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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT

FOR A PROPOSED CREDIT

IN THE AMOUNT EQUIVALENT TO US\$ 100 MILLION
(SDR 71.1 MILLION)

TO THE

UNITED REPUBLIC OF TANZANIA

FOR A FIRST
OPEN GOVERNMENT AND PUBLIC FINANCIAL MANAGEMENT
DEVELOPMENT POLICY OPERATION

April 10, 2015

Governance Practice, GGODR
Eastern Africa Country Cluster 1, AFCE1
Africa Region

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TANZANIA - GOVERNMENT FISCAL YEAR

July 1 – June 30

CURRENCY EQUIVALENTS

Exchange Rate Effective as of February 28, 2015

Currency Unit	Tanzania Shilling (TSh)
US\$1.00	TSh 1,848.90
Currency Unit	Special Drawing Right (SDR)
US\$1.00	SDR 0.71054

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AMP	Aid Management Platform
ATI	Access to Information
BEST	Basic Education Statistics
BoT	Bank of Tanzania
BRN	Big Results Now initiative
BS	Budget Support
CAG	Controller and Auditor General
CAS	Country Assistance Strategy
CAS-PR	Country Assistance Strategy Progress Report
CC	Ceiling Committee
CEM	Country Economic Memorandum
CPI	Consumer Price Index
CPIA	Country Policy and Institutional Assessment
CSEE	Certificate of Secondary Education Examination
CSO(s)	Civil Society Organization(s)
DFD	Demand for Open Data
DFGG	Demand for Good Governance
DfID	Department for International Development (United Kingdom)
DPO(s)	Development Policy Operation(s)
DPP	Department of Public Prosecution
DPs	Development Partners
DRC	Democratic Republic of Congo
DSA	Debt Sustainability Analysis
EAC	East African Community
EFT	Electronic Fund Transfer
EITI	Extractive Industries Transparency Initiative
FA	Financing Agreement
FDI	Foreign Direct Investment

FY	Fiscal Year
FYDP	Five Year Development Plan
GBP	Great British Pound Sterling
GDP	Gross Domestic Product
GIS	Geographical Information Systems
GoT	Government of Tanzania
GPSA	Government Procurement Services Agency
GRS	Grievance Redress Service
HSSP	Health Sector Strategic Plan
IAG	Internal Auditor General
ICT	Information and Communication Technologies
IDA	International Development Association
IFGF	Inter-Governmental Funds Flow study
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPTL	Independent Power Tanzania Limited
LGAs	Local Government Authorities
LNG	Liquefied Natural Gas
LTPP	Long-Term Perspective Plan
MCLA	Ministry of Constitution and Legal Affairs
MDAs	Ministries, Departments, and Agencies
MDGs	Millennium Development Goals
MIYCS	Ministry of Information, Youth, Culture and Sports
MKUKUTA	<i>Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania</i>
MKUZA	Zanzibar Strategy for Growth and Reduction of Poverty
MMAM	Primary Health Sector Development Program
MoEVT	Ministry of Education and Vocational Training
MOF	Ministry of Finance
MoW	Ministry of Water
MP	Member of Parliament
MSD	Medical Stores Department
NBS	National Bureau of Statistics
NECTA	National Examination Council of Tanzania
NEMC	National Environmental Management Council
NKRA	National Key Result Areas
NTD	Non-Technical Drivers of PFM study
OC	Other Charges
OD	Open Data
ODRA	Open Data Readiness Assessment
OGP	Open Government Partnership initiative
OGPFM	Open Government and Public Financial Management
PA&OBs	Public Authorities and Other Bodies
PAC	Public Accounts Committee

PAF	Performance Assessment Framework
PB	Participatory Budgeting
PBB	Program Based Budgeting
PCCB	Prevention and Combating of Corruption Bureau
PDB	President's Delivery Bureau
PDO(s)	Program Development Objective(s)
PE	Procuring Entities
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFM	Public Financial Management
PFMRP IV	Public Financial Management Reform Program (fourth in series)
PIM	Public Investment Management
PIP	Public Investment Program
PMO RALG	Prime Minister's Office Regional Administration and Local Government
PMU	Project Management Unit
POPC	President's Office – Planning Commission
PPA	Public Procurement Act
PPAA	Public Procurement Appeals Authority
PPD	Procurement Policy Division
PPP(s)	Public Private Partnership(s)
PPRA	Public Procurement Regulatory Authority
PRBS	Poverty Reduction Budget Support
PRSCs	Poverty Reduction Support Credit(s)
PSI	Policy Support Instrument
PSLE	Primary School Leaving Examination
PSPF	Public Service Pension Fund
PSPTB	Procurement and Supplies Professional and Technical Bureau
RBA	Rapid Budgetary Analysis
RCIP	Regional Communication Infrastructure Support Program
REPOA	Research on Poverty Alleviation
RS	Regional Secretariats
RW	Reallocation Warrants Assessment
SADC	Southern African Development Community
SCF	Standby Credit Facility
SIDA	Swedish International Development Agency
SOGDAT	Support to Open Government, Data, and Accountability in Tanzania
SORT	Systematic Risk Assessment Tool
StAR	Stolen Assets Recovery initiative
STATCAP	Statistics Capacity Building Project
TA	Technical Assistance
TANESCO	Tanzania Electricity Supply Company

TDV	Tanzania Development Vision
TISS	Tanzania Inter-bank Settlement Scheme
TRA	Tanzania Revenue Authority
TSA	Treasury Single Account
TSH	Tanzanian Shilling
USAID	United States Agency for International Development
USD	United States Dollar
VAT	Value Added Tax
WBG	World Bank Group
WPMS	Water Point Mapping System
WSDP	Water Sector Development Program
WSSP	Water Sector Support Project

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UNITED REPUBLIC OF TANZANIA
OPEN GOVERNMENT AND PUBLIC FINANCIAL MANAGEMENT
DEVELOPMENT POLICY CREDIT

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SUMMARY OF PROPOSED CREDIT AND PROGRAM
UNITED REPUBLIC OF TANZANIA
OPEN GOVERNMENT AND PUBLIC FINANCIAL MANAGEMENT
DEVELOPMENT POLICY OPERATION

Borrower	United Republic of Tanzania
Implementing Agency	Ministry of Finance
Financing Data	SDR 71.1 million (US\$100 million equivalent) IDA Credit on standard IDA terms: 38-year maturity with a 6-year grace period and straight line amortization.
Operation Type	Programmatic (1 st of 3). Single Tranche.
Pillars of the Operation and Program Development Objective(s) (PDOs)	<p>The Program Development Objective (PDO) of the series is to support the Government to establish open data in order to increase access and use of service delivery information as well as to improve budget credibility and execution.</p> <p>The PDO is supported by two pillars: (i) Open Government Partnership - Support Tanzania's commitment to promote access to information, open budget, and open data in Education, Water, and Health; and (ii) Public Financial Management - Improve budget credibility and execution through better cash management, public investment management, and procurement.</p>
Result Indicators	<p><u>Pillar 1 Indicators:</u> Open Government Partnership:</p> <ul style="list-style-type: none"> • Percentage of Access to Information requests granted as a share of total requests; • Dashboards with data and performance information for the Education, Water, and Health sectors, including a citizen feedback mechanism, are fully functional and available on the government open data portal; • Increased downloads of budget and expenditure data; • Number of information intermediaries that use open data. <p><u>Pillar 2 Indicators:</u> Public Financial Management:</p> <ul style="list-style-type: none"> • Stock of arrears of expenditure payments as a percentage of GDP at end of fiscal year; • Average annual under-collection of revenue and grants, as the difference between actual and estimated revenues as reported in the final Budget Execution Report; • Variance in expenditure composition in the last three years excluding contingent items; • Percent of annual expenditure by regional MDAs paid through TISS and EFT; • Number of pilot MDAs whose budget is presented, discussed, and appropriated by Parliament at the program level; • Percent of the new public investment projects selected for financing based on the PIM manual as a percentage of total new public investment projects in the same year. • Average percentage of procurement entities that comply with PPA 2011 as per PPRA annual evaluation report; • Number of goods procurement contracts undertaken annually using e-Procurement in Medical Store Department and the Government Procurement Services Agency.
Overall risk rating	Moderate
Climate and disaster risks	<p>Are there short and long term climate and disaster risks relevant to the operation (as identified as part of the SORT environmental and social risk rating)? Yes No X</p> <p>If yes, (ii) summarize briefly these risks in the risk section and what resilience measures may help address them?</p>
Operation ID	P133798

I. INTRODUCTION AND COUNTRY CONTEXT

1. For over two decades, Tanzania has witnessed strong and stable economic growth that has started to translate into poverty reduction in recent years. After a long period of stagnation, poverty declined to 28.2 percent in 2011/12 from 34.3 percent in 2007, while extreme poverty declined to 9.8 percent, two percentage points lower than in 2007.¹ The pace of poverty reduction has accelerated in recent years due to rapid urbanization and better access to services and asset ownership, including in rural areas². However, poverty remains widespread as there are still approximately 12 million households living under the national poverty level—about the same level as in 2001—and almost half of the population is still below the well-accepted international poverty line of US\$1.25 per day. A large proportion of the population is, therefore, vulnerable and at risk of falling back into poverty. Also, the inequality gap between urban and rural populations is widening mostly due to fewer employment opportunities, limited access to services, and unsatisfactory service delivery outcomes in rural areas. Overall progress towards Millennium Development Goals (MDGs) has been slow and Tanzania is unlikely to meet four out of seven of the MDGs by 2015. The country falls short of universal completion of primary school, and maternal mortality and the number of households without access to safe water are higher now than they were in 1990.

2. Key service delivery indicators and citizen satisfaction with public services have been deteriorating, and trust in public institutions seems to be eroding³. This illustrates persistent challenges in the effectiveness of Tanzania's development policies as well as underlying governance issues. Limited voice and participation in the design of public policies and insufficient accountability for their implementation are considered important constraints. These issues are compounded by a weak accountability framework and insufficient checks and balances, which undermine the quality of institutions and the delivery of public services.

