSAP II National Steering Committee has been formulated with members from the private sector, CSOs, media, government institutions and all reform programmes. During FY 2007/2008 three Steering Committee meetings have been held. The National Steering Committee of NACSAP also participated in the United Nations Convention Against Corruption (UNCAC) review conducted in September 2008.

A National Anti-Corruption Forum was held in November 2008 that brought together over 120 delegates. The Forum was a platform for dialogue for all stakeholders for greater concerted efforts and coordination in the fight against corruption and formulated recommendations on the way forward.

Public awareness building among citizens and dissemination of anti-corruption information by the PCCB through TV and radio programmes as well as through newspapers has been noted. A lively and constructive debate on governance, accountability, transparency, integrity and on best strategies to combat corruption has widened the scope of participation in the war against corruption.

Areas of Good Performance

- 14 Grand Corruption cases relating to EPA have been investigated by the PCCB and taken to court and made public. DPP and PCCB continue to work on other cases.
- Ethics Infrastructure training delivered to 11 Honourable Judges of the High Court and Court of Appeal and to eight Higher Learning Institutions
- An initiative establishing the Civil Society Anti-Corruption Coalition has commenced and is in progress. A notable number of CSOs working on good governance, corruption and budget tracking have already been identified. Formation of a coalition will further enhance collaborative work by the CSOs which has been lacking previously, limiting their performance and the impact of their work.

Areas of Weak Performance

- Lack of funding and untimely disbursement of funds. The programme’s budget is $8.1 million but to date there is a commitment of only $1 million from UNDP. This is a huge deficit that needs to be addressed immediately so as to minimise the negative impact this might have on agreed plans. Subsequently, once plans have been agreed and approved, funds must be released in a timely manner.
- Non-state actors still lack resources (especially financial) and capacity to be able to set collective workplans for effective implementation.

Temporary Process Action: A minimum of 5 grand corruption cases are either ready for prosecution or have been dismissed for reasons which have been made public by September 2008[5]
Assessment: ACHIEVED
14 Grand Corruption cases relating to EPA have been taken to court and made public. Six other cases were submitted to the DPP by the PCCB, all six cases have been returned to the PCCB out of which two have the consent to prosecute and four cases for further investigation. The PCCB have already returned three cases to the DPP out of four cases returned by DPP. The PCCB is still investigating the remaining case before returning the file to the DPP.

Outcome Indicator: Number of grand corruption cases prosecuted as a % of investigated cases proposed by PCCB to the Director of Public Prosecutions	
Assessment	**ACHIEVED**
Indicator Values	**Baseline 2007:** 20% **Status 2008:** 80% **Target 2010:** 50%
Main Sources of Information	PCCB, GGCU and DPP

e) Underlying Process 5: Executive's Accountability to Parliament	
Assessment	**SATISFACTORY**
Main Sources of Information	Prime Minister's Office

GoT has made progress over the last year in ensuring its accountability to the Executive. For example, the GoT is reporting on the Controller & Auditor General's report, the Implementation Report on Government commitments in Parliament, questions by MPs and questions to the Prime Minister. GoT has been engaged more so than previously in the management of the Accountability Cycle.

All reports required for submission to the Parliament were submitted on time including CAG Reports and the Implementation Report on Government Commitments in the Parliament. The reports submitted to the Parliament are as follows:

Report of the Controller and Auditor General on the Financial Statements of:

- Central Government
- Local Authorities
- Public Authorities and Other Bodies

<u>Areas of Good Performance</u>

- Report of the CAG on the financial statements of central Government, local authorities/public authorities and other bodies for FY 2006/2007 were submitted and discussed by MPs in April 2008.

[5] The cases may include those mentioned at the 2007 GBS AR: Grand corruption is understood to mean one of the following characteristics; the amount involved in the allegation is huge; the personalities are high profile; the transaction alleged has cross boarder elements; and the matter is of public interest

These reports aim at providing stakeholders with findings arising from the audit report.

- Implementation Report on Government commitments in the Parliament were prepared and submitted to the Parliament. The semi-annual report was submitted in January 2008 and the annual report was submitted at the end of financial year in July 2008. This report explains the implementation status of all commitments made by the Government during the Parliamentary Sessions. The MPs are allowed to raise any question and seek any clarification on the report and the Government responds accordingly.
- From January–August 2008, the Government answered 840 questions out of 1,005 questions raised by MPs. This shows that, in that period, 84% of the total questions raised by MPs were answered by the Government.
- Introduction of MPs direct questions to the Prime Minister session. Every Thursday during the Parliamentary Session, the Parliament has 30 minutes set aside so it can ask the Prime Minister direct questions posed by different MPs. From April–August 2008, the Prime Minister has answered 85 questions focusing on good governance, rural development, poverty reduction, social and economic related issues and international relations.
- The presentation and discussion of the Bomani and Richmond reports to Parliament.

Underlying Process – Executive's accountability to Parliament

The coordination and communication between Parliament and Government has improved in the last year. The Government has succeeded in informing civil society on various activities that have been implemented through Parliament, such as Government planning and budgets for the up-coming financial year.

The mechanisms for executive accountability to Parliament are well established and the reports from Government to the Parliament are submitted in a timely manner.

The Parliament also monitors and evaluates implementation of Government's policies, programmes and activities. Although there are clear channels of accountability to Parliament, the Government still faces challenges in executing this responsibility. Some of the challenges that Government faces in strengthening this aspect of the democratic process are as follows:

- The Government reports on submission of the CAG reports to Parliament and an Implementation Report on Government commitments is submitted and discussed in Parliament. The links between the two reports are key for a forward–looking accountability agenda.
- Coordination between Ministries for the provision of accurate and current information and data can be challenging and time consuming.
- Treasury Memorandum and the PMO RALG Memorandum. These Memorandums will be the actions taken by the Executive on the recommendations of the PAC and LAAC reports and reflecting the implementation of recommendation of the CAG report.

f) Underlying Process 6: Quality of consultation between Government and Domestic Stakeholders on the Implementation of the MKUKUTA

Assessment	**SATISFACTORY**
Main Sources of Information	PO-PSM, MDAs

Assessment of this Underlying Process has faced significant challenges given the absence of a clear definition and agreed methodology for assessment. Nevertheless GoT, CSOs and DPs have collectively tried to reflect on the many entry points for dialogue with the Government to determine a fair evaluation on the engagement with domestic stakeholders.

Firstly, the key stakeholders involved in the finalisation of the report would like to commend GoT for giving CSO's the opportunity to contribute to the GBS Annual Report. It is an important step to ensure a representative voice and broader inputs to the dialogue.

With this in mind, components of domestic engagement have been examined; they include GoT timely sharing of information, GoT leadership in inviting stakeholders to consultations, inclusion in national and regional level dialogue forums; incorporation of domestic stakeholders opinions into meeting outputs; inclusion of non-state actors in sector reviews and the GBS Annual Review; and implementation of the new dialogue structure.

Areas of Good Performance

- Increased Government transparency through release of current Accountant and Auditor General Annual Reports which allows for increased performance review of the Government's public finance management and policy implementation.
- Space for civil society to engage in sector policy debates is growing. Although GoT was initially resistant to the idea of giving civil society a seat at the table when it was discussed two years ago (with the exception of large INGOS), this resistance has decreased as civil society has shown itself to be willing to engage in a constructive manner and able to present useful analysis and suggestions. A potentially productive partnership is emerging. In particular, the Joint Water Sector Review (JWSR) is becoming a very open forum that provides a clear opportunity for civil society to challenge government performance, in addition Non state Actors from the private sector were involved in this year's Transportation review.
- The PER exercise should be seen as a key tool for line ministries to determine the allocation of resources, set priorities and ensure that the PRSP targets are achieved.

Areas of Weak Performance

Overall the achievements of the last year demonstrate increased openness on the part of the Government to consult stakeholders with substantive work remaining. Although domestic stakeholders have attempted to provide a fair assessment of this underlying process they recognise that without a clear definition and methodology of assessment, as requested in the 2007 GBS Annual Review, the Government has maintained the status quo. Work remains to institutionalise dialogue around national development policies, budget and outcomes which include civil society.

- Despite progress in 2007, the assessment criteria needs greater definition for measuring the quality of consultations
- The heavily structured dialogue process can be counterproductive in delivering timely decisions by policy makers. Civil society welcomes the opportunity for dialogue with GoT outside of the GBS forum
- A broader range of CSOs could engage given greater notice and a higher use of Kiswahili.
- Civil society welcomes the opportunity for dialogue with GoT outside of the GBS forum
- Overall, civil society engagement in sector reviews is varied from very good and inclusive to sectors in need of improvement.
- Data collection and management constraints continue to need serious attention
- Dialogue in the water sector is improving but still faces some significant challenges. Some development partners, including some that are providing substantial funding in the sector, remain largely outside the coordination and dialogue systems. This has the effect of undermining transparency and accountability as well as creating additional unnecessary burdens on the Ministry of Water and Irrigation. The Ministry is still adjusting to its new role in a decentralised system and in a sector-wide approach. In particular, a different set of skills is needed – less engineering, more economic and social expertise – to cope with new budget management and performance monitoring challenges, which are stretching the Ministry's capacity. This is currently pulling down the quality of dialogue is being challenged, as some information that is shared is incomplete or inconsistent.
- Dialogue forums, such as the Water Sector Working Group and the four Thematic Working Groups give less effective space to civil society. This is because the working groups focus on the detail that is sometimes less interesting to civil society than the annual priority setting at the JWSR.
- The Health Sector PER process and timing are still a problem. PER is supposed to feed into the Budget Guidelines, but for this to happen the Ministry of Health and Social Welfare (MOHSW)

needs to provide more timely information on the expected resources, and prompt analysis of past trends.

- From CSOs analysis of data from various Health Sector PER documents and the progress report for milestones set for 2007/08, it is evident that in each year of the PER's existence (over 5 years) a number of recommendations have been made. It appears that many recommendations are not acted on, which undermines the rationale for the entire PER exercise. Some of the main outstanding recommendations from the recent PER are listed below:
  - Review and analysis of the MOF External Finance database for the health sector for completeness and accuracy, which had been articulated in successive PER updates to determine the contribution of off -budget to poverty reduction and achieving priority health outcomes, has not been done.
  - Tracking study/detailed assessment of spending on drugs and supplies, covering levels and sources of funding and allocation, which was articulated in previous PER updates has been completed, and the report submitted to the Ministry of Health and Social Welfare.
  - Putting in place a Financing Committee that will commission and oversee the long-term financing strategy, and assessment of complementary financing. Review of previous PER findings found that progress had been made in the establishment of the high level committee on health financing, with the first meeting held in November 2007.
  - Further work to analyse all on-budget spending according to ultimate beneficiary level has been partly done by the drug tracking study which shed light on drug expenditure by health facility.
  - From the PER updates for the FY05/06 and FY06/07, it was recommended that central level analysis of council Technical and Financial Implementation Reports be done to provide an overview of performance and its variation among councils.
- The health sector PER is conducted by a team consisting mostly of officials from the MOHSW Department of Policy and Planning, supported by colleagues from other departments and external consultants. Despite the team's best efforts it is legitimate to ask, given its composition, how likely is it to portray a critical picture.
- From the Health Sector PER update for FY04/05, data constraints were seen as an issue that needs serious attention.

Challenges going forward

The CSOs view the lack of clear mechanisms for assessment a significant challenge in improving the dialogue process and their substantive integration into the PAF 2008/2009. Without stakeholder endorsement of clear and measurable assessment criteria, the challenge remains for legitimate and substantive CSO involvement in the GBS process.

DP Comments

Consultation between the Government and domestic stakeholders has significantly increased during the FY 07/08 with CSOs participating in MKUKUTA cluster meetings and discussions. Significant also in this year is the fact that for the first time ever, CSOs have consulted among themselves and made the assessment of this underlying process. The CSO/Government only meeting to agree on the CSO text and assessment was also a milestone. This is seen as a positive development that should be more formalised ahead of 2009 GBS Annual Review.

Improving the quality of dialogue is a remaining challenge that needs to be tackled. This can be addressed by ensuring: a) both CSOs and GoT identify and put in place strong leadership that can act as first point of contact; and b) clearly define measurable assessment criteria building on or adoption of the recommendations that came out of 2007 GBS Review.

Annex 7 – Cluster Working Group 4/5 Report

Progress Report of PER CWG 4 & 5:
Macro, Resource Allocation and Public Financial Management
Against the Performance Assessment Framework (PAF)
for GBS Annual Review 2008

Contributors MOFEA (PAD, BUDGET DEPARTMENT, ACGEN), NAO, PPRA

[GOT and GBS DP Leads, other CWG members by names of individuals or agencies]

Date 15th November 2008

4. SUMMARY ASSESSMENT *[max. 1 page]*

Overall Assessment	**"Satisfactory "**	**--**	**GoT**
	"Satisfactory with some serious concerns"	**--**	**DPs**

Substantial progress has been made in macroeconomic management, and in mobilisation and allocation of public resources. However, there remain concerns about the pace of implementation of the PFM reform process, in response to which the Public Financial Reform Programme's (PFMRP) Joint Steering Committee (JSC) has designed a new Programme Strategic Plan for Phase III and an Action Plan and Budget for 2008/09. To accelerate implementation of the programme and address remaining fiduciary risk concerns, the Government is addressing the leadership and management of the reform programme and is taking action to address the gaps noted in the Integrated Public Financial Management System (IFMS) pending the planned comprehensive review of the system by the Controller and Auditor General (CAG).