3. Despite some improvements over time, a number of Public Financial Management weaknesses also impede service delivery, including issues related to cash management, public investment management, and procurement. Cash management is hampered by several factors such as unreliable budgets and cash flow forecasts, under collection of domestic revenue and grants, ineffective commitment controls, growing expenditure arrears, an ineffective Treasury Single Account (TSA) modality, and multiple budget reallocations during the fiscal year. As for public investment management, there is no systematic central mechanism to evaluate, select, and guide the translation of plans into strategic, prioritized public investments and no common standard approach to preparing, presenting, and analyzing the value of public investments. This is further compounded by weak capacity for preparing and implementing projects at the central, sectoral, and local levels. Finally, procurement processes continue to be cumbersome and compliance with the law and regulations is a major area of concern.

4. Given these challenges, on both the supply and demand side of service delivery, the GoT has recognized that 'business as usual' will not deliver the change required to improve service delivery and alleviate poverty. This has prompted the Government to promote increased

¹ Tanzania, Household Budget Survey, 2014.

² Asset ownership including items such as mobile phones, radio and television sets has increased.

³ Afrobarometer (2012) and Citizens Making Things Happen, TWaweza Brief No. 15, September 2014.

transparency and participation by joining the Open Government Partnership (OGP). The OGP is a multilateral initiative that aims to secure concrete commitments from governments to promote transparency, empower citizens, fight corruption, and harness new technologies to strengthen governance.

5. In addition to joining the OGP initiative, the Government has adopted a new results delivery model, known in Tanzania as “Big Results Now!” (BRN). This new initiative places a strong focus on results, with accountability and performance management at the core of implementation, and is focused on eight priority sectors, including Education, Health, and Rural Water. The objective of BRN is to ensure Government plans and programs are implemented on time with a focus on the citizens’ needs, and that the latter participate in monitoring progress and providing feedback on the successes and setbacks. The BRN initiative also re-affirmed the Government’s commitment to improve public financial management. Effective, efficient, and economic service delivery is contingent on good practices and systems that will successfully integrate several basic elements—credible plans and budgets, predictable financing, human resources, infrastructure, equipment, processes, technology and information—while the governance structures provide incentives and accountability for service providers to be more transparent and perform better. Both the BRN and OGP, championed by the top leadership of Government, represent a change in the way the authorities plan to engage citizens, deliver services, and advance the nation’s development in accordance with the 2025 Tanzania Development Vision.

6. In order to support OGP objectives and BRN priorities, Tanzania has recognized that access to Open Data⁴ is a critical prerequisite for improving participation and monitoring of Government activities. In May 2013, Tanzania conducted an Open Data Readiness Assessment (ODRA), with the World Bank’s support, and identified an action plan aimed at addressing seven dimensions of Open Data, including an assessment of the policy and legal framework, data use and sharing within Government and with citizens, and the demand for data and the cost of accessing it. This assessment found that Tanzania was still lagging behind its East Africa neighbors in open online data provision and outlined key opportunities to support the goals embodied in the BRN initiative⁵.

7. Likewise, in order to address weaknesses in public financial management, Tanzania launched the fourth phase of the Public Financial Management Reform Program (PFMRP IV) in 2013. This phase aims to build institutional capacity across levels of Government in budget planning and execution, cash management, and oversight functions in order to enhance an efficient allocation and use of public resources for key social sectors in the short-term. In the long term, as the country anticipates a large revenue windfall from natural gas—possibly within a decade—developing public investment planning and execution capacity will be essential to ensure dividends from the exploitation of natural resources are translated into sustainable development programs.

8. Against this background, the Open Government and Public Financial Management (OGPFM) Development Policy Credit was designed to support Tanzania’s current efforts to

⁴ The term “Open Data” refers to data provided free and with open access to public that is technically and legally open and reusable. (See <http://opendatahandbook.org/en/what-is-open-data/> for reference).

⁵ GoT, Open Data Readiness Assessment, 2013.

bolster delivery of public goods and services through a combination of demand and supply-side governance reforms.⁶ Building on the World Bank’s long-standing engagement with public administration reforms through the PRSC series, multi-donor PFM platform, and sector development programs, the OGPFM series proposes an innovative approach that will balance traditional PFM reforms with a new focus on Open Data and transparency based on Tanzania’s commitment to the OGP and BRN initiatives.

9. The proposed OGPFM I Credit in the amount of US\$ 100 million equivalent is the first in a programmatic series of three operations. The Project Development Objective (PDO) of the series is to support the Government to establish open data in order to increase access and use of service delivery information as well as to improve budget credibility and execution. This PDO is supported by two pillars: (i) Open Government Partnership - Support Tanzania’s commitment to promote access to information, open budget, and open data in Education, Water, and Health; and (ii) Public Financial Management - Improve budget credibility and execution through better cash management, public investment management, and procurement. Since successful implementation will require time, assistance, and flexibility, this series represents a programmatic approach that will support a progressive scaling-up of reforms over a three year period.

10. This series of budget support operations will be reinforced by a parallel technical assistance program (Support to Open Government, Data, and Accountability in Tanzania (SOGDAT)). SOGDAT will provide technical assistance to the Government and to a broad range of local stakeholders for the implementation of Open Data policies and use of Open Data in Tanzania⁷. In particular, SOGDAT will assist with: (i) the supply of open Government data in health, education, and water, making such data more discoverable⁸, accessible and reusable; and (ii) the development and use of sectoral service performance dashboards in health, education, and water, powered by Open Data. Support will be provided to the relevant sector ministries and will also involve a number of agencies providing both cross-cutting technical and policy functions such as the National Bureau of Statistics (NBS) and the e-Government Agency, National Archives, Prime Minister’s Office for Regional and Local Government (PMO-RALG), and the Commission on Science and Technology. SOGDAT will also support the demand for such open Government data through the development of non-Government users including media, academia, development partners and citizens.

⁶ While the OGPFM is focusing on data transparency particularly on Education, Water and Health, the Bank is committed to support transparency in the extractive industry that is one of the fast emerging sectors in Tanzania. The PRSC series and the EITI TA provide technical assistance in support of the EITI, while the Tanzania Power and Gas Sector Development Policy Operation series supports policy actions to increase transparency in the Gas and Power sectors.

⁷ The UK, which is a lead development partner in supporting Tanzania’s BRN, Education and Water sectors has approved SOGDAT in the amount of GBP 12 million over three years. The program identifies the World Bank as the implementing agency and technical leader to support the government to roll out the OGP program, and formulate and implement the Open Data policies (Component I, GBP 3 mil.) and TWaweza, a regional civil society organization, for the component on civil society data, accountability and citizen engagement.

⁸ Discoverable data in the context of open data are such electronic information that are easy to search for and find – typically because information about such data is also published and can be indexed by common search engines such as Google, Bing or Yahoo.

II. MACROECONOMIC POLICY FRAMEWORK

A. Recent Economic Developments

11. Tanzania's recent economic developments have been largely favorable with stable growth and inflation under control. Tables 1 and 2 present key macroeconomic, fiscal, and balance of payment indicators. GDP growth remains robust, reaching 7.1 percent in fiscal year (FY) 2013/14, and is projected to remain at the same level in FY2014/15. Economic expansion has been driven by several fast-growing sectors, such as mining, communication, financial services, construction, manufacturing, and retail trade. By contrast, agriculture—the sector on which about 80 percent of households depend as their primary economic activity—has continued to post slower growth and weaker productivity gains. Inflation has steadily declined over the past two and a half years due to tight monetary policy as well as falling international energy and food prices. The inflation rate was 4 percent in January 2015, down from over 19 percent at the end of 2011.

12. Sustained public and private consumption and investment have been the main drivers of economic growth from the demand side. Both household consumption and private investment growth have remained high between 2007 and 2013, accounting for 57 percent and 34 percent of GDP growth respectively. Between 2001-2006 and 2007-2013, the share of public consumption and investments in GDP growth increased from 29 percent to 40 percent and from 11 percent to 15 percent, respectively, reflecting the Government's effort to sustain social service provision while scaling up infrastructure investments in the country.⁹

13. Tanzania's economy has become more open, with increasing diversification toward new products and markets during the past five years. The trade-to-GDP ratio has risen from 42 percent in 2008 to 49 percent in 2013, but remains below the Sub-Saharan Africa average of around 66 percent. Although the export structure remains largely dependent on commodities such as minerals (especially gold), coffee, tea, cashews, and cotton, the recent surge in manufactured exports to East African Community (EAC) and the Southern African Development Community (SADC) has been a welcome development. The value of exports of goods and services has increased only by 6.6 percent in 2013/14 in real terms, while the value of imports of goods and services has increased by 7.2 percent. Earnings from services (especially tourism) have steadily increased over the past decade, reaching about US\$1.5 billion in 2013.

⁹The relatively high economic growth, however, has not resulted in the creation of sufficient productive jobs for a rapidly growing labor force in the country. So far Tanzania has not been able to stimulate job creation at a sufficiently rapid pace because productivity gains have been limited to a small set of sectors that are relatively more capital/technology intensive than labor intensive. Productivity growth and increased diversification of the economy will be central to enhancing the expansion of private firms and their capacity to create productive jobs. These issues are at the center of the recently launched Country Economic Memorandum (September 2014).