Tanzania's economy continued to perform strongly in 2007/08, with GDP growth above 7%, and exports growing by 30%. Fiscal policy remained prudent, anchored by strong revenue performance and cautious expenditure in the wake of inflation pressures owing to raising oil and food prices. Despite a widening of the current account deficit, net flows in capital and financial accounts led to an increase in net official reserves; and credit to the private sector continued to expand at a healthy pace. Going forward, the Government will focus on controlling inflation (which in September, 2008 reached double digit level for the first time in over a decade) through a combination of both monetary and fiscal policy measures.

Resource allocation continues to be driven by MKUKUTA objectives, with about two-thirds of the discretionary (non-wage, non debt service) resources allocated to MKUKUTA interventions in 2008/09. Given the weight of health and education sectors in the wage bill, MKUKUTA allocations should be well above three quarters of the total budget. Further efforts are underway to strengthen the effectiveness of within cluster and within sector allocations, and efficiency in budget execution.

Following the enacting of the Public Audit Act during the year and timely release of the Audit Report for 2006/07 (third consecutive timely release of the report), the National Audit Office is on track to reach Level 3 of the AAFROSAI Capability Model by the planned date of 2010. Progress has also been recorded in the procurement area, with results from PPRA's monitoring of compliance, on the basis of the Compliance and Performance Indicators established by OECD/DAC – WB Joint Venture (and a few others indicators added by PPRA) indicating good progress in the rate of compliance by procuring entities.

The Strategic Plan of the Public Financial Management Reform Programme (PFMRP) has been translated into an MTEF, and implementation thereof commenced with the 2008/09 budget. To guide future PFM reforms, the Government has chosen the Public Expenditure and Financial Accountability Framework (PEFA)[6] as the M & E tool for Phase III of the PFMRP. Other important elements of the Strategic Plan and Action Plan for 2008/09 include rolling out the programme to Zanzibar and MDAs, and strengthening the Programme Secretariat. Capacity building for MDAs and Zanzibar commenced in 2007/08. The Government has set out a number of actions which will address specific areas of fiduciary risk and increase the performance of the reform programme.

The planned NAO review of the Integrated Financial Management System (IFMS) has not been accomplished. Consequently, the Government has developed a plan for addressing the most pressing constraints of the system pending completion of the review which shall provide the basis for decisions and planning of the next phase of IFMS development. These are now incorporated in the PFM Action Plan for 2008/09.

In view of the progress achieved in most of the areas under the Working Group, and the specific additional measures underway to accelerate progress in the PFMRP and IFMS, the overall assessment is classified as "**SATISFACTORY".**

The DPs' overall assessment is **"SATISFACTORY WITH SOME SERIOUS CONCERNS"**

2. DETAILED ASSESSMENT *[max. 5 pages]*

2.1. Areas of good and weak performance *[max. 2 pages]*

Main Sources of Information	Budget documents; Monetary Policy Statement; PSI Review Documents; Press Reports; PFMRP Reports.

Areas of good performance

(i) Coherent Fiscal Strategy:

The Government has continued to maintain a prudent fiscal policy consistent with the policy of containing inflation and supportive of economic growth and poverty reduction. Although the budget deficit before grants has increased steadily from around 5% of GDP in 2000/01 to 9% in 2006/07, before declining to 7% in 2007/08, it is covered mainly by continued increase in foreign aid. The factors exerting significant influence on the structure of the budget include the need to scale up social services relative to the levels attained under PRS 1, investment in infrastructure projects considered critical for accelerated growth and sustainable poverty reduction; and implementation of a general increase of public servants' wages consistent with the medium term pay policy. Recently, the Government has also had to contribute to BoT's cost of liquidity management, given that Government increased expenditure is the main source of the excess liquidity that needs to be mopped up by the central bank.

To mitigate the inflationary impact of it financing strategy, and in order not to crowd the private sector

[6] Also known as the PFM Performance Measurement Framework.

out of the credit market, the Government refrains from domestic financing of the budget. After grants, the fiscal deficit has been limited to around 5% in 2005/06 and 2006/07, and declined to less than 1% of GDP in 2007/08 financed mostly by concessional loans.

(ii) Predictability of Budgetary resources for the Government

Good performance has been observed in domestic revenues collections where actual domestic revenue performed at 111%, and 104% of budget estimates for 2006/07 and 2007/08 respectively. These reasonably accurate projections are complemented by reasonably predictable overall GBS inflows with performance at 96% and 112% in 2006/07 and 2007/08 respectively.

There has also been an improvement in the predictability of aid flow during 2007/08 compared to 2006/07. Actual aid inflows were 87 percent of budget estimates for 2006/07 and 92 percent for 2007/08. The results in 2007/08 were helped by disbursement by some DPs of resources programmed in the previous year, thereby more than compensating for shortfalls in disbursement of the year's commitments. Nevertheless, serious weaknesses remain in relation to foreign projects where greater uncertainty in the inflow of funds is experienced. This is primarily due to failure of DPs to report on their projects expenditures.

(iii) Macro/Inflation:

During the year to June 2008, the economy was subject to external pressures emanating from high global fuel and food prices but good performance continued, with a 7.5 percent real GDP growth estimated for 2007/08 compared to 6.9 percent in 2006/07. Nevertheless, there have emerged signs of mounting macroeconomic tensions with inflation rising over the last two years above the initial targets by the Government and the PSI Programme. Inflation climbed to an average of 8.4 percent in 2007/08, and further to 11.6 percent in September 2008, the first time it reached double digit territory in more than a decade. The main reasons to this phenomenon are the sharp increase in world oil and food prices; poor harvest due to shortages of rains in a food shortage regional environment leading to some shortages in local food supply; poor rural infrastructure which limited transfer of crop from surplus to deficit areas; and the increase in electricity tariffs early in the year and difficulties in containing domestic liquidity growth. To mitigate the adverse food situation, and given the actions of major cereal exporters, the Government imposed a temporary ban on the export of maize.

To contend with mounting inflationary pressures, the BoT continues with the monetary policy strategy adopted since October 2007 whereby the policy instrument mix was changed with a view to reducing over-reliance on Government securities, which had caused excessive increase in real interest rates on the securities amidst depreciating shilling. The Bank also reduced the frequency of Treasury bills and bonds auctions in order to improve competition and contribute to a reduction in interest rates and strengthening of the shilling.

The Government continues with its efforts to address this challenge, particularly the endogenous factors through prudent fiscal and monetary policies.

There was a significant decline in the weighted average Treasury bill yield (WAY), from 15.11 percent in June 2007 to 7.84 percent in June 2008. The 364-day Treasury bill yield fell from 15.95% to 10.0 % during the period.

(iv) Strengthening Domestic Accountability:

The last two years have witnessed more involvement of Parliament in budget preparation process and also increased participation in scrutiny of major procurement outcomes. This opportunity has given room to more participation of the public in the discussion of budget and hence strengthening of local accountability.

(v) PFMRP (coverage and involvement of MDAs & Zanzibar)

A revised Strategic Plan for Phase III of the PFMRP covering 2008 to 2010 was approved by the Joint Steering committee (JSC) in July, 2008. The plan was approved after extensive discussions with Component Managers, to ensure full ownership of the plan contents.

PFMRP was rolled out to Zanzibar since 2006/07 when the Office of the Controller was supported the completion of auditing the backlog of Government accounts. In 2007/08 PFMRP expended support to cover training of auditors to international professional standard as well as office retooling. In FY 2008/09, in addition to OCAG support, PFMRP is envisaged to extend support to the Accountant General – Zanzibar with IFIMS installation and to the House of Representatives through capacity building on oversight function for the Public Accounts Committee of the House of Representatives.

Although PFMRP is generally perceived to be implemented by MoFEA in the Union Government (URT Government), the beneficiaries of these interventions are MDAs, LGAs, and the Zanzibar Revolutionary Government (RGZ). The roll out therefore, focuses in enabling MDAs, LGAs to and RGZ to initiate PFM reform interventions which are specific to their mandates. In FY 2008/09 PFMRP is supporting three ministries, namely the Ministry of Natural Resources and Tourism, Ministry of Land, Human settlement and Urban Development, and PMO-RALG. Ministry of Natural Resources and Tourism and Ministry of Land, Human settlement and Urban Development are being supported in implement pilot projects on increasing non-tax revenue collection through setting a comprehensive data base and MIS systems where as PMO-RALG is support to finance technical services of the Financial Management Specialists and System Specialist formally employed under LGRP. Notwithstanding the good progress above, the challenge has remained in the recruitment process for both the secretariat and the management of the PFMRP.

(vi) Predictability of resources (DP to Govt and MOFEA to MDAs and LGAs):

There has been a considerable improvement in the predictability of recurrent expenditures while poor predictability has been experienced with development expenditure, in particular related to foreign funded projects. Overall expenditure in 2007/08 was 82 percent of the budget disaggregated by recurrent expenditure at 100.1 percent, and development expenditure at only 56.5 percent. Reporting remains a big problem for foreign financed projects, and may be the main reason behind the apparent under execution of the budget. Moreover, the complexities of the procurement process continued to undermine smooth implementation of locally funded development expenditure relative to recurrent expenditure.

An analysis of individual votes indicates that the execution was best in Agriculture where total expenditure was 92 percent of the budget, followed by Education at 89 percent. On the other hand the lowest execution rate was recorded by the Ministry of Health and Social Welfare (74%), Infrastructure (63%), and water (61%). Analysis of the recurrent component provides a better picture, with Agriculture performing at 94 percent of budget, education, health at 90%, Water 92%, and Infrastructure Development 94%. at The pattern stands witness to the Government strategy of protecting key expenditure programmes in priority, high poverty impact expenditure programmes in implementing its Cash Budget system.

Development expenditure disaggregated by foreign and local projects confirms that the poorest predictability is attributed to foreign funded projects.

Transfers to LGAs enjoyed very high predictability, reaching 97% of approved estimates

(vii) Internal Audit

The establishment of an independent internal audit unit within the Ministry of Finance is an important milestone towards the realisation of the target of reaching the Internal Audit Standards by 2015. A road map for the establishment of an internal audit unit has been prepared and the process is underway to share it with stakeholders.

Moreover, initiatives in this area during the year aimed at strengthening the capacity of the internal audit function across Government. Training was conducted during the financial year in the areas of audit planning and audit process. The Objectives of the training were met, and internal auditors:

a) were equipped with the knowledge and understanding of major elements of internal audit planning framework with a major emphasis on practical issues,

b) are more aware and practicing current issues relating to the whole process of internal auditing.

The training enabled internal auditors to acquire necessary skills, knowledge and competence for effective internal audit function as key professional in the management of public fund in the Ministries, Departments and Agencies (MDAs). In order to ensure independence of Internal Audit Units in MDAs, the Government has enabled these units to have their own budgets. At the moment most of the Internal Audit Units have their Sub votes and budget thereby enabling the Units to prepare Audit Plan and to implement their activities accordingly without depending on funds from other Departments.

During financial year 2006/2007 the Government continued to recruit more internal auditors in order to fill the gaps existed in various MDAs. During this period 43 internal auditors were recruited. The recruitment was necessary to enable internal audit units to function properly.

(viii) External Audit

Progress during the year includes the passing of a new Public Audit legislation, which widens the mandate and auditing scope of the Controller and Auditor General (CAG). With the new Public Audit Act, the Controller and Auditor General shall employ, appoint, promote and control discipline of employees in his office. Further that, the law has provision where the Government will provide structured response to the CAG report. The audit scope will include environmental, forensic and performance audits. The legislation became operational in July, 2008.

Other progress made includes finalization of four Performance Audit reports which covers Primary health services, Road Construction, Solid waste Management in cities and Performance in secondary schools. These reports are expected to be tabled in the Parliament in December. For a third consecutive year, the CAG's report for FY 2006/07 was released within statutory nine months. For the first time, the CAG's audit reports also covered the operations of public bodies. Moreover, NAO's independence is being enhanced through provision of own premises, whereby two office buildings for NAOT have been constructed in Mbeya and Singida regions.

Capacity building for the NAO included the training of staff in TEAM Mate and International standards which will enable Auditors to use new audit methodology using electronic working papers. Severs and Computers for facilitating communication and IT connectivity have been purchased.

Areas of relative weak performance:

(i) PER process and dialogue:

Over the last year, the PER process and dialogue has shown mixed results. At the analytical level, a comprehensive work program for the Macro PER and for the PFM groups has been established, concluding an important component of capacity building. With leadership from the Budget and Policy Analysis Departments, these activities have proceeded well, and are expected to generate productive technical dialogue going forward. The initiatives pursued include: capacity building on the preparation of a budget brief paper and on macroeconomic modelling.

However, the PER process did not provide for a more strategic and policy oriented dialogue on budget issues between the Government, DPs, Civil Society, Academia, private sector and research institutions. PER meetings have tended to be overly focused on 'process actions' and PAF conditionalities, with the discussion almost exclusively involving the Government and DP parties. Thus there may be a need to examine the aim and rationale for the PER process, and the modalities for engaging the wider scope of stakeholders in the budget issues. Key issues noted in this regard, and which need to be addressed under Government leadership in the context of the new dialogue structure, include failure of Cluster Working Groups to serve as fora for dialogue on strategic issues and/or undertake PER studies feeding into the budget process.

In the case of medium term expenditure, overall the expenditure has been consistently underestimated in the first year of the MTEF, but the variations have been modest. This gives an indication that MTEF can reasonably predict the outer year expenditures for recurrent and locally financed projects. A more constructive macroeconomic model would further strengthen predictability on one hand; while a more robust DP pledges and reporting should address weaknesses attached to foreign inflow.

(ii) Transparency of the budget preparation process

The medium term macroeconomic strategy and resource allocation are presented in the Plan and Budget Guidelines, and often outlined in the Cluster Strategy and the Medium Term Macroeconomic Framework papers presented and discussed in the PER Annual Consultative meetings. The papers provide the medium term focus that the Government intends to pursue, including setting out the priority areas for resource allocation as confirmed by budgetary allocations. However, many stakeholders still express dissatisfaction with the amount of budget information generally available, and it is often suggested that a simplified explanation of the budget's main pillars would be desirable. The analytical work undertaken by budget department with the preparation of Budget Brief note will highly facilitate such discussions. The Government is also working on adopting a new budget classification that will facilitate better disclosure of the programmes and objectives carried in each budget.

Stakeholders have also expressed a need for greater analytical content in the Macroeconomic Framework Paper that the government presents at the PER/GBS Annual Review and with the budget to Parliament. In the paper, the Government relates the budget strategy to the broader macroeconomic environment. The challenge is greater this year, given the adverse developments at the international level.

The Government has initiated a number of actions to strengthen the macroeconomic dimension in the budget. They include (a) a review of the macroeconomic model (MACMOD) to incorporate the revised national accounts series and the results of the recently completed labour market survey. The updated model should facilitate scenario analysis in a fast changing macroeconomic environment; (b) limiting the level of liquidity injecting recurrent expenditure as a means to mitigate inflationary pressures emanating from deficit financing of such expenditures and ensuring fiscal sustainability in light of inadequate medium term predictability of resources. This strategy implies a gradual increase of allocations for pro-growth infrastructure investments with significant import content as the resource envelop grows. On the other hand, a shortfall in resources will lead to a reduction in both recurrent and development spending with the size depending on the magnitude of the shortfall.

A number of DPs have also initiated processes that will facilitate their provision of medium term commitments.

Fiscal reports

The Government has continued to publish its reports on quarterly basis. The reports are made available in the MoFEA website within two months following the end of the quarter, with the exception of end -year which may take up to three months. The challenge however remains on reporting of Local Government expenditure. This is partly due to the existence of multiplicity of LGA funding channels.

In addition, the consolidation of LGAs reports is limited by the treatment of 'transfers' against 'expenditure' at different levels of Government. For example Central Government disburse funds to Council and eventually Council releases funds to Village or school. The ideal situation would be to record the expenditure after the funds have been expended by the school. However Councils may record expenditure upon disbursing funds to the Village though the money may still be in the account for several months. A study to address the problem of multiple funding channels for LGAs is now planned.

(iii) IFMS

The CAG's report for fiscal year 2005/06 (released in 2007) called for an independent post-implementation review of the EPICOR-based IFMS, which has been in operation for around 10 years. The review, initially scheduled for completion by October 2008 subject to funding availability, will now commence in early 2009 and be funded through PFMRP.

Pending the review by CAG, the Accountant General's Department has identified a number of issues that are being addressed on a fast track basis in order to sustain the credibility of the system. They include the following:

(a) Enhancing the capacity of the Systems Development Unit (SDU) to design and develop report modules, thereby reducing and eventually eliminating reliance on the vendor for this task. This will involve employment and training of new staff.

(b) Finalisation of the new version of the National Revenue Database developed by the vendor and demonstrated to stakeholders in September 2008. Final testing of the database is expected to start in March, 2009.

(c) In-house training of accountants and accounting technicians in all MDAs and Sub Treasuries on the preparation of bank reconciliations, and the introduction of the Bank reconciliation adjustment module, to reconcile items failed to be reconciled automatically.

(d) A joint team of technical IT and business process consisting of staff from MOFEA and the BOT is currently working on the technicalities and modalities of harmonizing the business procedures and interfacing the two systems. The two parties have agreed tentatively that the EFT shall be operational by December 2009.

(e) MOFEA is working with consultant to solve the technical issues to enable the data warehouse to be accessible and used for analysis by different users. The Next step will be to modify the design of the current data warehouse to meet current user requirements.

(f) The performance of the network has improved considerably in recent months due to the on going project to improve the hardware, connectivity and security of the network. The MDAs in Dar-es-salaam are already on new network and the work is going on to centralise the Sub-Treasuries with the central servers at the MOFEA offices in Dar-es-Salaam. Three regions (Coast, Morogoro and Mwanza) have already been linked as a pilot stage phase one and are now connected to the servers.

Upon completion of the post implementation review, the next phase of IFMS development will be planned.

2.2. Underlying Processes *[max. 1 page]*

a) Underlying Process 1: Underlying Process 1: 2007/08 PFMRP Annual Review

Assessment	**"SATISFACTORY" with some areas of concern**
Main Sources of Information	Strategic Plan for PFMRP Phase III; 2008/09 Budget Documents; Progress Report – 2007/08

The review of the Strategic Plan for PFMRP Phase II (2004/05-2007/08) was completed in October, 2007, thereby paving the way for the implementation of Phase III of PFMRP, under the new strategic Plan, starting from 2008/09. An annual performance review for the implementation of PFMRP activities for 2007/08, under the previous phase, has also been completed

.

A Programme Review of the PFMRP was carried out during 2007/08, with the following main findings:

(a) Overall performance against programme performance indicators and milestones was above 75%.

(b) There is improved predictability of resources for the Government budget, with the annual domestic revenue collections for 2007/08, exceeding the target by 3.6%

(c) Increased programme absorption, as actual expenditure increased from around 52 % of the programme budget in 2006/07 to 86 % for 2007/08.

(d) Improved quality of MTEF submissions for 2008/09 (in terms of linkage of MKUKUTA policy priorities and resource allocation) ;

(e) Budget classification and introduction of result based reporting following the introduction of performance indicators in the MTEF process.

(f) The government has stopped the opening of new bank accounts at commercial banks, and a multi-departments team is studying the multiple accounts problem at the LGA level. In a coordinated action, the Bank of Tanzania has also imposed a minimum reserve requirement on government deposits, leading to a sharp reduction of the amount reported by banks as Government deposits.

(g) Improved compliance and transparency in public procurement by around 43% measured by the established performance indicators. Procurement audits were conducted in more than sixty entities.

(h) Continued improvement of the quality and timeliness of NAO's Annual Audit Reports.

In addition, the following initiatives are underway:

(a) In addition to regular financial programming exercises for tracking in-year developments, the Macroeconomic Model for Tanzania (MACMOD) has been updated, and used to forecast aggregates for the Plan and Budget Guidelines. 2009/10 – 2011/12.

(b) Preparation of a Medium Term Public Investment Plan (MPIP) to guide the capital development budget has been initiated.

(c) Review of the debt strategy, and a debt sustainability analysis, consistent with the WB – IMF debt sustainability framework (DSF).

(d) Procurement capacity building for Procurement Entities.

(e) Operationalisation of expenditure tracking.

During 2007/08, PFM dialogue took place as per agreed framework, whereby the PFMRP Working Group (PWG) met three times (May 2007, November 2007 and March 2008). The PWG discussed papers before Joint Steering Committee (JSC) meetings to provide technical inputs and recommend on matters for decision and or approval by JSC. The JSC met three times, (October, 2007, December, 2007 and July 2008) and deliberated on progress of PFMRP. JSC also approved the revised PFMRP Strategic Plan and its Implementation Plan and Budget for 2008/09 – 2009/10.

Measures to improve management of PFMRP appointment of a Deputy Permanent Secretary to deal with PFM issues, and the fast track recruitment of experts for the Technical support and Coordination Unit that is currently underway.

Because of delayed approval of the PFMRP III Strategic Plan, establishment of the Secretariat and the IFMS review and given the specific set of additional actions that have now been agreed, the overall assessment is **"SATISFACTORY" with some areas of concern**.

b) Underlying Process 2: Budget Guidelines

Assessment	**"Satisfactory"**
Main Sources of Information	Plan and Budget Guidelines 2008/09 – 2010/11

The Plan and Budget Guidelines (PBG) process for FY 2008/09 began with the evaluation of the previous year budget process in September 2007, and SBAS training of MDAs, Regions and LGAs in November 2007. The first draft of the Guidelines was produced in January 2008. However, the approval process was interrupted following changes in the Government structure which occurred in early February 2008, thus delaying the issuance of Guidelines up to April 2008. To ensure a streamlined calendar for 2008/09 annual budget cycle, MDAs, Regions and LGAs were given provisional PBG documents with their respective ceilings to facilitate the finalising of their MTEFs. LGAs were first provided with aggregate ceilings and these were then subjected to a detailed sectoral allocation in line with the formula based allocation criteria agreed for LGAs resource distribution. The final LGA-wise allocation results were presented to LGAs to facilitate preparation of their MTEFs under PlanRep.

The PBG Committee advised the MDAs, Regions and LGAs to use the indicative ceilings provided to guide the process of prioritisation and sequencing of their interventions. This formed a basis for the inputs to the preparation of SBAS requests for resources for the medium-term expenditure frameworks 2008/09 – 2010/11. In addition, these ceilings facilitated a significant reduction in deviations between the requests and final allocations by the Committee. The PBG for 2008/09 - 2010/11 continued to place emphasis on the key priorities identified in 2007/08 cycle. In particular, while ensuring adequate funding for the ongoing initiatives, the priorities aim at accelerating growth, improving delivery of social services, and promoting good governance. Ensuring sustainable macroeconomic stability remains a key element of the Government's economic and social programmes.

The PBG drew inputs from various sources, including the report of the General Budget Support (GBS) Annual Review of October 2007; macroeconomic assumptions; and national priority areas for resource allocation. Also, the budget process benefited from inputs from Parliament through discussion of the draft, a process started last year and repeated this year.

To ensure strategic focus in resource allocation, the PBG for 2008/09 allocated resources at the level Of Clusters and Goals. This arrangement was appreciated and complimented by Government stakeholders at all levels. The initiative directed the discussions to the strategic issues rather than narrowing down to individual vote ceilings. To this end this initiative will continue in the medium term. The allocation of the total funds available for implementing MKUKUTA was as follows:

(i) Cluster 1: growth and reduction of income poverty - 48.25%
(ii) Cluster 2: ; quality of life and social well-being - 34.11%; and
(iii) Cluster 3: governance and accountability - 17.64%.

The scenario analysis exercise, planned to improve the MDA MTEFs by indicating clearly what additional resources would fund, posed challenges as most pilot Ministries found it an extremely involving duplication of work without assurance of additional resources. The objective will now be achieved through an upgraded MACMOD with scenario functionalities.

The Government, through a PER capacity building initiative, has prepared a Budget Brief outlining the main drivers of the 2008/09. The document seeks to improve communication of the budget strategy and how it applies in the respective annual budget.

c) Underlying Process 3: Fiscal Reports (BER, QDR)

Assessment: Satisfactory

Main Sources of Information: Ministry of Finance and Economic Affair's website.

Budget Execution Reports (BER) for Q1 – Q4 of 2007/8 were completed and posted on the Ministry of Finance website (www.mof.go.tz). The Q4 BER was published in mid September 2008.

The Government has continued to publish its fiscal reports on quarterly basis. The reports are made available in the MoFEA website within two months following the end of the quarter, with the exception of end - year Budget Execution Report (BER), which is prepared after finalisation of the year's financial statements by the Accountant General and thus may take up to three months.

Challenges remain, however, in relation to reporting of Local Government expenditure partly due to the existence of multiple LGA funding channels. To address this problem, there is need for a study to be undertaken. In addition to the multiplicity of funding channels, the consolidation of LGAs reports is constrained by the treatment of 'transfers' against 'expenditure' at different levels of Government. For example Central Government disburse funds to Council and eventually Council releases funds to Village or school. The ideal situation would be to record the expenditure after the funds have been expended by the school. However Councils may record expenditure upon disbursing funds to the Village though the money may still be in the account for several months.

The Quarterly Debt Reports (QDR) for FQ1 – FQ3 of fiscal year 2007/08 have been posted on the MOFEA website. The fourth quarter report is expected to be published before the 2008 Annual Review.

The Government continued with its effort to develop a system that would enable analysis of actual public expenditure on the basis MKUKUTA Clusters and strategies. This would best be undertaken through an interface between the *Microsoft Access* based SBAS and the EPICOR based IFMS. SBAS and IFMS currently play different roles in the budget process (SBAS is for matching public expenditure plans with the MKUKUTA objectives and targets while IFMS is for financial accounting and management of allocated funds, including centralisation of payments and expenditure controls), and maintaining both tools is currently still the most effective way of supporting a more efficient budget process.

The Government is however working on a modality for using RIMKU[7] for MKUKUTA analysis and include the results in the QBERs. This will involve developing an interface between IFMS, SBAS and the

[7] RIMKU is an SBAS sister tool, based on the same platform and principles.