Table 1: Key Macroeconomic Indicators

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Real Economy	Annual percentage change, unless otherwise indicated						
GDP (nominal, TSh million)	56,847	65,585	74,540	83,985	94,114	105,452	118,021
Real GDP	6.9	6.2	7.3	7.2	7.2	7.1	7.0
Nominal GDP per Capita (US\$)	810	910	982	1,010	1,044	1,101	1,161
Contributions: Consumption	9.1	6.3	6.3	6.7	6.1	5.9	5.4
Contributions: Investment	5.0	2.1	1.9	1.5	1.9	2.4	2.4
Contributions: Net exports	-7.4	-1.5	-1.1	-1.1	-1.0	-1.2	-0.9
Imports (goods & services)	23.9	5.9	7.2	9.3	8.5	8.8	8.8
Exports (goods & services)	9.9	6.7	6.6	7.1	6.5	6.3	5.8
Unemployment Rate	--	--	--	--	--	--	--
GDP deflator	10.3	8.8	6.0	5.1	4.6	4.6	4.6
CPI (e.o.p.)	17.4	7.6	6.4	4.3	4.5	4.5	4.5
Fiscal Accounts	Percent of GDP, unless otherwise indicated						
Expenditures	18.9	20.6	18.7	20.4	20.3	20.6	20.6
Revenues	12.6	12.9	13.7	13.9	14.5	14.8	15.0
Overall Balance (Including Grants)	-3.6	-5.0	-3.4	-3.7	-3.0	-3.0	-3.0
Public debt	24.6	30.8	31.7	34.6	34.7	34.7	34.8
Selected Monetary Accounts	Annual percentage change, unless otherwise indicated						
Reserve Money	14.2	14.5	13.7	15.0	12.1	--	--
Credit to Private Sector	18.2	17.1	21.4	20.4	14.3	--	--
Interest Rate (Treasury Bill 91 days; e.o.p.)	13.8	13.9	12.7	n.d.	n.d.	n.d.	n.d.
Balance of Payments	Percent of GDP, unless otherwise indicated						
Current Account Balance	-11.4	-10.3	-10.3	-9.3	-7.9	-7.8	-7.8
Imports (goods, f.o.b.)	-19.5	-25.3	-24.6	-23.9	-22.9	-22.0	-21.2
Exports (goods, f.o.b.)	12.0	17.0	15.7	15.3	14.8	14.6	14.5
Foreign Direct Investment	3.8	5.9	5.8	6.7	6.7	7.0	6.8
Gross Reserves (in US\$ million, e.o.p.)	3,797	4,357	4,634	5,293	6,016	6,667	7,249
In months of next year's imports (g & s)	3.5	4.1	4.0	4.5	4.9	5.0	4.9
As % of short-term external debt	n.a.	n.a.	n.d.	n.d.	n.d.	n.d.	n.d.
External Debt	17.8	23.1	23.9	27.7	28.5	28.9	29.5
Terms of Trade (annual change)	1.6	-1.7	-5.2	6.6	4.8	-4.6	-3.1
Exchange Rate (Tsh/US\$; e.o.p.)	1,594	1,580	1,615	n.d.	n.d.	n.d.	n.d.

Source: Bank of Tanzania, IMF, World Bank staff, February 2015

Note: *Projected amounts of foreign direct investment for the future years do not include likely large investments for LNG plant(s). "n.a." is not applicable. "n.d." is not disclosable. "n. r." not required.

14. Despite the weak performance in exports, the balance of payments remained stable in 2013/14, with the level of gross official reserves sufficient to cover 3.6 months of projected imports of goods and services. The high volume of FDI compensated for a slightly wider current account deficit and the marginal but steady decline in official aid. While aid accounted for approximately 60 percent of total capital inflow in 2010/11, its share dropped to 40 percent in 2013/14. The current account balance is anticipated to improve significantly in 2014/15 as a result of a fall in imported oil prices.

15. The Central Bank has continued to follow a prudent monetary policy, which resulted in falling inflation during the last two years. Annual reserve money growth declined to 13.9 percent in 2013/14, from an average of 19.3 percent in the previous three years. As a result, together with falling food prices, inflation reached 4 percent in January 2015—a significant decline compared to 19 percent in December 2011.

16. In 2013/14 the GoT reduced the fiscal deficit to 3.4 percent of GDP from 5 percent of GDP in 2012/13 but accumulated a large amount of arrears with contractors and pension funds. At 13.7 percent of GDP, the actual domestic revenue collection in 2013/14 turned out to be more than two percentage points lower than the initial target, forcing a severe adjustment in the level of expenditures throughout the year. The significant expenditure cuts affected the implementation of priority infrastructure investment projects and social services under the BRN and the national development plan (MKUKUTA).

17. The Government has set a target of 3.7 percent of GDP for its fiscal deficit in 2014/15, consistent with the IMF PSI program. However, the Government has faced severe challenges in the budget implementation during the first semester, including missing its revenue collection target by about 10 percent between July and December 2014. This fiscal gap was exacerbated by the slow disbursement in budget support in the context of the IPTL case (see Box 1) even though it was partially compensated by borrowing on both the domestic and external markets. Budget execution has therefore slowed down, especially locally funded development expenditures and non-wage recurrent expenditures. Improvements in the revenue performance as well as adjustments in the budget execution rate will be important for the Government to reach its fiscal target of 3.7 percent of GDP at the end of 2014/15.

BOX 1: IPTL Case and Impact on Budget Support to Tanzania

In response to Tanzania's historical dependence on hydropower and a short-term crisis in the early 1990s, the Ministry of Energy and Minerals began exploring the possibility of an emergency diesel fuelled power station. In 1995 Tanzania Electricity Supply Company (TANESCO, the state-owned electricity company) signed a 20 year Power Purchasing Agreement with Independent Power Tanzania Limited (IPTL), a joint venture between Mechmar Corporation (Malaysian-owned, 70% stake) and VIP Engineering and Marketing (Tanzanian-owned, 30% stake). Under the Power Purchasing Agreement, IPTL agreed to build and run a 100 megawatt slow-speed diesel power plant in Tegeta, Dar es Salaam at a cost of US\$ 163.5 million.

Various disputes between IPTL shareholders and TANESCO hampered the project from its outset and in 2006 TANESCO entered into a dispute on the power purchase agreement and an escrow account was set up at the Bank of Tanzania where the capacity charges owed by TANESCO were deposited waiting for the resolution of this dispute. In 2013, VIP's share was taken over by Pan Africa Power (PAP) under dubious circumstances, while PAP's owner was recognized the legitimate representative of Mechmar Corporation Tanzania by a decision of the Tanzanian High Court, and therefore as the owner of the remaining 70% stake of IPTL. Soon after, around US\$ 122 million from the escrow account was transferred to PAP.

However, the High Court's controversial decision was challenged on several fronts. In early 2014, reports from the media led to a parliamentary resolution asking the Controller and Auditor General

(CAG) to investigate the transfers from the escrow account to PAP and to present findings to the parliament. The Government in parallel commissioned an investigation by the Prevention and Combating of Corruption Bureau (PCCB). The two agencies submitted their reports for review by the parliament's Public Accounts Committee (PAC), on the basis of which the committee made recommendations to the full House in December 2014. These recommendations concluded that the transfer was made to a firm that had no legal ownership of IPTL and that a number of top government officials acted with negligence and possibly corrupt influences. The Parliament resolved that the implicated officials should be removed from office, prosecuted as necessary, and the money recovered. Since then, the Government has taken several actions that confirm its commitment to implement these resolutions including the removal and resignation of implicated cabinet ministers, resignation of the attorney general, and suspension of a permanent secretary. The PCCB has also started prosecuting some public officials involved in the case.

In October 2014, due to the nature of the IPTL case and potential misuse of public money, Development Partners decided to suspend the disbursement of their budget support, waiting for the resolution of the IPTL case. As of February 2015, only US\$ 80 million out of approximately US\$600 million in budget support commitments were disbursed. However, in light of the recent actions taken by the Government and the ongoing investigations, Development Partners have decided to resume the disbursement of budget support, including through the operations supported by the multilateral Financial Institutions. Such a gradual approach aims to recognize the well-functioning of some accountability institutions that have led to the adoption of several corrective measures, while further actions are expected to address recurrent and systematic weaknesses, notably in the judicial system.

Table 2: Key Fiscal Indicators

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	(percent of GDP)					
Overall Balance	-4.1	-3.1	-5.0	-3.4	-3.7	-3.0
Primary balance	-3.5	-2.4	-3.8	-2.1	-2.4	-1.7
Total Revenues (excluding grants)	10.3	10.9	12.9	13.7	13.9	14.5
Tax revenues	9.5	9.8	11.8	12.5	12.5	13.1
Taxes on goods and services (VAT, Excise)	5.7	5.7	6.3	6.5	6.6	7.2
Import duties	0.8	0.7	0.9	0.9	1.0	1.0
Income tax	3.0	3.4	4.6	5.1	4.9	4.9
Non-tax revenues	0.8	1.1	1.1	1.2	1.4	1.4
Grants	3.3	3.1	2.6	2.1	1.8	2.0
Expenditures	16.8	16.2	20.6	18.7	20.4	20.3
Recurrent expenditures	11.9	10.5	14.4	13.8	12.8	12.8
Wages and compensation	4.2	4.1	5.1	5.3	5.6	5.6
Goods, services, and transfers	7.1	5.7	8.1	7.2	5.9	5.9
o/w Transfers to TANESCO	0.6	0.5	0.2	0.1
Interest payments	0.6	0.7	1.2	1.3	1.3	1.3
Development expenditures	4.9	5.7	6.2	4.9	7.6	7.5
General Government Financing	4.1	3.1	5.0	3.4	3.7	3.0
External (net)	1.9	2.6	3.9	3.0	4.5	2.9
Domestic (net)	2.3	0.5	1.1	0.4	-0.8	0.1