RIMKU. With the current improvement in SBAS to capture data at the inputs level, the coherence will be streamlined while importing data into IFMS. The Government believes that this will facilitate efficient exchange of information between the tools, thus ensuring a timely SBAS based analysis of budget execution results. Until this is established, the policy link to budget execution will continue to be assessed through the consistence between SBAS based allocations and actual expenditures, and the impacts on poverty reported through the MKUKUTA Monitoring System.

The parties have identified the lack of structured discussion of the fiscal reports as an area requiring attention in the next cycle.

d) Underlying Process 4: PER/PEFAR (PER Macro Analysis)	
Assessment:	**SATISFACTORY - GoT** **UNSATISFACTORY - DPs**

Main Sources of Information:

This assessment refers to the agenda of the mandate of the PER Macro analysis group. At the outset, the CWG identified the analytic agenda for the 2008/09 cycle, including capacity building initiatives in macro modelling and budget analysis. The analytic work was to be undertaken jointly by DPs' and government staff and generate Policy Notes (PNs), which would be the basis of policy dialogue on the respective themes.

The main recommendations of the PN id Budget Analysis), which are to a great extent consistent with the Government strategy, include the following:

(i) Improve the reliability of the macro-framework, by sustaining efforts to develop capacity in macro-fiscal policy and macro-modeling;

(ii) Improve growth orientation of the budget by increasing the share of public investment;

(iii) Reduce the inflationary impact of the budget by controlling wage growth in line with medium-term pay policy;

(iv) Improve forecasting of domestic revenues;

(v) Develop Priority Investment Plan (PIP) in line with MKUKUTA objectives, with clear indication of (i) programs that would be protected and financed through domestic borrowing in case of aid shortfall and (ii) a pipeline of high return projects that could absorb any aid surplus.

(vi) Engage with Development Partner over medium-term projected level of financial assistance, with a view of avoiding abrupt reduction.

(vii) Consider using domestic financing for limited amount of expenditures smoothing, as long as real domestic interest rates remain low.

(viii) Continue to provide sizeable local funding to development budget in key sector to reduce vulnerability.

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The main recommendations of PN4 are:

(i) Integrate the planning for the payment of salary arrears and adjustments with the budget cycle (MoFEA, PoPSM)

(ii) Establish limits and targets for the management of the contingency and reallocations mechanisms (MoFEA)

(iii) Conduct a review of the budget execution reporting system that proposes a more effective reporting mechanism for donor projects (JICA, MoFEA, and Ministry of Infrastructure)

(iv) Review and rationalise the payment procedures of spending units (MoFEA)

(v) Consider relaxing the MoFEA requirement for first quarter reporting prior to the release of development funds, particularly since MDAs remit unspent funds at the end of the financial year back to Treasury, and therefore begin the first quarter with clear balances (MoFEA)

(vi) Conduct a detailed review of the various basket fund management systems. This work should lead to the definition of best practice criteria for basket funding arrangements in Tanzania (Ireland, MoFEA)

The macro-fiscal analysis was undertaken in the context of the exercise to update the MACMOD, which will be used to monitor in-year developments.

In part because of the commitment to undertake all analytic work jointly, and that most pf the staff on the Government side were committed in the budget process, the outputs were available for broad discussion rather late. They will therefore be discussed broadly immediately after the Annual Review.

As stated in the preceding sections, there has not been enough opportunities in the PER process to undertake in-depth discussion on the constituent elements of the macro=fiscal management or PFM issues. There is therefore recognised a need to examine ways to create space for such opportunities without increasing the transaction costs arising from the PER process, especially for the Government.

The parties (GoT and some DPs) hold different views of what should be assessed under this Underlying Process. Whereas GoT and some DPs hold that the Underlying Process refers to macro economic management, macro analysis, and PFM generally, some other DPs strongly hold the view that it also includes the entire PER process.

On the basis of the agreed agenda for the CWG, the GoT and some DPs determined that performance under this Underlying Process is **"SATISFACTORY".**

The DPs arguing for inclusion of entire PER process scored the CWG's performance as **"UNSATISFACTORY",** citing insufficient policy dialogue.

e) Underlying Process 5: MKUKUTA Progress Reporting

***Assessment*:** "**Satisfactory**"

Main Sources of Information: MKUKUTA Annual Implementation Report (MAIR), 2008.

Progress on the implementation of MKUKUTA is tracked through a set of 84 indicators at goal levels through researches and surveys carried out by the MKUKUTA Monitoring System (MMS). MAIR contributes to the overall Government reporting system that includes performance reporting by MDAs, LGAs and non-state actors implementing MKUKUTA activities and programmes, PER reviews, Sector Reviews, and Economic surveys. MAIR plays a pivotal role of synthesizing these other reports and coherently brings out national picture of the performance, challenges, lessons learned, and draws key national issues and strategic priorities for the coming years.

There was substantial improvement in 2007/08 in the area of MKUKUTA monitoring and reporting, whereby both versions of the MAIR, Kiswahili and English, were finalised in time for the Poverty Policy Week. MAIR 2007/08 was prepared in a consultative manner, involving all key sectors.

The key findings of he MAIR are: GDP growth rate averaged 7 percent annually from 2001 to 2007. Poverty, both basic needs and food declined marginally from 35.7 percent to 33.3 percent and 18.7 percent to 16.2 percent respectively. This indicates that population grew at a relatively higher rate compared to the increase in capacity for service delivery.

The enrolment in pre-primary schools increased by 18.8% between 2006 and 2007 and the net primary school enrolment rate has been on increase and towards the targeted rate of 99 percent. There has been a slight upward trend in primary pupil teacher ratio from 52:1 in 2006 to 53:1 in 2007 compared to the targeted proportion of 45:1. The proportion of children with disability attending primary schools reached 41% in 2007, two times the MKUKUTA target of 20 % by 2010. The rate of students completing standard seven has declined from 68.7% in 2005 to 56.7% in 2007, far from the targeted rate of 90% by 2010. Also, the percentage of transition from standard VII to form I has declined from 67.5 in 2006 to 56.7 in 2007.

By December 2007, 75% of health facilities were providing vaccination services. The health sector trained 2,100 service providers in the areas of safe child delivery, family planning and reproductive health for youth. The 2007-08 THMIS found that 5.7 percent of the population aged 15-49 in Tanzania is HIV/AIDS positive down from 7 percent in 2003/04. Additionally, the percent of HIV prevalence amongst 15-24 year old blood donors has remained constant at 7.4 from 2004 to 2007

There are improvements in provision of clean and safe water. The population with access to piped water has increased from 78 % in 2006 to 79.9 % in 2007 in urban areas and from 55.7 % in 2006 to 57.1 % in 2007 in rural areas.

PCCB received and investigated 2,887 reported corruption related cases and completed the investigation for 1,009 cases. In 2007, a total of 378 convictions in corruption cases were sanctioned for prosecution in various courts. During the same period, PCCB submitted 5 grand corruption cases for sanctioning to the Director of Public Prosecution (DPP). The government initiated the revision of the Medium - Term Pay Policy that aimed at enhancing public service delivery. Capacity of prisons was expanded to accommodate 27,653 prisoners and inmates from 22,669 in year 2007/08.

f) Underlying Process 6 : Policy Support Instrument (PSI)

Assessment: "Satisfactory"

Main Sources of Information:

Tanzania is implementing an economic programme supported by the International Monetary Fund (IMF) through the Fund's Policy Support Instrument (PSI). The PSI was approved on February 16, 2007 and is aimed at sustaining broad-based high growth and accelerating progress in poverty reduction. The policies supported under the PSI include strengthened public resource mobilisation, efficiency in public expenditure; financial sector reforms, effective implementation of monetary policy; and improving the business climate to stimulate private sector-led growth.

The IMF's Executive Board completed the third review under a three-year Policy Support Instrument (PSI) for Tanzania on 30th May 2008. Reports and assessment by the IMF Executive Board are available at http://www.imf.org/external/pubs/cat/longres.cfm?sk=22023.0). The fourth review is expected to be discussed at the IMF Executive Board in December 2008; discussions with IMF staff on the fourth review were held in Tanzania during September 9-19, 2008 (press release available at http://www.imf.org/external/np/sec/pr/2008/pr08213.htm.

Following the Board's discussion on the third review, Mr. Murilo Portugal, Deputy Managing Director and Acting Chair, made the following statement:

> "Tanzania's continued implementation of sound macroeconomic policies has contributed to sustained robust economic growth. High global fuel and food prices pose challenges, but Tanzania's flexible exchange rate policy, ample stock of international reserves, and a favourable near-term agricultural outlook should help to cushion the adverse effects of these shocks. Persistent high petroleum prices and slow world economic growth could, however, dampen Tanzania's economic growth prospects.
>
> "Implementation of the Government's budget in 2007/08 has been strong - again led by an impressive revenue performance. For the year ahead uncertainty about donor assistance has complicated budget preparations. While there is some scope for domestic financing to ensure continuity of critical public expenditures, greater spending restraint may also be necessary if aid flows fall significantly short of projections.
>
> "The marked improvement in monetary and foreign exchange operations over the past several months has enhanced the predictability of the Bank of Tanzania's monetary policy and contributed to a welcome decline in yields on Government securities. Looking ahead, monetary policy will need to remain vigilant to ensure that pressures from high global fuel and food prices do not spread to other sectors, while providing sufficient room for continued expansion of credit to the private sector.
>
> "The Government's focus on improving infrastructure as well as health and education services, while ensuring long-term debt sustainability, is appropriate to raise Tanzania's growth potential. To that end, there is scope for increased reliance on public-private partnerships, provided that high standards of transparency and accountability are in place to guard against fiscal risks associated with contingent liabilities.
>
> "Recent cases of alleged fraud and corruption have raised concerns, and continued progress in strengthening governance and public accountability is paramount to restore confidence. Steps taken so far, including the action plan to implement recommendations from the special audit of the Bank of Tanzania, are encouraging. In addition, the authorities have requested a voluntary safeguards assessment of the central bank from the Fund.

The fourth review under the PSI is expected to be concluded in December 2008. Preliminary data suggest that all but one quantitative assessment criteria were observed. The Fund staff have supported the Government intention to prioritise inflation control in its economic policies, and urged for continued close coordination of fiscal and monetary policies for that purpose. Fund staff highlighted the progress achieved in strengthening the Bank of Tanzania, noting the importance of refocusing the Bank of Tanzania on its core activities of inflation control and financial supervision.

The IMF's framework for PSI is designed for low-income countries that may not need IMF financial assistance, but still seek close cooperation with the IMF in preparation and endorsement of their policy frameworks. PSI-supported programs are based on country-owned poverty reduction strategies.

2.3. Temporary Process Actions *[max. 1 page]*

Temporary Process Action 1: Translate new PFMRP Strategic Plan into Annual Plan for 2008-09 and present at JSC of April 2008

Assessment **ACHIEVED**

Main Sources of Information: PFMRP Annual Plan – 2008/09

Budget documents – 2008/09

The revised PFMRP Strategic Plan has been translated into a Medium Term Expenditure Framework with specific focus on two years. The two year plan aims at consolidating and perfecting tools, instruments and systems developed under PFMRP II to achieve resource allocative efficiency. Further, it aims at strengthening functional capacity of oversight bodies to enhance transparency and accountability. The JSC meeting held on 9^{th} July, 2008 approved the PFMRP III and its implementation plan estimated to cost TShs 82.2 billions of which TShs 40.1 billion is for FY 2008/09 and TShs 42.1 for 2009/10.

The shares of funding, by sources, for FY 2008/09 is:

Basket Fund - TShs 18.2 billion (45%),
Projects - TShs 3.9 billion (10%) and
Government - TShs 18.0 billion (45%).

Following the formal approval of the implementation plan, further discussions have been taking place in relation to the details of plans for some of the Components.

Temporary Process Action 2: Carry out a post-implementation review of IFMS by October 2008 provided funds are made available.

Assessment **"NOT ACHIEVED"**

Main Sources of Information CWG Report

The need for a post implementation review of the IFMS was raised by the CAG. Owing to delays in the availability of funding, and given that IFMS is based on proprietary EPICOR software, engagement of a consultant for the review took longer than initially envisaged. Moreover, the review was to be financed through the PFMRP Basket, the Action Plan in relation of which was approved in July, 2008.

It is now planned that The Controller and Auditor General will carry out this activity using the funds that were provided to the Accountant General under the PFMRP. A Review Report is expected by April, 2008. In the meantime, the Government has identified urgent actions that are under fast track implementation.

Temporary Process Action 3: Procurement Management Units (PMUs) established in all procuring entities (PEs) and full operationalisation of scheme of service for procurement cadre by 2010.

By October 2008, Regulations under the Procurement and Supplies Professional Board Act prepared and issued (gazetted).

Assessment: **NOT ACHIEVED**

Main Sources of Information

PO-PSM issued a circular that required all Ministries to form PMUs. PPRA sensitises procuring entities during training workshops, meetings and through its Tanzania Procurement Journal which appears bimonthly. The survey conducted by PPRA shows that all Ministries have PMUs but not staffed appropriately. More than 80% of executive agencies and parastatal organizations have established PMUs. Most of the LGAs have PMUs, not as a unit within the organizational structure, but a committee comprising people from various user departments. The situation is being rectified to comply with PPA requirements. The major challenge remains the availability of qualified skilled staff to man the PMUs.

PPRA proposed a Scheme of Service for the procurement cadre which was initially submitted to the President Office Public Service Management (PO-PSM) for review and approval. The Government has decided that the cadre will be in the Ministry Of Finance And Economic Affairs which has also established a Procurement Policy Unit.

Regulations under the procurement and supplies professional Board Act prepared and issued (gazetted) by October, 2008.

A consultant has been employed by PPRA to prepare the Regulations and has already submitted an inception report. PPRA appointed a committee to supervise the work of the consultant. The committee is chaired by the Registrar, National Board of Materials Management (NBMM). This exercise was delayed because the procurement of the consultant was completed late and the consultant faced some difficulties in collecting data. It is expected that the regulations will be ready in December 2008.

Institutionalized procurement training policy, standards and monitoring and evaluation tools by October 2010

PPRA formed a committee comprising members from PO-PSM, NACTE, TCU, NBMNM and PPRA to organize a three day workshop with training institutions for purposes of setting procurement training standards, certification requirements, and carrier development paths. The workshop took place from 8th to 10th October 2008 and agreed on the direction to be taken to set the required standards.

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Temporary Process Action 4: Road map to be presented at JSC of April 2008 on how to reach Internal Audit Standards by 2015.

Assessment **NOT ACHIEVED**

Main Sources of Information

Following a decision to establish an Internal Audit department in the Ministry of Finance, focus is on operationalising the Department, which will subsequently work on a programme to reach Internal Audit Standards by 2015. MoFEA has therefore prepared a draft plan for operationalising the new and independent Internal Audit Department based on international practice in Internal Auditing, which is currently being discussed with stakeholders within Government. There are other departments within Government that are performing internal audit related function. Also there are activities that are to be undertaken before the roadmap for reaching Internal Audit Standards may be prepared. The activities include:

(i) Reviewing the Public Finance Act
(ii) Developing the scheme of service
(iii) Merging the Internal Audit related activities like Technical Audit Unit and inspection of Stocks into one multidisciplinary Internal Audit function.
(iv) Appointing the head of the new Internal Audit Department

The proposed plan for operationalising the Department is currently being discussed within Government. A strategic plan will also be developed to define the key actions and milestones with their related costs to transform the Internal Audit function to International Standards by 2015. In the circumstances, it is not possible to assess progress in implementation of the Temporary Process Action.

Temporary Process Action 5: Government to provide structured reply to the latest NAO report by end September 2008

Assessment	**"Achieved"**
Main Sources of Information	

The Government has already prepared and submitted to the Controller and Auditor General (CAG) the structured response to NAO's 2006/07 report which became available to the Government in March, 2008. The response covers the CAG report for the Central Government, Local Government and Public Bodies accounts.

Temporary Process Action 6: Approval granted by October 2008 to create a new Department of Internal Audit in the Ministry of Finance.

Assessment	**" Achieved"**
Main Sources of Information	Structure of the Ministry of Finance and Economic Affairs

The approved structure of the Ministry of Finance and Economic Affairs includes an Internal Audit Department out of the Accountant General's Department. The Government will use this opportunity to expand the vision and to strength the internal audit function across Government. This Temporary Process Action is relating to the one that requires a road map for the Internal Audit to reach International Standards by 2015. Since the approval for establishing an independent Internal Department out of the Accountant General has been granted the next task is to consolidate all internal audit related functions across Government into one Department with future plans that are geared towards reaching international Standards by 2015.

2.4. Outcome Indicators *[max. 1 page]*

Outcome Indicator 1: NAO reaches level 3 of AFROSAI capability model by 2010.

Assessment :	**"Achieved"**
Main Sources of Information :	The Public Audit Act, 2008 Budget documents – 2008/09

The following is the status of the activities that are being performed by the National Audit Office to reach Level 3 of the AFROSAI :

(i) Submission of Audit Bill to the Parliament by February 2008 ***- The Bill was submitted to the June 2008 Parliamentary session, and passed into law. (Achieved).***

(ii) Start of roll out of a new audit methodology using electronic working papers to a number of MDAs/LGAs as per NAOT plans by April 2008 ***- 137 auditors have been trained on TEAM Mate and standards out of the target of 200 Auditors (On track)***

(iii) Audit report for FY 2006/07 released within nine months ***- The CAG report for FY 2006/07 was submitted timely i.e. 26 March 2008 (Achieved).***

(iv) The new Public Audit Act is effective by July 2008 - ***The Bill was read during June Parliament session and passed. The President assented on 4th July 2008; the Act was gazetted on 25th July 2008 through Government Notice (GN) no. 96 of 2008 and the effective date 28th July 2008 (Achieved). A draft of the regulations is ready and submitted to MOFEA (On track).***

(v) A new establishment (Organizational structure) for NAO is approved by the GoT and Operationalise **- *The proposed Organizational structure has been submitted to the PO-PSM for approval (On track).***

(vi) Establishment of an increased number (minimum two) of current regional offices to be independent of auditees premises by July 2008 - ***Two buildings at Mbeya and Singida are in the final stages, they are expected to be handed over by November 2008 (On track).***

(vii) IT connectivity between a number of up country offices and NAO HQs established in accordance with NAO plans by July 2008 - ***Computers and servers have been purchased; training on going; currently negotiations are under process with TTCL to install WAN (On track)***

Outcome Indicator 2: Average level of compliance of procuring entities with the Public Procurement Act 2004 to reach 80% by 2010

Assessment : **"At Risk"**

Indicator Values:

Baseline 2006/07: … 39%

Target 2008: … 48%

Actual 2008 … 43%

Target 2010: … 65%

Main Sources of Information: PPRA Procurement Audit Reports.

Based on the 70 Procurement Audits carried out in FY 2007/08, the level of compliance has been established to be 43%. The MDAs have a higher level of compliance at 45% compared with LGAs at 42%. This is an increase of 4% compared to FY 2006/07 in which the compliance level was established at 39%.

Baseline on Compliance with Procurement Act:

This average is an average for all the procuring entities (PEs) that are the subject of yearly procurement audits by PPRA. The system used is based on Compliance and Performance Indicators established by OECD/DAC – WB joint venture and few added by PPRA. PPRA is monitoring this indicator annually).

Outcome Indicator 3: Cash Management Unit in ACGEN and Cash Management Committee (including both MOFEA and BOT staff) to produce updated Government's three month rolling cash flow forecast and liquidity management plan at the end of each quarter.

Assessment **"Achieved"**

Main Sources of

Information.

The Cash Management Unit (CMU) in the Accountant General's Department Ministry of Finance and Economic Affairs compiling information from MDAs, and is working with MDAs to prepare three month rolling Cash flow forecasts. An interim arrangement whereby cash flow forecasts were prepared from aggregate budget numbers and discussed by the Cash Management Committee[8] was introduced pending the perfection of the bottom up methodology. Forecasts are presented to the monthly Expenditure Ceiling Committee meetings and shared with the Bank of Tanzania.

Because of delayed disbursement of GBS commitments, and the inflationary pressures obtaining in the first quarter of 2008/09, the rolling forecasts and plans were not quite effective.

Outcome Indicator 4: Approved budget broadly in line with policy objectives (MKUKUTA, sector policies)

The government continues to use the three clusters of the MKUKUTA as the strategic level of budget allocation, and to customise further the Strategic Budget Allocation System (SBAS) for facilitating complex resource allocation between votes and cross cutting MKUKUTA cluster strategies. In general principles, the strategy targets allocating 40%, 40%, and 20% MKUKUTA resources to interventions under Cluster I, Cluster II, and Cluster III respectively. The approved Budget for 2008/2009 was broadly prepared in line with MKUKUTA priorities and other national priorities, with well above two third of the budget allocated for MKUKUTA interventions.

Outcome Indicator 5: Expenditure outturn consistent with approved budget and recurrent budget deviation reduced.

Assessment	**" Achieved"**
Indicator Values	Baseline 2005: 18% Target 2008:16.7 .. % Status 2008: 15% Target 2010: 12.3%
Main Sources of Information	Expenditure Flash Report Budget Analysis Report (PN3)

Based on the final Expenditure Flash Report for 2007/2008, average recurrent deviation is 15%. This has shown improvement compared to the actual reported in annual review 2007 which was 17%. The Government is also taking initiatives to improve Cash Management Unit (CMU) with the view of improving expenditure planning and implementation.

Execution of the recurrent budget is much more in line with plans, whereas development expenditure continues to suffer from slow procurement, disbursement delays for foreign funded baskets and projects (including inadequate reporting of disbursements), and slow physical implementation in some cases.

[8] The CMC has representatives from BoT and TRA.

Outcome Indicator 6: Fiscal and monetary stability reflected by:

(i) Fiscal Deficit (after grants) as % of GDP consistent with PSI targets.
(ii) Inflation rate consistent with PSI targets

Assessment: **Achieved**

Main Sources of Information: Fiscal Reports

IMF programme review reports

Fiscal and monetary outcome indicators:

Inflation rate consistent with PSI target.

In 2007, the economy of Tanzania, just like that of other countries in the world, experienced inflationary pressure emanating primary from the rise in oil prices in the world market and the rising food prices. Despite this, overall inflation declined to an annual average of 7.0 percent in 2007. The headline inflation for June 2008 was 9.3 percent compared to 7.0 percent experienced in December 2007. This trend is expected to slow down mainly on the account of increased food supply following the commencement of the harvest season in most parts of the country. Nevertheless, the price trend may remain above 5.0 percent as a result of a continued increase in world market oil prices, which is still on the upswing. The Government will continue to take measures to ensure production of sufficient of food.

Fiscal Deficit (after grants) as % of GDP consistent with PSI targets

In 2007/08 the deficit after grants was 3.6 percent of GDP and in 2008/09 is expected to be 3.8 percent of GDP.

Annex 8 – Closing Statement by H.E. Bjarne H. Sørensen, Ambassador of Denmark, Chair of the PRBS Group

Closing Statement at the GBS Annual Review 2008

By H.E. Bjarne H. Sørensen,

Ambassador of Denmark, Chair of the PRBS Group

27. November 2008

[Honorifics and greetings]
Honourable Minister, Members of Parliament, Ambassadors and High Commissioners, Permanent Secretaries, Representatives of International Organisations, Development Partners, Members of Parliament, Representatives from the Private Sector, from Civil Society Organisations, and from the Press.

I would like first of all to thank all participants for their hard work, and the very open and constructive engagement we enjoyed throughout the last four days. I want to single out in particular the Minister for Finance and Economic Affairs, the Minister for Agriculture, Minister for Infrastructure, the Deputy Minister for Finance, the Minister of Finance from Zanzibar, Honourable Members of Parliament, the Governor of the Bank of Tanzania, Permanent Secretaries, Regional Commissioners and other senior government officials who provided valuable input and used their valuable time to take part in this year's Annual Review. I especially want to acknowledge that so many permanent secretaries have participated this year.

Also, our thanks go to colleagues in the Ministry of Finance and Economic Affairs and the GBS Secretariat for their round-the-clock support in organizing and making this Review pass off so smoothly. And I do hope that you all appreciate that on a personal note I would like to thank my own team at the embassy, as well as all GBS partners.

[On the outcome of this year's Annual Review]
Honorourable Minister, we have had a productive Annual Review. In my opening statement on Monday, I expressed our satisfaction at progress in many areas, but equally, our concerns about others - notably the need for evidence of results. The results from the new Household Budget Survey showing that poverty reduction should continue to be high on Government's priorities together with our deliberations throughout the Review have only reinforced my firm belief, that we need to see more momentum on several of Tanzania's core reforms – especially within areas of public financial management, local government, and business. The open dialogue on both governance and the fight against corruption was appreciated. On that basis, we believe the Review has served its purpose and has had a positive outcome.

[Follow-up to opening statement]
Honourable Minister, let me follow-up on four points mentioned in your opening statement on Monday.

First point. As was also mentioned by you, Honourable Minister, on Monday, it is time to press for greater momentum toward broad-based economic growth and poverty reduction with focus on meeting the Millennium Development Goals. This necessity is in line with the results from the newly released Household Budget Survey. As you noted, implemented reforms, while necessary, have not been sufficient to make a big impact on poverty reduction, especially income poverty. Budget Support Partners concur fully with you on these points and I do believe the discussions in the different Key Issue sessions have provided us with a way forward on some of these reforms, that if implemented can help spur growth and poverty reduction in Tanzania.

Second point. Budget Support Partners have not moved the goal posts due to the EPA case. Please allow me to explain why.

The EPA case posed challenges to the principles underlying our partnership. As is stated in our joint Partnership Framework Memorandum governing General Budget Support there are five underlying principles that are considered critical for our partnership. One of the underlying principles is good governance, including the active fight against corruption. Another is sound financial management systems. To budget support partners these underlying principles for our partnership came at risk when the EPA case surfaced. As I am sure that you will understand, all Development Partners also have to be accountable to their own constituencies – it is after all, tax payer's money that is funding our development assistance.

Our joint Partnership Framework Memorandum mentions that concerns on underlying principles will be handled through dialogue and consultation between budget support partners and Government. And although this dialogue did lead to delays in our disbursements for budget support for the fiscal year 2008/09, I would like once again to reiterate my gratitude to you, Minister Mkulo, for showing leadership in this dialogue between budget support partners and Government.