Source: IMF and World Bank staff, February 2015

Table 3: Trends in Priority Sectors

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	Actual	Actual	Actual	Actual	Actual	Actual	Prel. Actual	Budget
<i>In percentage of total discretionary spending</i>								
Education	22.9%	19.3%	18.7%	21.2%	20.6%	22.5%	19.6%	19.4%
Health	10.0%	14.5%	9.5%	9.8%	9.1%	10.0%	9.9%	8.1%
Water	3.9%	2.8%	3.0%	2.5%	2.0%	2.0%	2.0%	3.6%
Agriculture	5.4%	4.5%	6.1%	5.7%	3.6%	4.0%	3.4%	3.8%
Roads	10.5%	10.1%	14.6%	15.3%	18.0%	12.0%	12.1%	12.0%
Energy	1.5%	1.4%	1.7%	3.1%	5.4%	7.7%	6.9%	6.3%
Total	54.3%	52.6%	53.6%	57.7%	58.7%	58.3%	53.9%	53.2%
<i>In percentage of GDP</i>								
Education	3.6%	3.5%	3.4%	3.9%	3.5%	3.8%	3.5%	3.9%
Health	1.6%	2.6%	1.7%	1.8%	1.5%	1.7%	2.0%	1.7%
Water	0.6%	0.5%	0.6%	0.5%	0.4%	0.5%	1.0%	0.7%
Agriculture	0.9%	0.8%	1.1%	1.3%	0.9%	0.9%	0.5%	0.7%
Roads	1.7%	1.8%	2.7%	3.6%	4.3%	2.5%	2.9%	2.5%
Energy	0.2%	0.3%	0.3%	0.6%	0.9%	1.3%	1.2%	1.3%
Total	8.6%	9.5%	9.8%	11.6%	11.5%	10.7%	11.1%	10.8%

Source: Ministry of Finance and World Bank estimates, February 2015

Table 4: Balance of Payment Financing Requirements and Sources

	2013/14	2014/15	2015/16	2016/17	2017/18
Financing requirements (US\$ million)					
Current account deficit	-4,746	-4,523	-4,119	-4,421	-4,803
Debt amortizations	-109	-208	-296	-388	-477
Financing Sources (US\$ million)					
FDI and portfolio investments (net)	1,924	1,998	2,080	2,261	2,456
Capital grants	748	500	533	578	565
Debt disbursements (general government)	2,416	2,947	2,589	2,699	2,932
Change in reserves (net)	-233	-658	-722	-651	-584
IMF credit (net)	0	-56	-65	-78	-89

Source: IMF and World Bank staff, February 2015

B. Macroeconomic Outlook and Debt Sustainability

18. Tanzania's macroeconomic situation is expected to remain stable with the GDP growth rate anchored at 7 percent over the next two years. Higher public investments (as part of the BRN initiative), if implemented successfully, should support this target as well as sustained expansion of the same sectors more than in the recent past (see Tables 1 and 2). In the medium term, the expected massive FDI inflows (potentially US\$4-5 billion per year) toward the natural gas sector should also drive the economy, notably through construction of Liquefied Natural Gas (LNG) plant(s) which may start as early as 2017 upon final decisions to be made by the international gas investors. The rate of inflation is expected to stabilize around five percent, pending no shock on international food and energy prices, with no major changes in monetary or exchange rate policies.

19. The authorities remain committed to a prudent monetary stance and flexible exchange rate regime. The Bank of Tanzania intends to move gradually to a monetary framework based on interest rates rather than the current reserve money targeting approach.

20. The medium-term fiscal policy framework aims at maintaining the overall fiscal deficit at around 3 percent of GDP and stabilizing the total public debt at around 34 percent of GDP in FY 2014/15. These targets are consistent with the GoT's objective of maintaining fiscal sustainability, low debt distress, limiting accumulation of new arrears and expenditure cuts during budget execution, and avoiding the risk of renewed inflation pressure. This will be achieved by mobilizing additional domestic revenue. The control of recurrent spending, notably the wage bill, will be required as well as considerable improvements in the selection and management of investment projects. Close monitoring and improvement in both fiscal and debt management remains critically important.

21. On the external front, the current account deficit should remain relatively high, which will be offset by anticipated large Foreign Direct Investment (FDI) inflows in the gas sector. In the medium term however, the current account deficit is expected to improve when the use of onshore natural gas will replace liquid fuel as the main source of thermal power generation, thereby reducing costly energy imports. Subsequently, construction of LNG plants, which will be financed by multi-billion dollar FDI per year, would widen the current account deficit at least temporarily due to expected growth of imported materials and equipment for construction, but should not lead to any significant deterioration in balance of payments because of the size of potential FDI flows.

22. With good prospects to become a major producer of natural gas in the long-term, Tanzania needs to move quickly to build the institutional framework while ensuring sound macroeconomic and fiscal management. The challenge is to prepare the country for the gas economy and establish strong foundations to ensure that any gains from this potential resource wealth accrue to the benefits of all Tanzanians. This includes setting up appropriate and workable fiscal rules and properly designing a revenue fund well integrated with the overall fiscal framework and budget process. Strengthening the public investment management (PIM) system will be critical to ensure effective use of resources. Ensuring transparency in each node of the resource value chain will also be of paramount importance.

23. Further, Tanzania's commitment to enter into a monetary union with other EAC members warrants a prudent macroeconomic policy stance. In November 2013 the GoT signed a protocol to establish a monetary union with the goal to introduce a common currency in 2024, the timing of which coincides with the potential start of offshore gas production. The protocol sets out the process and convergence criteria for the EAC monetary union, which consists of four binding primary convergence criteria: (i) ceiling on headline inflation of 8 percent; (ii) fiscal deficit (including grants) ceiling of 3 percent of GDP; (iii) ceiling on gross public debt of 50 percent of GDP in NPV terms; and (iv) reserve cover of 4.5 months of imports, as well as several non-binding indicative criteria.

24. Tanzania's current risk of debt distress remains low provided fiscal consolidation is maintained. The last IDA-IMF Debt Sustainability Analysis (DSA) (April 2014) shows that Tanzania's risk of debt distress was low. However, the DSA indicated that public debt sustainability continues to be sensitive to fiscal consolidation (Figure 1) and recognition of

outstanding pensions and other liabilities. This increased sensitivity, while manageable, is explained by the recent rapid increase in non-concessional borrowing (including in domestic debt) by the public sector. This risk highlights the importance of a sound debt management strategy, an urgent need for addressing pension liabilities, a conservative approach to non-concessional borrowing, and improving capacity to plan and execute public investments in order to ensure future debt and fiscal sustainability.

25. Positive economic prospects face a number of macro-fiscal challenges in the medium term. The first challenge is related to the rising fiscal pressures on the GoT and the overall public sector. Tanzania's infrastructure and social service needs are so pressing that the GoT might allow a higher fiscal deficit and borrow more to finance them, especially if the authorities fail to meet their ambitious revenue target. The temptation might be exacerbated by pressures related to the forthcoming general elections in October 2015 and by the prospect of additional revenues from natural gas in the future (which might be used in advance to guarantee commercial debt). The trade-off between prudent debt management and sustained public investment will have to be closely monitored by the GoT with support from the IMF, the World Bank and other DPs through the joint Public Expenditure Review (PER) dialogue. Ensuring fiscal transparency and consolidation will also be critical. The GoT should move toward a consolidated presentation of the State's financial accounts, including those of the main parastatal agencies operating in the energy and mining sectors.

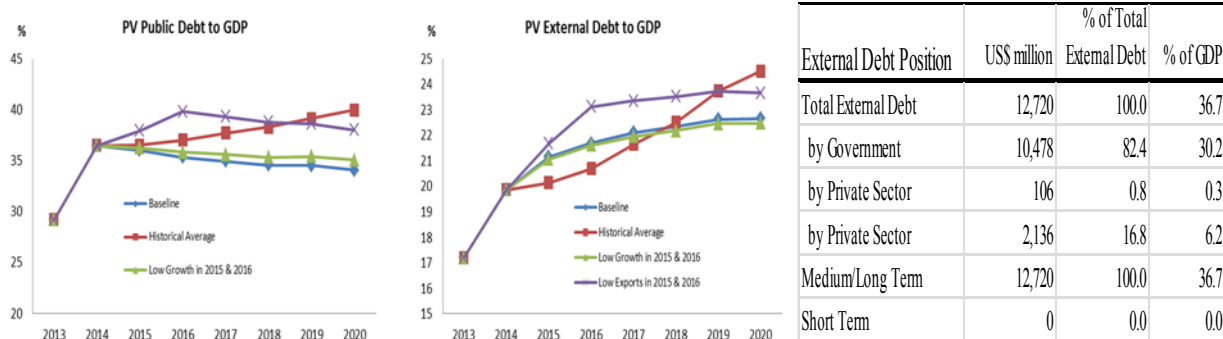
26. The second challenge is related to the accumulation of arrears by the Government, and more broadly by the public sector, including pensions and parastatals. At the end of June 2014 the stock of 90+ day expenditure arrears amounted to TSh 1,300 billion, equivalent to approximately 1.8 percent of GDP. The GoT has set up a high-level committee to identify measures to prevent the emergence of new arrears and a framework for central verification and payment of old arrears. While the Internal Auditor General's office is reviewing the validity of the arrears, an action plan is being put in place to address the problem at its root-cause (see further below). However, the high and growing level of GoT arrears may not necessarily capture the entire public sector in Tanzania such as pension funds and parastatals. The accumulated level of GoT's liabilities for the Public Service Pension Fund (PSPF) was estimated to reach TSh 1.5 trillion as of June 2014. In August 2014, the Government requested the Bank to assist with pension reform through a new budget support operation. While significant progress has been achieved in improving financial performance of TANESCO with an average 39-percent increase in electricity tariffs in January 2014, the value of arrears accumulated by TANESCO with suppliers and gas developers remains significant. The Bank's ongoing DPO series on power and gas continues to monitor the status. Other parastatals such as a water utility, DAWASCO, have also accumulated arrears, which might over time lead to additional fiscal pressures.

27. The third challenge is linked to the Government's increasing level of debt, the value of which stood at around 32 percent of GDP by June 2014. The Government plans to borrow externally on a non-concessional basis around US\$2.42 billion between January 2014 and June 2016. This expected borrowing should be sufficient to finance a number of new investment projects, while at the same time keeping debt at a sustainable level of around 30 percent of GDP by the end of FY2015/16. Any significant deviation from this plan may endanger the Government's creditworthiness as it will increase its debt service and its capacity to refinance at affordable costs on both the international and domestic markets.