As I mentioned in my opening statement the current measures taken by Government as a follow-up to the EPA case have helped restore budget support partners' confidence. Planned commitments for budget support for the fiscal year 2008/09 are therefore expected to be disbursed before the end of this calendar year.

Third point. You also mentioned in your opening statement the lack of clarity in our reporting on the EPA case. Based on the discussions in Parliament, statements by high level Government Officials, and the subsequent reporting in the Tanzanian press, there was some ambiguity as to whether all EPA cases would be handed over to the DPP, including persons who have returned the money arising from the fraudulent payments.

Honourable Minister, budget support partners acknowledge your reassurances of what you have been reiterating, namely that the evidence concerning all individuals and companies investigated in the EPA case has been handed over to the DPP. It would then be for the DPP to decide, according to normal criteria, whom to prosecute. And we are happy to note that recent events show that this process is now gaining momentum

Fourth point. You also mentioned on Monday that we are also facing challenges due to delays arising from budget support partners' own procedures. We notice as budget support partners that we need to improve on this. As a point of departure for making progress on this we have suggested an indicator in the PAF that will monitor the timely disbursement of budget support funds. We did also agree during this Review to establish a system to monitor Medium-Term commitments of foreign aid on a quarterly basis with the aim of improving Government's medium term budget.

[Backward-looking results]

Honourable Minister, please allow me to reiterate the results from the PAF 2008. The Review has concluded that Tanzania is on-track in meeting many indicators in health and education. However, this Annual Review has also acknowledged that Tanzania is off-track in meeting its vision of becoming a middle-income country by 2025 and off-track in reaching the MDG of halving poverty by 2015, as was also mentioned in your opening speech.

We should note, that some very important sectors have seen only very limited progress, including the core reforms. We welcome the assurances given yesterday, that renewed vigour will be put into achieving progress on core reforms, including a quarterly review of progress by the relevant PSes.

Thanks to the dialogue during the Review, we now have a better understanding of some of the challenges that Tanzania is facing when it comes to the implementation of the MKUKUTA – and at the end of the day, of improving the lives of ordinary Tanzanians by ensuring increased and inclusive growth.

I am therefore pleased, that this Review has given Development Partners and Government the possibility to jointly identify and discuss the way forward on these challenges.

[Forward-looking results]
Please also allow me to highlight some of the important points and decisions from the key issue discussions of the Review. Dr. Likwelile and Professor Moshi's report which we look forward to seeing in draft form in one week's time will provide further detail.

First of all, budget support partners and government agreed that the preparation of the next phase of the MKUKUTA should start now and let me suggest that it should be known under the acronym: Tanzania's Medium Term Pro-poor Growth Strategy.

[The Budget Strategy in a Changing Macroeconomic Environment]

The session on the Budget allowed us to have a frank discussion on some of the challenges, if Tanzania is to achieve its ambition of becoming a middle income country by 2025. But the priorities of the national budget cannot realise this ambition alone. What is also needed is an enabling investment climate, that allows for a greater role of the private sector when it comes to wealth and job creation. Recognising the current challenges faced by the BEST programme is the first step towards ensuring, that these challenges are adequately addressed.

Development Partners recognise the importance of sustaining high levels of public investment as long as the macroeconomic framework and the private sector environment can productively support high levels of aid going through public spending.

In our discussions of the budget strategy in a changing Macroeconomic Framework, Government recognised the need to increase resources for public investment in infrastructure to ensure stronger growth and poverty reduction. In addition, the session demonstrated that there is a need to strengthen the dialogue in the Public Expenditure Review process.

Tanzania has been recognised as having a comparatively well-functioning public financial management system. However there are ongoing fiduciary risks that need to be addressed in an effective manner, especially concerns relating to the functioning of the Integrated Financial Management System, revenue collection, cash management, fund flows, and internal controls.

[The Investment Climate – with a special emphasis on agriculture]

The session on the investment climate with a special emphasis on agriculture provided a timely opportunity to address how to improve the business climate and spur growth and job creation in agriculture and other sectors. Honourable Minister, please allow me in this connection to refer to your participation in the meeting in the Danish Africa Commission last week together with H.E. President Kikwete and chaired by the Danish Prime Minister. The commission agreed to six concrete initiatives including better access to investment finance and advisory services for small and medium sized enterprises and to boost support to the private sector in order to improve the value chain, especially in agriculture.

I am therefore pleased to note, that there is great convergence in recommendations from this Review, and recommendations from the Danish Africa Commission by recognising that the private sector plays a pivotal role if Tanzania is to achieve higher economic growth rates, which in turn will create more jobs and generate more wealth.

Seeing how most Tanzanians are either employed in the private sector or work as entrepreneurs– as farmers, or otherwise self-employed, there is a strong link between improvement of the business climate and poverty eradication. This is especially the case in rural areas. It is important, that the establishment of business are made simple and that access to credit is improved, when more than 50 percent of Tanzanians cannot access these services. It is therefore positive, that there was agreement about the need to review and rationalise licensing procedures and land taxes, and to develop private sector oriented schemes for seed, fertilizers and extension services. I also noted the need to improve access to credit for entrepreneurs by finalizing the Rural Financial Services Strategy and to put in place agreed measures to strengthen management, supervision and regulation of Savings and Credit Cooperatives (SACCOs).

In order to create a thriving private sector, capable of creating wealth and lifting ordinary Tanzanians out of poverty, it is paramount that Tanzania has an enabling investment climate. However, the slow pace of implementation of some parts of the BEST programme, and the voiced concerns about the Business Activities Registration Act (BARA) point to the fact that Government needs to ensure, that the right frameworks are in place – and that they are backed by a clear and strong commitment. We note with appreciation the decision to include BEST as part of the core reforms monitored from the President's Office.

I also took note of one of the interventions by a representative from the private sector, who pointed towards the necessity of having a well-functioning dialogue between Government and the private sector. A suggestion I think that can be supported by all.

[Equity and Efficiency in Service Delivery]

The session on equity and efficiency in service delivery allowed us to assess how the unequal distribution of human resources is affecting poverty reduction, using health and education as examples. It was agreed that there is a significant need for local incentive level packages to ensure that new staff are attracted and then retained and I noted the Ministry of Finance and Economic Affair's willingness to finance such packages through increased transfers to under-served Local Government Authorities. As a short-term measure a limit on recruitment in better-served areas would help ensure that new staff is posted to where the need is greatest.

I am pleased to note that Government identified the review of the Medium-Term Pay Policy as an entry point to addressing inequity in the distribution of human resources in Tanzania, and that the Ministry of Finance and Economic Affairs and Po-PSM has agreed to work together to eliminate delays in the salary payments for new staff. Finally I also took note of the fact, that an inter-Ministerial task force would develop a road map to implement the outcomes discussed and agreed during yesterday's session.

[Challenges in Combating Corruption]

I am pleased to note, that the session on the challenges in combating corruption allowed for a very open and frank discussion. I would like to share, what I believe to be some of the main points from this discussion with you. On the way forward, I do believe, that increased transparency and the right to information is crucial, and that Development Partners welcome Government's suggestion to look into ways of further developing progressive and high quality legislation in these areas, including Public Leadership Code of Ethics Act, Political Parties Financing Act and the Right to information Act. Let me also say, that we all share the belief, that the fight against corruption is a joint undertaking. While Government has the main responsibility, Development Partners should be supportive and also providing timely mutual assistance when requested.

The session also recognized the need to further strengthen the capacity of key anti-corruption institutions such as PCCB and PPRA both through the provision of international standard technical assistance, and through the commitment of national resources. In addition, we welcome Government's intentions of formally joining the EITI by the end of February 2009.

[Conclusion]
Honourable Minister, without restored confidence we would not have been able to look back and discuss progress over the last year and at the same time look forward and seek to find constructive actions regarding the key issues discussed during the last four days. Agreements on ways forward and the results indicators in

the PAF for the coming year will form the basis for budget support commitments for the financial year 2009/10. We have agreed during this Review that the PAF for 2009 will be finalised before Christmas and that budget support partners at the same time will provide its indicative contributions for budget support for the next three years (Partnership Framework Memorandum, p. 9).

The aim is to agree on results indicators for the coming year and ensure that Budget Support Partners in the financial year 2009/10 will be frontloading their GBS disbursements to the first quarter of the financial year in order to improve the predictability of external funding.

Let me conclude by sharing a forward looking observation with you: I do believe, that one of the main outcomes that we reached at this year's Review was the agreement to start work on the new generation of the MKUKUTA. If Tanzania wants to realise its ambitions and achieve economic progress and an inclusive and pro- poor growth, it is important that the preparations for the next phase of the MKUKUTA takes into account the issues that were discussed at this year's Annual Review.

On that basis, we, the general budget support partners, believe the Review has served its purpose and has had a positive outcome.

I thank you.

Asanteni sana.

Annex 9 – Closing Statement by Deputy Minister for Finance H.E. Omar Yussuf Mzee

CLOSING STATEMENT BY HON. OMAR YUSSUF MZEE, DEPUTY MINISTER FOR FINANCE AND ECONOMIC AFFAIRS 27TH NOVEMBER 2008,

Excellencies Ambassadors, High Commissioners, Heads of Co-operation
Permanent Secretaries,
Ladies and Gentlemen,

It is with great pleasure that I take this opportunity to officially close this year's General Budget Support Annual Review (GBS) event. I would again like to thank you all for your open and active participation; the meeting has indeed been a very productive and successful one. This has been made possible due to the high level commitment and participation by the Government and Development Partners, Members of Parliament as well as Non State Actors. Special thanks go to those who in one way or another made the event successful. The collaborative effort by the Permanent Secretary, Ministry of Finance and Economic Affairs and his fellow Permanent Secretaries, Chair of the Development Partners-PRBS group, H.E. the Ambassador of Denmark and his team, Cluster Working Group leaders, and the joint GBS Secretariat has been the force behind this success, both in terms of preparations and holding of the GBS Review 2008.

As we all know the objective of the GBS Annual Review is to assess Government and Development Partners performance against the jointly agreed Partnership Framework Memorandum (PFM) of 2006, in particular the Government's commitment and Development Partners financial support to promote high economic growth and reduction of poverty through the implementation of MKUKUTA. The assessment is undertaken on the basis of the Performance Assessment Framework (PAF) Matrix that draws indicators from the MKUKUTA and other national processes.

This year's Annual Review noted significant progress and some remaining challenges in our desire to attain higher rates of growth and reduction of poverty as informed by the HBS 2007 preliminary results. PAF matrix implementation also progressed well. The tremendous progress recorded wasn't, however, without challenges, mainly in view of slow pace of poverty reduction, inadequate, the need to address quality in service delivery, etc. There is, therefore, a need to scale-up economic growth and ensure it is broad based so as to register meaningful reduction of poverty.

The Review discussed four key issues relating to Budget Strategy in a changing Macroeconomic Framework; Improving Investment climate in general for more rapid and inclusive growth, and in respect to accelerating Agricultural transformation as a key Instrument for reducing rural poverty and enhancing food security, Equity and Efficiency in Service Delivery (Attracting HR in underserved areas), and Challenges in Combating Corruption.

In all these issues, key messages have come out which the Government will consider and take steps to address them as and when appropriate. Some of the messages are:

i) The need to scale up growth by strongly addressing constraints of growth, including the need to promote Public Private Partnership (PPP) so that the private sector can play a much more active role,

ii) The need to increase public investment portfolio and focus more on agriculture and rural sector development, including rural road construction and rehabilitation, as well as irrigation,

iii) The need to strategically address issues of agriculture financing, particularly financing of small holder farmers as a way of transforming the sector, increase productivity and add value,

iv) Development Partners underscored their continued commitment to work with the government, support government initiatives and ensure timely disbursement of funds,

v) The need to strengthen Public Expenditure Review (PER) process to take on board policy related issues at both the sector and national levels,

vi) As MKUKUTA is coming to an end in two years time, there is, therefore, need to start preparations to develop a successor strategy, focusing more closely on broad based growth,

vii) Development Partners to review their commitments more regularly and ensure that they are integrated into the national budget and accountability systems,

viii) The need to further improve Public Financial Management Systems, and Cash Management, as well as enhance institutions' compliance with procurement procedures,

ix) The need to conduct a situation analysis study to identify the underlying factors and propose medium to long-term measures for addressing equity and efficiency in Service Delivery so as to attract and retain qualified personnel in underserved areas,

x) The need to develop the necessary infrastructure as a way to attract human resources in rural areas,

xi) There is demonstrated Government commitment to fight corruption at the highest level,

xii) Corruption is a global phenomenon requiring joint effort to combat it,

xiii) Continued support to Government in terms of financing, capacity building and sharing of information is crucial to fight corruption,

xiv) On the supply side of corruption, there is a need to take preventive measures, including keeping an eye on project management procurement done by Development Partners,

xv) In addition to the legal framework that is in place, it is also important to address the institutional dimensions in terms of financial, capacity issues, enforcement of laws, and develop further legislations.

Excellences, Ladies and Gentlemen,
I am quite confident that the outcome of this year's GBS Annual Review are jointly owned by all parties. It has all through been a collaborative effort, and mindful of the stipulation of the Rome and Paris Declarations, and in line with the JAST, government initiatives and processes have guided the discussions. The Government and Development Partners will continue to engage in constructive dialogue to finalize some of the outstanding issues on the 2008 PAF assessment and milestones, as well as the 2009 PAF. I understand that the 2009 PAF will be completed within the coming three weeks. As I said in my opening statement, I again urge you to ensure that the next PAF is more realistic and consistent with the need to reduce transaction costs and improve efficiency and effectiveness of development assistance.