28. The fourth and final challenge is associated with external factors. While the Tanzanian economy is not over-exposed to global market volatility, it is not completely immune. Major fluctuations in commodity prices, notably gold and oil, will affect trade balance. Currently world oil prices are falling which has positively impacted TANESCO's financial position, but any reversal in the current oil price trends would negatively impact TANESCO through higher generation costs and operational deficit, which will lead to additional fiscal pressure on the Government budget. The magnitude and timing of anticipated multibillion FDI inflows in the natural gas sectors will also impact the local economy. These potential impacts will have to be carefully managed by the authorities.

29. Despite these challenges, the medium- and long-term economic outlook remains favorable overall and the Government's macroeconomic policy stance remains acceptable, providing an adequate basis for a development policy operation.

Figure 1: Debt Sustainability



Source: IMF and World Bank staff, February 2015

C. IMF Relations

30. The IMF's new three year Policy Support Instrument (PSI) program with Tanzania starting from FY2014/15 was approved by their Board in July 2014, with its first review completed in January 2015. The new PSI supports the Government of Tanzania's medium term objectives of maintaining macroeconomic stability and debt sustainability as well as promoting equitable growth and job creation. In January 2015, the IMF concluded the first review under the PSI program that was approved by its Board. However, a waiver was granted for the non-observance of the continuous assessment criterion on the non-accumulation of external arrears. The periodic IMF assessments of Tanzania's macroeconomic performance serve as a key input to the dialogue and assessments on policies related to macroeconomic stability.

III. GOVERNMENT'S PROGRAM

A. National Development Program

31. Tanzania's Development Vision 2025 (TDV 2025) sets forth Tanzania's aspiration to become a middle income country by year 2025, characterized by high quality livelihoods; peace, stability, and unity; good governance; a well-educated and learning society; and a strong and competitive economy. To achieve the goals of the TDV 2025, Tanzania has in place a medium-term national growth and poverty reduction strategy, MKUKUTA II, covering the period from 2010/11 to 2014/15.¹⁰ MKUKUTA II is organized into three clusters: (i) growth and reduction of income poverty; (ii) improvement of quality of life and social wellbeing; and (iii) good governance and accountability¹¹.

32. In this context, the First Five Year Development Plan (FYDP I) (2011/12–2015/16) presents the Government's high-level policy priorities in operationalizing TDV 2025 and MKUKUTA II. The FYDP I complements MKUKUTA II by prioritizing key interventions in an orderly sequence to enable more efficient and effective resource utilization. The overarching goal of FYDP I is to unleash the country's growth potential by fast-tracking the provision of the basic conditions for broad-based and pro-poor growth¹². The FYDP I identifies five areas of intervention: (i) hard infrastructure (energy, port, railways, roads, airports, and air-transport) and soft infrastructure (mainly information and communication technologies, ICT); (ii) agriculture; (iii) industries (manufacturing, mining); (iv) water and sanitation; and (v) human capital development. The plan emphasizes the need to: (i) sustain macroeconomic stability; (ii) promote governance and rule of law; and (iii) support the productive use of land to sustain growth. FYDP I also emphasizes the need for stronger revenue mobilization, including both conventional and innovative measures.

33. In an effort to speed up the implementation of FYDP I, the Government has launched the Big Results Now (BRN) initiative. The BRN initiative has helped the Government to establish a strong and effective system to oversee, monitor, and evaluate the implementation of its development plans and programs based on the Malaysian *Big Fast Results* approach. The Government has established a President's Delivery Bureau (PDB) and conducted a number of workshops that have delivered detailed action plans for eight National Key Result Areas, namely Agriculture, Education, Energy, Health, Private Sector, Resource Mobilization, Transportation and Water. The action plans include concrete and ambitious indicators for measuring progress expected to be appreciated over the next eighteen months or so. Implementation of some of the action plans has started with financing from the 2013/14 budget. All action plans are now being implemented and financed from the budget in fiscal year 2014/15.

¹⁰ Concurrently, the Revolutionary Government of Zanzibar finalized the Zanzibar Strategy for Growth and Reduction of Poverty (Kiswahili acronym MKUZA II), covering the same period.

¹¹ More details can be found in the PRSC-9 Program Document.

¹² FYDP I is the first in the series of three five-year plans under the recently launched Long-Term Perspective Plan (LTPP) 2011/12-2025/26 "The Roadmap to a Middle Income Country." Under the umbrella of LTPP, three strategic FYDPs are expected to be developed and implemented: the First FYDP (2011/12-2015/16) "Unleashing the Growth Potential," which is currently being implemented, to be followed by the Second FYDP (2016/17-2020/21) "Nurturing an Industrial Economy" and the Third FYDP (2021/22-2025/26) "Realizing Competitiveness-Led Export Growth."

B. Open Government Partnership Initiative

34. In 2011, Tanzania joined the Open Government Partnership (OGP), a unique multilateral initiative where governments have pledged to engage the people, equally and without discrimination, in decision making and policy formulation to increase the effectiveness of governments. The idea behind the OGP initiative is that enabling a more transparent environment with easier access to information would make policy formulation and decision making more transparent and evidence based, and would create space for mechanisms that foster greater collaboration between governments and citizens. In order to achieve this open government vision, Tanzania has committed to: (i) promoting increased access to information and disclosure about governmental activities at every level of government; (ii) increasing efforts to systematically collect and publish data on government spending and performance for essential public services and activities; (iii) pro-actively providing high-value information, including raw data, in a timely manner, in formats that the public can easily locate, understand and use, and in formats that facilitate reuse; and (iv) providing access to effective remedies when information or the corresponding records are improperly withheld, including through effective oversight of the recourse process.

35. The OGP action plan (2014/15–2015/16) is focused on enabling access to information on the use of public resources. The first OGP action plan was implemented from 2011/12 to 2013/14 and contained an ambitious work plan with twenty five commitments. However, only three of the commitments were fully met and twelve others are still being implemented¹³. Having learned from the implementation of the first action plan, the Government has recently formulated a more realistic action plan for the period from 2014/15 to 2015/16, which focuses on five key areas: (i) enactment of an Access to Information Act; (ii) establishment of an open data system and practice; (iii) making budget data, audit committee and tax exemption reports publicly available; (iv) publishing online land use maps, ownership, and demarcated areas for large scale land deals; and (v) fulfilling its EITI commitments¹⁴. Above all, the current plan retains a focus on service delivery sectors including Education, Water, and Health, as they were in the first OGP Action Plan.

C. Public Financial Management Reform Program IV

36. The Government has implemented PFM reforms which have made substantial progress over the past two decades. With support from the Public Financial Management Reform Program (PFMRP) and other donors, the Government has improved its capability with regard to Debt Sustainability Analysis (DSA), developed a macroeconomic forecasting model and financial programming module, strengthened the budget preparation system (including the upgrading of the IT-based Strategic Planning and Budgeting System), upgraded the Integrated Financial Management Information System (IFMIS) and the IT-based payroll control program (Lawson), strengthened public procurement, established the Aid Management Platform (AMP), and

¹³ Tanzania OGP Action Plan of 2012/2013 was focused on four pillars, namely transparency, accountability, citizen's participation and technology and innovation, with specific attention to Health, Education and Water sectors. Although the OGP action plan was ground-breaking, little progress was achieved, in particular on access to information and fostering citizens' participation. Tanzania OGP progress report, February 2014.
<http://www.opengovpartnership.org/country/tanzania>.

¹⁴ <http://www.opengovpartnership.org/country/tanzania/action-plan>.

strengthened the National Audit Office. The Government also adopted a new budget cycle in 2013, which has advanced the timing of budget preparation, presentation, and approval by the Parliament before the start of the FY (i.e. by end June 2015).

37. Despite these achievements, the 2009 and 2013 PEFA scores reflect some deterioration of the PFM systems since 2005. The 2013 PEFA PFM Performance Report highlighted several key problem areas, including: (i) weaknesses in non-salary internal control systems; (ii) fiscal risk to the budget posed by public entities; and (iii) poor predictability in the availability of funds for commitment of expenditure, which results from unreliable budgets and cash flow forecasts, under collection of domestic revenue and grants, ineffective commitment controls, growing expenditure arrears, an ineffective Treasury Single Account (TSA) modality, and multiple budget reallocations. Poor predictability in the availability of funds coupled with poor analysis, prioritization, execution, and monitoring of investment projects, and a lack of procurement planning and cumbersome procurement processes, have a detrimental effect on service delivery and remain key challenges to be tackled.

38. Tanzania launched the fourth phase of the Public Financial Management Reform Program (PFMRP IV) in 2013. This phase aims to build institutional capacity across levels of government in budget planning and execution, cash management, and oversight functions in order to enhance an efficient allocation and use of public resources and ensure competing needs are met in the short-term. By addressing key constraints in these areas, Tanzania will be better prepared to ensure the country's anticipated revenue windfall from offshore natural gas will be translated in a strong public investment program that will lead to sustainable development of the country.

IV. PROPOSED OPERATION

A. Link to Government Program and Operation Description

39. The Program Development Objective (PDO) of the series is to support the Government to establish open data in order to increase access and use of service delivery information as well as to improve budget credibility and execution. This PDO is supported by two pillars: (i) Open Government Partnership - Support Tanzania's commitment to promote access to information, open budget, and open data in Education, Water, and Health; and (ii) Public Financial Management - Improve budget credibility and execution through better cash management, public investment management, and procurement.

40. The underlying rationale behind these two pillars is that higher and better quality access to information is expected to enable ordinary citizens to assess the quality, adequacy, and effectiveness of basic services, and voice their needs and preferences. This in turn is expected to call for more transparency and accountability in public service delivery by assessing the performance against publicly agreed targets such as budget allocations and beneficiary targets as used in the BRN. At the same time, service delivery and budget execution are impacted negatively by the unpredictability in the flow of funds (cash management), as well as weak procurement and public investment management. By addressing these constraints through a number of policy and institutional actions, the operation aims to strengthen the governance environment and improve public financial management to enhance service delivery.

41. The selected pillars of the OGPFM program reflect the Government’s priorities to improve service delivery. Poor performance in service delivery in Tanzania is the result of a number of key factors—from sub-optimal financing and deployment of resources, to a lack of leadership and management skills, to the unavailability of timely and accurate information for monitoring progress and enforcing accountability. The Government recognizes that there is a need to improve accountability in the public service by assessing performance against publicly agreed targets, and also using the same information to generate public awareness and support. The Government has also become more attentive to the reports of the Controller and Auditor General (CAG) and the recommendations of the oversight committees of parliament on the use of public financial resources by sanctioning accounting officers. While gross misuse of funds has been curtailed, however, there are still wide gaps in the PFM system that impede service delivery.

42. Governance and accountability have been the core elements of national development programs and priorities of the TDV 2025 and MKUKUTA II. Likewise, FYDP I emphasizes a governance agenda that includes strengthening the rule of law, improved use of public resources, and increased social accountability in service delivery. Assistance by other donors under the PFM RP IV provides capacity building to improve revenue collection, budget execution and also to strengthen the oversight functions within the MOF (Internal Audit Function) as well as externally (External Audit Functions). In parallel, the Bank is discussing with the Government and the Judiciary assistance to support reforms to improve transparency and efficiency of the judicial system and access to justice¹⁵; helping the Government set up mechanisms to enforce asset recovery, building upon the Stolen Assets Recovery initiative (StAR) developed in Tanzania with the Preventing and Combating Corruption Bureau (PCCB) and the Department of Public Prosecution (DPP), while USAID is supporting investigative capacity of the DPP. The OGPFM series, which strongly focuses on transparency and improved budget credibility and execution, aims to foster an environment where the gains from better governance can be translated into better service delivery through the introduction of a more transparent monitoring mechanism. The OGPFM is selective with regard to the three sectors, namely, education, water, and health, rather than including all sectors as in previous cross-cutting reform programs and is also complemented by a technical assistance program on open data called Support to Open Government, Data and Accountability in Tanzania (SOGDAT)¹⁶ as well as by technical assistance provided by other donors in support of the PFM RP IV.

43. The OGPFM series is also aligned with the Bank’s larger governance program in Tanzania. The Bank seeks to promote accountability and transparency through supporting sound macro-fiscal management, strengthening transparency and governance around natural resource management, strengthening PFM capacity at all levels of government, supporting the effectiveness and efficiency of public institutions in key sectors, and enhancing demand for good governance. The OGPFM series will strengthen the ongoing work to enhance the transparency and accountability as well as service delivery in education, health, and water. Finally, the OGPFM

¹⁵ Areas of support include a review of the law of circumstantial evidence that would enable a smoother process of prosecution and adjudication.

¹⁶ The UK, which is a lead development partner in supporting Tanzania’s BRN, Education and Water sectors has approved SOGDAT in the amount of GBP 12 million over three years. The program identifies the World Bank as the implementing agency and technical leader to support the government to roll out the OGP program, and formulate and implement the Open Data policies (Component I, GBP 3 mil.) and TWAVEZA, a regional civil society organization, for the component on civil society data, accountability and citizen engagement.

series is also fully aligned with the Budget Support program, which tracks key governance indicators.

44. With respect to the first pillar on Open Government and Access to Information, the OGPFM series together with SOGDAT will tackle both supply and demand aspects of governance linked to the service delivery chain. While the OGPFM will support policy actions that will enable the access to information and open data to evaluate sector performance, SOGDAT will provide a framework that will help with outreach, promotion, and training to enable civil society, think tanks, media and other organizations to help monitor information uptake by citizens. SOGDAT will also support the relevant ministries and agencies to release good quality data on basic education, health and rural water services in ways that allow it to be easily accessed and shared with the public. This comprehensive approach is expected to provide the necessary incentives to address governance and PFM constraints in the delivery chain in the selected sectors. This program will be implemented in close cooperation with DFID and SIDA, as well as with major Tanzanian Civil Society Organizations (CSOs) such as TWaweza, that seek to contribute to a more informed society and through it enable and empower citizens to: (i) access practical information; and (ii) exercise greater agency power, be able to improve their situations, and hold their government to account.

45. In the context of the proposed OGPFM program, the open data system is expected to provide the government with monitoring and decision making tools. Decision makers within Government will be able to share and reuse data in ways that enhance knowledge on the relationship between inputs, outputs and results. For example, in the Tanzanian context, there have been recent discussions on the need to devote additional resources to encourage staff to work in remote areas to achieve more equity in access to services across LGAs. While decision makers are very much aware of the disparities in access to service delivery, scanty available information to identify hard to reach locations has led to weak selection criteria. Accordingly, making more granular information available to decision makers on service delivery will better inform debate and help improve resource allocation decisions.

BOX 2: Open Government Movement: Examples from Other Countries

While, the open government movement is still new, there is evidence that such initiatives have led to improved economic development and public sector performance. There are a number of country experiences and case studies that provide relevant learning on when and how technology-mediated transparency and participation leads to better performance in service delivery. For example, in the Philippines students, parents and teachers are monitoring the quality of school education with the help of SMS feedback that is collected nationwide and made public on the “check my school” website. In the DRC, citizens have used multiple technologies from community radio to cell phones to develop local budgets and track implementation progress. In Kenya, a recent study of an information dissemination campaign for citizen agency found that information alone does not generate citizen participation in policy making or monitoring of service delivery. Nevertheless, through the Kenya Open Data program, a national school map has been prepared, showing location, pupil and teacher numbers, toilets, budget, and school results, thus providing a powerful tool to decision makers on the relationship between

inputs and results. The map also has been useful to parents who now can send their children to schools they know are performing better.

Where processes are mature and have been running for more than 10 years, such as in Brazil, there is solid literature that shows that access to information and citizen participation, supported by ICT, leads to real improvements in development outcomes. Finally, a recent study by Boise State University confirms earlier studies that in the case of Participatory Budgeting (PB) with easy access to relevant information, cities that have practiced this participatory approach spent more on education and sanitation and saw infant mortality drop by almost 20 percent for municipalities that have used PB for more than eight years, after accounting for other political and economic factors that might also influence infant mortality. These findings corroborate similar findings in both developed and developing countries that participation in budget processes and citizen awareness programs, if done right, increase tax compliance and trust between political actors and citizens.

Source: Lieberman, E. S., D. N. Posner, L.L. Tsai. 'Does information lead to more active citizenship?' TWAWEZA. 2012.

46. In addition, the OGPFM series will support the adoption of the Access to Information Act. The Government under the OGP is committed to implementing the Access to Information (ATI) Act as an instrument for creating, embedding, and operationalizing transparency, which in turn, is important to ensure citizens awareness of public sector policies and programs. The ATI Act will provide the framework to guide government departments and citizens of Tanzania on how to access public information, and is expected to meet best international practice as announced in the OGP Action Plan. These include: (i) recognition of a human right to information, along with a broad presumption of openness of information held by public bodies, including state - owned enterprises and bodies, and private bodies undertaking public functions or operating under public funding; (ii) an obligation to publish a wide range of information on a proactive basis; (iii) robust procedures for making and processing requests which are simple, free and quick (with a clearly specified maximum response time); (iv) a limited regime of exceptions based on preventing harm to protected and security related interests, a public interest override, and severability where part of a record is exempt; (v) a right of appeal; (vi) protection for good faith disclosures and sanctions for obstruction of access; and (vii) obligations to report on requests received, backed up by sanction for refusal to disclose information without reasonable cause.

47. OGPFM's second pillar, improving budget credibility and execution, is a necessary step towards improving service delivery. Effective, efficient, and economical service delivery is contingent on the successful integration of several basic elements – credible plans and budgets, predictable financing, human resources, infrastructure, material, equipment, processes, technology and information, while the institutions and governance structures provide incentives and accountability for the service providers to perform. Critical for the development objective of this OGPFM series are three policy areas that significantly impede service delivery: (i) cash management; (ii) public investment management; and (iii) procurement. Cash management is impeded by several factors - unreliable budgets and cash flow forecasts, under collection of domestic revenue and grants, ineffective commitment controls, growing expenditure arrears, an

ineffective Treasury Single Account modality, and multiple budget reallocations. As for public investment management, there is no central mechanism to guide the translation of plans into strategic, prioritized public investments. There is also no common standard approach to preparing, presenting and analyzing the value of public investments. This is further compounded by weak capacity for preparing and implementing projects. Procurement processes continue to be cumbersome and compliance with the law and regulations is a major area of concern, negatively affecting the procurement of goods and services.

48. In this context, the OGPFM series will support Government to address key PFM policy reforms to facilitate improvements in service delivery. These policy actions will enhance the credibility of budgets, cash flow management and predictability of resource availability, streamlined processes to procure inputs and sound project implementation practices, all of which are critical for the managers of spending units to improve service delivery. For decision makers, it is expected that the availability of frequent information on disbursements and spending at the various levels of government, combined with information on outputs, will provide a closer link between the budget and service delivery results. Such information availability will lead to improved transparency and decision making on the part of government, but at another level, such information will be made available to the public to increase awareness of government plans and programs.

B. Prior Actions, Results, and Analytical Underpinnings

49. The proposed prior actions for this operation and triggers for the next two operations are listed in Table 5. The complete policy and results matrix for the series, including outcome indicators, can be found in Annex 1.

Table 5: Proposed Prior Actions and Triggers

No	OGPFM 1 Prior Actions (March, 2015)	OGPFM 2 Triggers	OGPFM 3 Indicative Triggers	Implementation Status of Prior Actions and Triggers	Results Indicators
Pillar I: Open Government Partnership – Support Tanzania’s commitment to promote access to information, open budget, and open data in Education, Water, and Health					
Policy Area 1: Establishing the Legal Framework for Access to Information					
1.	Cabinet approves an Access to Information (ATI) bill for submission to Parliament in line with the OGP action plan, following broad consultations with stakeholders.	Government approves implementing regulations for the ATI Act and establishes public information focal points in the Education, Water, and Health ministries.	Government establishes a mechanism for monitoring the implementation of the ATI legislation in line with the provisions of the ATI Act.	Prior action achieved. On February 5, 2015 when cabinet approved the ATI bill for submission to Parliament.	Percentage of ATI requests granted as a share of total requests.