Chairperson: With these few remarks, I now have the pleasure and honour to declare that the 2008 GBS Annual Review is officially closed.

I thank you for your kind attention.

Annex 10 – List of Participants

	NAME	POSITION/TITLE	INSTITUTION
1	Hon. M.H. Mkulo(MP)	Minister	Ministry of Finance & Economic Affairs
2	Hon.Dr. Shukuru Kawambwa (MP)	Minister	Ministry of Infrastructure Dev
3	Hon. Mathias Chikawe (MP)	Minister	Ministry of Justice & Constitutional Affairs
4	Hon. Dr. Mwinyihaji Makame (MP)	Minister	MOFEA - Zanzibar
5	Hon. Omari Y. Mzee (MP)	Deputy Minister	Ministry of Finance & Economic Affairs
6	Hon. S. Wassira(MP)	Minister	Ministry of Agriculture, Food
7	Hon. Kabwe Zitto (MP)	Parliament of Tanzania	MP
8	Hon. H. Shekifu	RC Manyara	PO RALG-MANYARA
9	Hon. Col Anatoli Tarimo	RC Mtwara	PO RALG- MTWARA
10	Hon. Mr. Henry M. Tarimo	RC Mtwara	PO RALG- MTWARA
11	Mr. H. Kattanga	RAS- Singida	PO RALG- SINGIDA
12	Mr. Michael S. Mwanda	Permanent Secretary	State House
13	Mr. Gray S. Mgonja	Permanent Secretary	Ministry of Finance & Economic Affairs
14	Mrs. Ruth H. Mollel	Permanent Secretary	Vice President
15	Mr. George D. Yambesi	Permanent Secretary	Public Service Management
16	Mrs. Tarishi M.K.	Permanent Secretary	PMO-RALG
17	Mr. Patrick Rutabanzibwa	Permanent Secretary	MoWI
18	Mr. Paniel M. Lyimo	Permanent Secretary	Agriculture
19	Mr. Charles Nyamrunda	Permanent Secretary	Ministry of Livestock & Fisheries
20	Mr. Arthur G.K. Mwakapugi	Permanent Secretary	Ministry of Energy & Minerals
21	Mr. Mohamed Said Muya	Permanent Secretary	Ministry of Home Affairs
22	Mr. Eng. Omar A. Chambo	Permanent Secretary	Ministry of Infrastructure Dev
23	Mr. Hamis O. Dihenga	Permanent Secretary	Ministry of Education & Vocational Training
24	Amb. Charles K. Mutalemwa	Permanent Secretary	Planning Comm.
25	Mr. Leoni G. Msimbe	Ag. Permanent Secretary	Ministry of Community Dev.
26	Mr. Albert Msangi	Ag. Permanent Sec.	Ministry of Lands
27	Mr. Kamamba D.M.K.	Ag. Permanent Sec.	Ministry of Natural Resources
28	Mr. Andrew S. Nyumayo	Ag. Permanent Sec	Prime Minister
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Annex 11 – Road Map for MKUKUTA/MKUZA Review

1.0. Introduction

This road map for the review of MKUKUTA indicates the general direction of the MKUKUTA review process and the Government commitment to the review. It briefly echoes on the rationale for the review sets out the key milestones, phases for review and eventually production of MKUKUTA version II. The main intention of this road map in addition to the above is to mobilize all stakeholders and give space for voice their involvement in the process.

It is envisaged that the review will be undertaken jointly and in collaboration with Zanzibar – MKUZA. The harmonization with Zanzibar is important in order to ensure that from the beginning, efforts undertaken in URT also encompass Zanzibar, for example, TSMP, etc; and the period for the new MKUKUTA/MKUZA harmonized and aligned to the MDGs and political cycles in the United Republic of Tanzania.

The MKUKUTA review is dictated by several factors including issues of timelines, the emerging global challenges, progress on achievements of targets for Vision 2025, MDGs and MKUKUTA, and challenges emanating from the design or inadequacies in the implementation instruments. These issues are explored in more details under the rationale section of this road map. Key steps and timing of events, key milestones, organization and resources are other key elements of this road map.

2.0. Rationale

The need for the review is due to several factors including the following>

The fact that, the period for implementing MKUKUTA and MKUZA 2005 – June 2010 is close to an end, the review is also imperative because the interventions, set out were consistent with targets set within the implementation period. The government accords high priority to the review to enable an assessment and setting of new targets for the second round of MKUKUTA. Therefore, needs ample time for stakeholders to reflect on what has been achieved, challenges, moving for ward 2010 – 2015 and targets set accordingly.

After three years of implementation some weaknesses in the design of MKUKUTA have emerged, for example, population dynamics, human resource development, specific capacity development interventions and participation of communities were not adequately articulated in the framework or understood during the implementation. In addition, it is now clear that the results-orientation of MKUKUTA is not yet fully understood by the key implementers of it. The challenges of matching resources and priorities in MKUKUTA outcomes are vivid.

The experience gained during the implementation of MKUKUTA and MKUZA has generated very useful lessons – for example, in the MAIR (reports) it is possible to identify what is working and what is not working. Also, revisiting of chapter 5 of MKUKUTA shows what was envisaged in terms of implementation but has not been done or has been partially done leading to implementation inadequacies.

Several analytic works have been undertaken during the implementation of MKUKUTA and MKUZA. Some of these include PHDRs (2002, 2003, 2005, 2007, 2009 expected), HBS 2007, Views of the People 2007, MDGRs (2005, 2006, 2008), sectoral reports, etc. Not all the recommendations from these analytic reports have been adequately synthesized to find their way into revision of sector strategies, programmes, projects and implementation of MKUKUTA.

The emerging global challenges: – food crisis with rising population, the climate change, global financial melting down (crisis), which has made the global economy less robust leading to rising unemployment due to job loss, people's welfare badly affected and credit crunch arising because investor's confidence is eroded. This makes the analysis of global environment necessary and critical to inform the medium-term development strategy for any country and Tanzania in particular.

3.0. Guiding Principles of the Review:

The review process will observe some principles that will guide over all management, consultation and drafting with a view to ensuring integrity of process. The purpose is to undertake a review that will produce a credible strategy well understood and reflects realistic national interests and priorities. The principles are as follows:

National ownership: The review is one of the vehicles for scaling up national ownership of development process under the JAST principles. Thus, the review should be nationally owned and driven by country interests and agenda such that government ownership should not be equated to country written. In that sprit, government will foster country ownership through participatory consultations by making it inclusive.

Local partnerships: The review will enhance the space for local stakeholders, including citizens, communities, civil society and the private sector in policy dialogue, implementation review and evaluation of the impact of development initiatives.

4.0. When will the review start and end?

Stakeholders require that information on the review and consultations milestones are shared, and the mechanisms on how they will participate are elaborated. However, for now, what is provided below indicates broad time lines for the review milestones. It is planned that, the review effectively starts from January 2009, run throughout to March 2010. The timing of outputs considers key national events such as the budgeting process: budget guidelines/MTEF and the MKUKUTA/PER annual review and sector reviews.

A. Preparatory Phase: January – February 2009:

During this phase, the following key tasks will be done to set stage for the subsequent tasks and processes.

i. Internal consultation:

Government consults internally in order to build consensus within the government in terms of scope, issues and organisation of the review. Consultation will also include Tanzania Zanzibar.

ii. Developing Concept note

The concept note sets out all key broad elements for the review including building the case and the context under which the review takes place. it will broadly define the scope, focus of the review and set mechanism for managing the review successfully.

iii. Develop Review Guidelines:

The review guidelines highlights more specifically and systematically on the following elements of the review: Issues; Process for the review; Scope; stakeholders to be involved, review approaches and resource needs and its associated costs.

B. Assessment Phase: March – August 2009:

The assessment phase covers consultation and analytical studies including reviewing existing analytical works. This stage intends to gather existing and new evidence and views of the people to inform the production of the strategy "MKUKUTA II"

C. Drafting and Dialogue Phase: September - October 2009:

This is the first round of drafting, done based on the results of the assessment phse: analytical information and information from the voices of the various groups in the community.

D. Second round consultation: November – December 2009

This is the consultation based on the feedback provided to draft one. Feedback may be provided during the PER/MKUKUTA annual reviews and other consultative platform. At this stage, the "MKUKUTA II" draft feeds into the budget guidelines for the subsequent financial year budgeting process.

E. Approval Phase: January – March 2010:

During this phase, the drafting work is at final stages, galvanizing ideas and issues emerging from consultations in particular the cabinet secretariat, Inter-Ministerial Technical Committee (IMTC) and the Cabinet. Planning for printing and wider dissemination of the document is done during this phase too.

F. Aligning SP and MTEF/Budget with MKUKUTA II Phase April –May 2010:

This is the period when MDAs and LGAs are preparing their MTEFs and budgets. Thus, it is at this stage MDA and LGAs do their budgeting based on the approved "MKUKUTA II: This is the phase whereby, alignment and linking "MKUKUTA II" with institutional plans and budget is undertaken..

5.0. What are the expected key outputs?

Two types of outputs are expected to be produced:- process and final outputs. The process outputs are those that facilitate the production of the final ones. These process and substantive outputs are listed from i to ii below:

i. Concept note that contains key issues and guidance on the process and substantive – to inform the guiding document;
ii. Guiding document, which will contain time lines, activities, expected outputs, and budgets;
iii. Specific Terms of References for the process and analytic or research work;
iv. Terms of reference for developing several drafts leading to the final new MKUKUTA and MKUZA.
v. Studies and consultation Reports
vi. "MKUKUTA II"

6.0. Organization and Participation:

The review process will be organized in such a manner that it is consultative and inclusive at all stages. Participation of stakeholders at various stages will take into consideration the requirement and comparative position in the specific areas. The review process will also take into consideration issues for and time of the revision of Country Assistance Strategies.

Annex 12- Performance Assessment Framework (PAF) 2009

	Area/underlying process	Temporary Process Actions	Outcome Indicator(s)	Baseline (2005 unless otherwise indicated)	Results reported in AR 2007	Results reported in AR 2008	Target 2009 (Data from 2008 or 2008/09)	Target 2010 (Data from 2009 or 2009/10)	Target 2011 (Data from 2010 or 2010/11)	MKUKUTA target	Data Source
		Total TPAs: 25	**Total Outcome indicators: 37**								
	Assessment of development partners performance (Predictability of Direct Budget Support)		Deviation of actual disbursed budget support from the forecast provided by budget support partners at least six weeks after receiving the report from the annual review of budget support			<5%	<5%	<5%	<5%		
			Quarterly disbursement estimates have been agreed with donors before the beginning of the fiscal year			Yes	No	Yes	Yes		
			Actual quarterly disbursement delays (weighted) (see footnote 1)			<25%	<25%	<25%	<25%		
	Anti-corruption	Continued implementation of the EPA action plan including (i) the BoT corporate plan that supports the refocusing of the BoT on its core activities and (ii) agreement between the MoF and the BoT on the management of any remaining EPA claims by September 2009									

Cluster I	Area/underlying process	Temporary Process Actions	Outcome Indicator(s)	Baseline (2005 unless otherwise indicated)	Results reported in AR 2007	Results reported in AR 2008	Target 2009 (Data from 2008 or 2008/09)	Target 2010 (Data from 2009 or 2009/10)	Target 2011 (Data from 2010 or 2010/11)	MKUKUTA target	Data Source
	Annual National Panel Survey (NPS) Stakeholder Review	Tanzania Statistical Master Plan (TSMP) approved by Cabinet by May 2009	Income Poverty rate for mainland and Zanzibar (geographically disaggregated)	To be agreed for PAF 2010 on the basis of NPS baseline							NBS
	Energy sector review	Strengthening Tanesco's revenue collection to meet full operational cost recovery by October 2009	Total electricity generation capacity and utilization, MW %	889 MW 62%	1062 MW 75%	1046 MW 75%	1091 MW 79%	1091MW 79%	1091MW 85%		TANESCO
			% of population with access to electricity	8.2%	10.6%	9.8%	10.9%	11. 9%	12.9%	20%	TANESCO
	Transport sector review	Draft bill and regulatory framework for Private-Public Partnership submitted to Parliament by October 09.	% of trunk and regional roads network in good and fair condition	82%	79%	90%	92%	95%	95%		TANROADS
		Government improves port congestion situation by three key measures by June 2009: i)Tanzania Ports Authority presents a time-bound action plan for moving to Landlord Status; ii) TPA to submit a solid proposal to SUMATRA to approve increase in port storage tariffs and reduction in free time; and iii) GoT establish own area for impounded containers	% of rural roads that are passable (good and fair)	50%	55%	57%	60%	65%	70%	75%	PMORALG
			Time taken for a container from off-loading until clearing from port (import data)	20.1 days	19.8 days	22.6 days	18 days	15 days	12 days	12 days	TPA