No	OGPFM 1 Prior Actions (March, 2015)	OGPFM 2 Triggers	OGPFM 3 Indicative Triggers	Implementation Status of Prior Actions and Triggers	Results Indicators
Policy Area 2: Establishing an Open Data system and practice for Government Budget and Sector Performance					
2.	<p>Government initiates the pro-active disclosure of data by:</p> <p>a) Issuing instructions to establish an inter-agency working group to set policies, advise on standards, and coordinate implementation of open data across MDAs and LGAs.</p> <p>b) Issuing a circular with interim guidelines for publishing data in Open Data format on the Government OD portal.</p>	<p>Government adopts a policy on open data applicable to all public institutions following wide stakeholder consultations.</p> <p>Ministries of Education, Water, and Health will pilot an Open Data dashboard on the Government Open Data portal which includes a citizen feedback mechanism.</p>	<p>Ministries of Education, Water, and Health will expand the dashboards to include performance data and roll them out.</p>	<p>a) Prior action achieved. State house has issued the instructions, and the inter-agency working group was established in April 2014. This includes NBS as the lead, eGov Agency, and the Records and Archives Division.</p> <p>b) Prior action achieved. The Chief Secretary issued the circular on January 2nd, 2015, instructing all Government departments to adopt the open data guidelines included in the circular.</p>	<p>Dashboards with data and performance information for the Education, Water, and Health sectors including a citizen feedback mechanism are fully functional and available on the Government open data portal.</p> <p>Increased downloads of budget and expenditure data.</p> <p>Number of information intermediaries that use open data.</p>
Pillar II: Public Financial Management - Improve budget credibility and execution, through better cash management, public investment management, and procurement					
Policy Area 3: Cash Management					
3.	<p>MOF issues instructions to spending units to commit all expenditures through the Integrated Financial Management Information System.</p>	<p>Cabinet approves a plan that: (i) establishes a verifiable level of expenditure arrears; (ii) finances the payment of such arrears through the budget; and (iii) prevents the</p>	<p>MoF continues to implement the plan to reduce the stock of expenditure payment arrears.</p>	<p>Prior action achieved. The Ministry of Finance has issued instructions in July 2014 to spending units to commit all expenditures in the IFMIS. The Accountant General's department is reporting all</p>	<p>Stock of arrears of expenditure payments as % of GDP, at end of fiscal year.</p>

No	OGPFM 1 Prior Actions (March, 2015)	OGPFM 2 Triggers	OGPFM 3 Indicative Triggers	Implementation Status of Prior Actions and Triggers	Results Indicators
	Appropriated Budget FY14/15 provides funding to reduce the level of expenditure arrears.	build-up of further arrears.		commitments made outside the system on a monthly basis. Prior action achieved. Clearing of expenditure arrears is dealt with through the appropriated FY14/15 budget for Vote 21 (Budget Department) - line item 290700 (Contingencies, non-emergency - TSh 227 billion).	
		Cabinet approves a set of transparent rules for cash rationing of the appropriated budget when revenue and grants are under collected.	Cabinet approves amendments to the Appropriation Bill to ensure consistency in the borrowing powers granted to the Minister of Finance and debt ceilings, as specified in the Loans, Guarantee, and Grants Act (1974, as amended).		Average annual under collection of revenue and grants, as the difference between actual and estimated revenues as reported in the final Budget Execution Report. Variance in expenditure composition in the last three years, excluding contingent items.
4.	MoF pilots payments by regional MDAs through the Tanzania Inter-bank Settlement Scheme (TISS) and Electronic Fund Transfer (EFT).	MoF approves plan to link LGAs to the TISS and EFT.	MoF initiates implementation of consolidation architecture for the IFMIS data of MDAs and LGAs, for budget execution data (revenue and expenditure), and related financial asset and liability data.	Prior action achieved. MoF has instructed all regional MDAs to pay for goods and services using TISS and EFT. The process is underway to enable all LGAs to use TISS and EFT.	Percent of annual expenditure by regional MDAs paid through TISS and EFT.
5.	MoF and POPC jointly issue budget guidelines for six pilot MDAs, including education, water, and health to present 2015/16	MoF implements a program based budgeting and appropriation system for the six pilot MDAs.	MoF continues to roll-out a program based budgeting and appropriation system to an additional six MDAs.	Prior action achieved. The budget guidelines for 2015/16 include specific instructions to MDAs to prepare shadow budgets	Number of pilot MDAs whose budget is presented, discussed, and appropriated by Parliament at the program level.

No	OGPFM 1 Prior Actions (March, 2015)	OGPFM 2 Triggers	OGPFM 3 Indicative Triggers	Implementation Status of Prior Actions and Triggers	Results Indicators
	estimates on programmatic classification as a supplementary budget document.			for 2015/16 using Program-Based Budgeting Classification.	
Policy Area 4: Public Investment Management					
6.	MoF issues budget guidelines that require the mandatory use of the Public Investment Management (PIM) manual in preparation and screening of investment projects.	POPC publishes a report on investment projects screened based on the PIM manual	Report in the Quarterly Economic Review and Budget Execution Report on progress with the public investment program.	Prior action achieved. A PIM Manual has been approved by Government. Budget guidelines for 2015/16 have been issued and include specific instructions to all MDAs to comply with them in selecting and preparing new investment projects.	Percentage of the new public investment projects selected for financing based on the PIM manual as a percentage of total new public investment projects in the same year.
Policy Area 5: Procurement					
7.	MoF publishes the regulations to implement the Public Procurement Act 2011 and a notice to all procuring entities to implement the Act and regulations.	Ministry of Communication Science and Technology submits a bill to Parliament that will provide the legal framework for electronic transactions.	Government launches the use of e-procurement for goods purchases at the Medical Stores Department (MSD) and Government Procurement Services Agency (GPSA).	Prior action achieved. The PPA regulations were published in the Government Gazette in December 2013. A notice was sent to all procurement units in July 2014 instructing them to apply the new Act.	Average percentage of procurement entities that comply with PPA 2011 as per PPRA annual evaluation report. Percentage of goods procurement contracts undertaken annually using E-procurement in MSD and the GPSA.

Pillar 1: Open Government Partnership – Support Tanzania’s Commitment to Promote Access to Information, Open Budget, and Open Data in Education, Water, and Health

50. Tanzania joined the OGP international initiative to make government business more open to its citizens in the interest of improving public service delivery, government responsiveness, as well as to combat corruption and build greater trust. Under this initiative, it committed itself to increase the availability of information to support citizens’ participation in

policy making and implementation, promoting high standards of professional integrity, and ensuring transparency in the management of public finances. The OGPFM series will support the Government in implementing the second OGP action plan commitments in three out of the five areas, which are (i) enacting an ATI Act, (ii) enabling open data regime for Education, Health and Water, and (iii) ensuring open budget data, in particular, publishing this data in machine readable formats to facilitate access and analysis of budget execution.

Policy Area 1: Establishing the Legal Framework for Access to Information

51. Tanzania recognizes that access to information is a cornerstone of open government and enables citizens' awareness of government policies and programs, and foster accountability. The right to be informed and to access and disseminate information is recognized in *Articles 18(1) and 18(2)* of the Constitution of the United Republic of Tanzania (1977). At present, however, there is no law that provides the means to put this constitutional right into practice. While public policy decision making in Tanzania is generally transparent and Government policy making processes include stakeholder consultations, citizens do not have a legal basis to request information and they may be denied access to basic information considered to be of public interest.

52. The government proactively provides information on budgets, expenditures, performance and results in the three sectors, even though it is not a legal requirement. In the education sector, a flagship Basic Education Statistics of Tanzania (BEST) is published annually by MoEVT providing basic data on teacher numbers, student enrolment and school facilities; detailed exam results are published by the National Examinations Council of Tanzania (NECTA) at primary, secondary and high school levels. Budget disbursements for primary and secondary schools are also published on facilities notice boards. However, the approved budgets are normally not known and not available to citizens. In the water sector, the Government publishes a water sector status report that is presented in the annual water sector review discussions that involve Government, development partners and CSOs. The data included in this report covers basic statistics on water infrastructure coverage, access and performance for urban and rural water. In addition, the Government provides access to key documents on sector policies, programs and budgets. In the health sector the Government publishes the health sector performance report, usually presented in the annual sector review. This proactivity in release of information is a major step in informing stakeholders of the Government's performance in implementing sector policies and programs.

53. The proactive publication of such a wide variety of information is currently dependent on the current government and there is no legal basis for such release of information. In addition, official restrictions on the media still exist, in particular *The Newspaper Act* of 1976 and the *National Security Act* 1970 both give discretion to the minister responsible for information to take punitive action or close a newspaper without due process, if it publishes classified information. Thus, the government may use its discretion to limit access to information, even where it is beneficial for policymaking and service delivery. This has often raised the risk of punitive action on media outlets that undertake investigative reporting.

54. The Access to Information Act has been extensively debated and it is long overdue. In 2006 an Access to Information Bill was published by the government for comments and withdrawn

following public outcry that it had punitive legal measures. CSOs then prepared a counter draft which was presented to the government in 2007. In 2014 the Government presented to parliament, under miscellaneous provisions, amendments to the *Newspaper Act* of 1976, making it even more punitive to publishers. These amendments were rejected by parliament, which demanded that the Government present the ATI for enactment. This prompted the President of Tanzania to commit to deliver a draft bill before the end of 2014 and this commitment is also reflected in the second OGP action plan (2014-16). The Government has now drafted a bill on ATI following consultations with major civil society organizations, including TWaweza and the Media Council of Tanzania. The leadership of these CSOs provided extensive inputs to the alternative ATI bill drafted in response to the Government's bill of 2006. In parallel, the drafting of the new constitution, which is based on extensive inputs from a broad section of stakeholders including citizens, civil society organizations and academics, is expected to explicitly provide for ATI in the bill of rights under Article 39. To be effective, the ATI Act would require a stronger regulatory framework to manage both paper and electronic records in the public sector. Currently, Tanzania has enacted a *Records and Archives Act* that prescribes the way that records will be generated, stored, and archived in the public sector. Tanzania has also built a good regulatory framework for managing public sector records. Enactment of the ATI will provide a strong legal framework for openness in public policy making and implementation.