	Area/underlying process	Temporary Process Actions	Outcome Indicator(s)	Baseline (2005 unless otherwise indicated)	Results reported in AR 2007	Results reported in AR 2008	Target 2009 (Data from 2008 or 2008/09)	Target 2010 (Data from 2009 or 2009/10)	Target 2011 (Data from 2010 or 2010/11)	MKUKUTA target	Data Source
	Agriculture sector review	Irrigation policy formulated and approved by October 2009	Hectares of Land under irrigation	249,992	273,945	289,245	316,745	340,445	370,445		MAFS
		Update FIAS study paying particular attention to regulations and local taxes affecting agriculture by June 2009 and undertake consultations and agree to an action plan by October 2009 based on the findings and recommendations of the study	Annual agriculture GDP growth %	4.3%	4.1%	4.0%	6.8%	7%	10%	10%	MAFS
	BEST	By October 2009, the Investment and Private Sector Development Department in Prime Minister's Office: i) has mainstreamed Regulatory Impact Assessments in Government Systems, ii) effectively advises Government on the impact on business of proposed policies and legislation, and iii) proposes new measures to improve the business environment	Enabling environment for private sector led growth improved as reflected in "Doing Business" ranking	150 (Doing Business (DB) 2006)	124 (DB 2008 as recalculated in DB 2009)	127 (DB 2009)	120 (DB 2010)	110 (DB 2011)	99 (DB 2011)		From World Bank's Doing Business Reports
		Completion of land registry, and land information assessment study; and agreement on an action plan to implement studies recommendations in order to improve land records management and to speed up land registration by October 2009	The number of days taken by the Commissioner of Lands to approve a transfer of a Certificate of Rights of Occupancy and the Lands Registry to register the transfer reduced from 28 to 14 by 2010	28 (2007)			24	19	14		MoLS
	Tax Modernisation Programme										

	Area/underlying process	Temporary Process Actions	Outcome Indicator(s)	Baseline (2005 unless otherwise indicated)	Results reported in AR 2007	Results reported in AR 2008	Target 2009 (Data from 2008 or 2008/09)	Target 2010 (Data from 2009 or 2009/10)	Target 2011 (Data from 2010 or 2010/11)	MKUKUTA target	Data Source
	Financial Sector Support Programme										
	Natural resources	Approve and initiate implementation of an action plan to improve accountability and transparency in managing natural resource licenses and concessions, if any, by end of October 2009.	Total value of revenue received from concessions and licenses (if any) for forestry, fishing, wildlife and minerals (Tsh billion) (see footnote 2)	**Forestry & beekeeping** TSh 21.6 (2007/08), **Fisheries** Tsh 2.2 (2005/06), **Wildlife** TSh 11.6 (2007/08), **Minerals** USD 60 million (2007/08)			**Forestry & beekeeping** TSh 23.7 **Fisheries** Tsh 8.0 **Wildlife** TSh 29.2 **Minerals** Tsh 45.5 **Oil & Gas** Tsh 14.7	**Forestry & beekeeping** TSh 24.5 **Fisheries** Tsh 8.5 **Wildlife** Tsh26.5 **Minerals** Tsh 47.8 **Oil & Gas** Tsh 15.6	**Forestry & beekeeping** Tsh 30.0 **Fisheries** 8.9 **Wildlife** TSh 32.0 **Minerals** Tsh 50.5 **Oil & Gas** Tsh 17.0		MNRT
		Total: 9	Total: 10								
Cluster II											
	Education Sector Review	Establish Gender disaggregated data for percentage of cohorts completing standard VII, O-Level and A-Level, as well as for gross enrolment (and total enrolment) in higher education by June 2009	Percentage of cohort completing Standard VII (see footnote 3)	66.9%	72.0%	65.0%	69.0%	71.0%	72.0%	90% (primary)	MoEVT
		PETS carried out for primary and secondary education, according to the agreed TOR, with a first draft provided by August 2009.	Percentage of cohort completing Ordinary - Level Secondary Education (Form IV) (see footnote 3)	87.3%	93.5%	94.4%	86%	87%	88%	n/a	MoEVT

	Area/underlying process	Temporary Process Actions	Outcome Indicator(s)	Baseline (2005 unless otherwise indicated)	Results reported in AR 2007	Results reported in AR 2008	Target 2009 (Data from 2008 or 2008/09)	Target 2010 (Data from 2009 or 2009/10)	Target 2011 (Data from 2010 or 2010/11)	MKUKUTA target	Data Source
			Percentage of cohort completing Advanced - Level Secondary Education (Form VI) (see footnote 3)	98.2%	93.4%	73.2%	95%	96%	97%		MoEVT
			Transition Rate from Standard VII to Form I Gender Disaggregated (see footnote 3)	Average 36.1% Boys 36.6% Girls 35.6%	Average 67.5% Boys 69.8% Girls 65.1%	Average 56.7% Boys 63.5% Girls 49.6%	49%	50%	55%	50%	MoEVT
			Gross enrolment (Total Enrolment) in Higher Education (see footnote 3)	0.27% (Total 55,134)	1.22% (Total 75,346)	1.23% (Total 82,428)	1.60%	2.80%	3.60%	2%	MoEVT
			Qualified Teacher/Pupil Ratio in Primary Schools (see footnote 3)	1:73	1:73	1:63	1:63	1:62	1:60	n/a	MoEVT
			Qualified Teacher/Pupil Ratio in Secondary Schools (see footnote 3)	1:51	1:54	1:51	1:48	1:46	1:45	n/a	MoEVT
	Health Sector Review (Health sector outcome indicators will be revised for PAF 2010 following reporting system review in 2009, including the regional disaggregation where possible)		Sustaining the high proportion (equal to or above 85%) of children that receive three doses of vaccine against diphtheria, pertussis (whopping cough), tetanus, and Hepatitis B under two years.	81%	87%	85%	85%	85%	85%	85%	MoHSW
			Proportion of births taking place at health facilities as a proxy of births attended by skilled Health Workers	41%	46%	51%	60%	65%	To be included in PAF 2010		MoHSW

	Area/underlying process	Temporary Process Actions	Outcome Indicator(s)	Baseline (2005 unless otherwise indicated)	Results reported in AR 2007	Results reported in AR 2008	Target 2009 (Data from 2008 or 2008/09)	Target 2010 (Data from 2009 or 2009/10)	Target 2011 (Data from 2010 or 2010/11)	MKUKUTA target	Data Source
			Sustaining the high (80%) Tuberculosis completion treatment rate	82.6%	80.0%	84.8%	80%	80%	80%	80%	MoHSW
			Number of people with advanced HIV infection receiving Anti-Retro Viral combination therapy, gender disaggregated	**Total 20,588** Male 7,466 Female 13,122	**Total 69,250** Male 25,074 Female 44,176	**Total 193,978** Male 62,861 Female 114,897	250,000	350,000	440,000		TACAIDS
	Water sector review	MoWI will conduct a full review of the monitoring framework and systems to ensure consistency of definitions and accuracy of data (including data on sanitation, water resources management and water supply services) by September 2009.	Percentage of the population that has access to clean and safe water from a piped or protected source (Rural/urban)	53%/73%	55.7%/78%	57.1%/79.9%	61.9%/85%	65%/90%	65%/90%	65%/90%	MoWI
	Environment		Amount of collected waste in tonnes per day in the three municipalities of Dar Es Salaam	900	1,400	1,690	1,840	2,030	2,200		DSM City Council
			Number of Districts allocating budget to EMA implementation	0		11	50	80	133		PMO-RALG
		Total: 3	Total: 14								

Cluster III	Area/underlying process	Temporary Process Actions	Outcome Indicator(s)	Baseline (2005 unless otherwise indicated)	Results reported in AR 2007	Results reported in AR 2008	Target 2009 (Data from 2008 or 2008/09)	Target 2010 (Data from 2009 or 2009/10)	Target 2011 (Data from 2010 or 2010/11)	MKUKUTA target	Data Source
	Anti-corruption (incl. NACSAP and agreed anti-corruption reporting frameworks)	PCCB Strategic plan 2009-13 to be made public and PCCB to finalise National Governance and corruption Survey by July 2009.									
		GOT to maintain efforts to fight corruption at all levels, including the conclusion of grand corruption investigations.									
	Public Service Management Reform Programme	GoT approves Medium-Term Pay Policy and Targets by June 2009									
		In response to Medium-Term Pay Policy the inter-ministerial task force (including PO-PSM, MoFEA, PMO-RALG, MoHSW, MoEVT) has drafted 1) a comprehensive roadmap that provide incentives for frontline workers in underserved areas through central and local levels, and 2) measures limiting additional recruits to better served areas, by October 2009									
	Local Government Reform Programme	Performance Assessment Framework developed and agreed by end of June 2009 and used in the sector review for local government reform in October 2009	Percentage of total government budget allocated directly to LGAs, which does not go through ministerial votes and is calculated on a formula basis	16.1%	19.7%	17.0%	23%	25%	25%		MoFEA

	Area/underlying process	Temporary Process Actions	Outcome Indicator(s)	Baseline (2005 unless otherwise indicated)	Results reported in AR 2007	Results reported in AR 2008	Target 2009 (Data from 2008 or 2008/09)	Target 2010 (Data from 2009 or 2009/10)	Target 2011 (Data from 2010 or 2010/11)	MKUKUTA target	Data Source
	Legal sector reform programme	The legal sector M & E System is revised through updating the Performance Measurement Framework, approved by the Joint Programme Implementation Review Committee, and operationalized through collection of data for at least one outcome indicator per key results area	Percentage of court cases outstanding for 2 years or more	70%			60%	50%	40%		
	Accountable governance (incl. Parliament and domestic stakeholder consultations)	Key documents related to budget process (budget guidelines, MTEFs, quarterly execution reports, annual implementation and audit reports) continue to be made publicly available (including on Government websites) in a timely and systematic manner by October 2009	Percentage of Citizens' requests for information that were met by Government	37% (2004)	43.3%	49.6%	55.9%	62.2%	68.5%		
		Baseline information collected by PMO-RALG on the number of public hearings each Local Council have per financial year and establishment of annual targets by October 2009									
		Total: 8	Total: 3								

Cluster IV	Area/underlying process	Temporary Process Actions	Outcome Indicator(s)	Baseline (2005 unless otherwise indicated)	Results reported in AR 2007	Results reported in AR 2008	Target 2009 (Data from 2008 or 2008/09)	Target 2010 (Data from 2009 or 2009/10)	Target 2011 (Data from 2010 or 2010/11)	MKUKUTA target	Data Source
	Public Financial Management	Implementation of fast-track IFMS actions by Accountant Generals' Department, pending the completion by September 2009 of a full action plan following the NAO report	NAO reaches level 3 of Afrosai capability model by 2010		Audit manual which is in line with INTOSAI prepared	The Public Audit Act was enacted on June 11	1) Completion of the consultancy on the introduction of risk based audit in MDAs, LGAs and public authorities. 2) Commissioning of an independent quality assurance reviewer.	1) Adoption of risk based auditing in MDAs, LGAs and public authorities 2) Implementation of the main recommendations from the independent quality assurance review			NAO
		Procurement Management Units (PMU's) established in all procuring entities (PE's) and full operationalization of scheme of service for procurement cadre by 2010. By March 2009: Code of Conduct and Professional Standards for the Procurement and Supplies Professional issued.	Average level of compliance of procuring entities with the Procurement Act 2004 to reach 80% by 2010	39% (2006/2007)	39%	43%	55%	65%	80%	80%	PPRA
		Implement new GFS economic and functional classification by June 2009	Credible cash flow and procurement plans in four MDAs (health, education, transport and PMO-RALG) agreed with MoFEA for the FY 09/10 budget and execution monitored.				Monitoring reports of quarterly cash flow releases in Q3 and Q4 issued to improve releases against credible cash flow plans				
		Presentation to Parliament of amendments to Public Procurement Act to increase autonomy of PPRA , and power to enforce procurement by February 2009.									

	Area/underlying process	Temporary Process Actions	Outcome Indicator(s)	Baseline (2005 unless otherwise indicated)	Results reported in AR 2007	Results reported in AR 2008	Target 2009 (Data from 2008 or 2008/09)	Target 2010 (Data from 2009 or 2009/10)	Target 2011 (Data from 2010 or 2010/11)	MKUKUTA target	Data Source
	Annual audit cycle (see footnote 4)										
	MKUKUTA II process		Approved budget broadly in line with policy objectives measured by percentage of total resources net of debt service allocated to MKUKUTA interventions	68 (2007/08)			68	68	68		MoFEA
	Budget and macroeconomic Stability		Expenditure outturns deviation compared to original approved budget (recurrent and development - MDA only- vote level), mainland and Zanzibar (see footnote 5)	18.0%	16.0%	16.7%	14.5%	12.3%	10.1%		MoFEA
			Fiscal Deficit (after grants) as % of GDP consistent with PSI targets	6%	5%	3.6%	4.4%	3.8 %	3.6%	3.0%	MoFEA
			Inflation rate consistent with PSI targets	4.5	6.3	9.3	7.0	5.0	5.0	4.0	MoFEA
		Total: 4	Total: 7								

(1) To be assessed on the basis of the quarterly distribution of actual budget support inflows compared to the distribution according to the agreed quarterly disbursement plan

(2) Estimates of the market value for licenses and concessions to be available by September 2009 to include ratio of revenues received to market value in PAF2010

(3) Definitions of education indicators are available

(4) Annual audit cycle consist of CAG reports within 9 months from end of financial year and PMG's structured response as in the Public Audit Bill

(5) Baseline and targets for Zanzibar will be added in March 2009