55. The Ministry of Constitution and Legal Affairs (MCLA) has provided leadership in the preparation of the ATI bill and the draft bill is expected to be submitted according to the timetable. The MCLA has explored other country experiences on the ATI, also with Bank support, and contributed significantly in the process of drafting the bill, taking into account the concerns of CSOs. In July 2014 the Cabinet reviewed a draft bill and following extensive discussions, the Cabinet on February 5th, 2015 approved the bill for submission to the parliament (*OGPFM I Prior Action*). The bill was submitted to the Parliament on February 20th, 2015. The ATI bill does not include regulation of the media, which will be covered under a separate law being prepared by the Ministry of Information, Youth, Culture and Sports (MIYCS). The media services bill has been tabled at the same time and is expected to define more clearly the role of the state in regulating the media and the obligation of media owners in informing the public. This is expected to be politically contentious and thus has been separated. The ATI bill covers access to information by citizens at large.

56. Given the urgency that the Government has now placed on approving the ATI Act, it is expected that the regulations for implementing the ATI will be approved in 2015/16 as part of the two year OGP action plan (OGPFM II Trigger). Operationalization of the Act will thus allow citizens to present requests for information in line with the law. To ensure ATI requests are responded to, the Government will put in place a mechanism to monitor compliance and to sanction public officials who fail to respond (*OGPFM III Trigger*).

57. Results Indicators: The achievement of the proposed prior action and trigger will provide the legal framework for citizens' access to public information. Data on information requests will be collected centrally and reported in the open government portal to allow transparent monitoring of the requests and responses provided. While it is recognized that in the first years of implementation the number of requests under the ATI Act may be relatively low, it is important for the GoT to institutionalize the practice of responding to citizens' requests. Hence, the key

indicator to be monitored will be the percentage of requests granted as a share of total requests for information under the ATI Act that will be granted in a single year.

Policy Area 2: Establishing an Open Data System and Practice for Government Budget and Sector Performance

58. Tanzania’s commitment to Open Data is strongly supported by the high level leadership that sees this as a useful tool to improve functionality and effective information sharing within government and between government and citizens to enhance service delivery. This is particularly important given the fragmentation of systems and divisions of power and responsibility between central and local governments. Data is also a potentially important resource to strengthen government accountability in service delivery for civil society and for politicians, MPs, and local councilors. Civil society pressure, backed by good evidence from community surveys, brought the 2012 crisis in education to public and political attention¹⁷. Internationally and in Tanzania, debates have changed when data was presented to policy makers and politicians in easily accessible formats. With support from the Bank, the GoT prepared an Open Data Readiness Assessment (ODRA) that was presented to key stakeholders in June 2013. The report has been informally approved by the Government and provides a useful guide on the actions that need to be taken to foster a culture of open data in Tanzania.

59. There is growing demand for increased openness by the citizens to enable them to participate effectively in policy making and in implementing and monitoring government programs. The information gap is partly explained by the dissatisfaction with public service delivery and general government performance. The 2012 Afrobarometer survey reported eight out of ten Tanzanians expressing dissatisfaction with Government efforts in improving living standards and creating employment (Table 6). On the positive side, the majority of Tanzanians are optimistic that the Government can turn around the negative trends in the next five years. The Government is aware of the increasing demand for results from the citizens and that this will be crucially evaluated in the next presidential elections scheduled for October 2015. To convince the citizens that the Government is improving service delivery requires a more granular view of the results at the local level. Thus, the need to make data available on service delivery improvements to both decision makers and citizens will enable an honest discussion and appreciation of the performance of the Government.

Table 6: Dissatisfaction with Government Performance in Addressing Poverty

Percentage of respondents saying government is handling badly (or very badly) these areas	2008	2012	% change
Improving living standards of the poor	71	89	+18
Creating jobs	53	79	+26
Improving basic health services	26	55	+29
Addressing education needs	12	45	+33

¹⁷ “Are our children learning? Literacy and Numeracy across East Africa.” Uwezo. August 2012.

60. The GoT has committed to major national objectives that create a solid political and policy foundation for building a high-impact Open Data initiative. Under the OGP, the GoT has committed to “Strengthen the use of sectorial Management Information Systems (health, education, water), by making disaggregated data available online in machine readable format”. The objective is to enhance citizens’ access to sector data to enable them to monitor progress and participate more effectively in policy dialogue. Much of the most important social sector data generated in Tanzania is collected and verified at the LGA level, where capacities are weakest. There is a large amount of data that currently exists in digital form—for example, from the many Management Information Systems that exist among agencies—that could be released as Open Data, if the data “owning” agencies were to do so. It is important that the GoT issues an official Open Data Policy that sets consistent rules on the release of data, use of a standard “open data” license, and compliance with technical standards for open formats. This will enable all agencies and levels of government to follow the same rules and standards with respect to Open Data and data management generally. Due to the lengthy process in drafting and adopting a policy, the Government has agreed to issue a set of guidelines for Open Data as a transitory measure in the finalization of the policy.

61. The National Bureau of Statistics (NBS), an agency that falls under the policy purview of MOF, has been mandated to lead the drafting of guidelines on open data in collaboration with the National Records and Archives Agency and the e-Government Agency that fall under the President’s Office of Public Service Management. The MOF has recently approved the creation of an interagency task-force led by NBS to set policies, to advise on standards and to coordinate implementation of open data across MDAs and LGAs (*OGPFM, Prior Action*). The task force has prepared draft guidelines on open data which were discussed and submitted to a working group of Permanent Secretaries, and a final decision was taken in December 2014. The Chief Secretary has issued the guidelines (under circular letter number 2 of January 2nd, 2015) as a temporary measure to ensure sector ministries and relevant institutions identified under the OGP make data available in open-data format (*OGPFM Prior Action*), while a comprehensive policy on Open Data is being prepared. This will allow the Ministry of Education, Water, and Health to pilot an Open Data dashboard that will include a citizen feedback mechanism (*OGPFM II Trigger*). The pilot dashboard would be expanded to include performance data and would be rolled out for the Ministries of Education, Water, and Health (*OGPFM III Trigger*).

62. An Open Data policy will provide a more appropriate instrument for comprehensively addressing the need to make data open. Sustained and effective use of the dashboard requires process, policy and institutional reforms and behavior change. Having released the guidelines, the inter-agency working group will prepare a policy on Open Data for approval by the Government in 2015. Such a policy will require additional consultation with stakeholders and will be informed by the experience of the use of guidelines. The policy will provide consistent instructions on the release of data, use of a standard “open data” license and compliance with technical standards for open formats. This is the only way to ensure that all agencies and levels of government follow the same rules and standards with respect to open data and data management generally. MoEVT has already released school examination results in an open data format

available on the ministry's website www.moe.go.tz, under the BRN webpage. The Ministry of Water (MoW) has posted data on water points and linked these to a map on its website www.maji.go.tz.¹⁸ There are other high value data sets that could be useful to citizens, such as budget and census data by administrative units which, if combined with the data already released, will make the available data sets even more useable to decision makers and citizens. Parallel to this program, SOGDAT will assist the government to establish open data dashboards in a sequence of deployment steps. These dashboards will link several key data sets within a sector to provide meaningful information that is helpful to decision makers to monitor progress in service delivery and make decisions to address shortfalls.

63. Improved transparency of the budget by the Ministry of Finance (MOF) could enhance the usefulness of the sector data sets. The 2012 OGP action plan includes a commitment to “strengthen ministerial and other Government institution’s websites to post online within one month, all reports, studies, data, circulars, and other public interest data in machine readable format, except those that compromise national security”. The 2014 OGP Action Plan also includes a commitment to open budgets, “to make budget data (eight key budget reports) audit committee reports and tax exemptions publicly available by December 2014”. The 2012 Open Budget Index rated Tanzania at 47 out of a possible score of 100, which is a marginal improvement from 45 in 2010. The government is committed to improve this rating significantly. The major shortfall in budget transparency is the comprehensiveness of the budget presented to parliament and the lack of published MDA budget execution reports at mid-year and end of the year. Improvements in these areas, combined with the publication of expenditure in OD format, will lead to a significant change in the OBI index. A large part of the budget data in Tanzania could be made available through the use of BOOST, a platform application that allows easy access to users for analysis and presentation purposes. With easy access to granular budget and expenditure data, decision makers and citizens will be able to relate inputs including budget and staff numbers to outputs and results at the level of service delivery units such as schools, water points, and dispensaries and compare them to the budget and expenditure data. This will enhance the quality of public policy making as well as the citizens’ capacity to monitor public spending performance. A decision by the MOF to adopt BOOST as a platform in the analysis and presentation of budget data will allow the tool to be used in the presentation of the budget in Fiscal Year 2015/16.

64. Results Indicators: Improvements in the open data environment in Tanzania will be measured by the following indicators: (i) Dashboards with data and performance information for the education, water, and health sectors, including a citizen feedback mechanism are fully functional and available in the Government open data portal; (ii) increased downloads of budget and expenditure data; and (iii) number of information intermediaries that use open data.

Pillar 2: Public Financial Management - Improve Budget Credibility and Execution through Better Cash Management, Public Investment Management, and Procurement

65. The 2009 and 2013 PEFA scores reflect some deterioration of the PFM systems since 2005. The 2013 PEFA PFM Performance Report highlighted several problems, including: (i)

¹⁸ A number of databases are in Open Data format. These include Basic Education Statistics in Tanzania (BEST) and national examinations results by the National Examination Council of Tanzania (NECTA), medical facilities and drug availability by the Medical Stores Department (MSD), water points functionality data, NBS census and survey data and Geographical Information Systems (GIS) data on village and ward boundaries.

weaknesses in non-salary internal control systems; (ii) fiscal risk to the budget posed by public entities; and (iii) poor predictability in the availability of funds for commitment of expenditure.

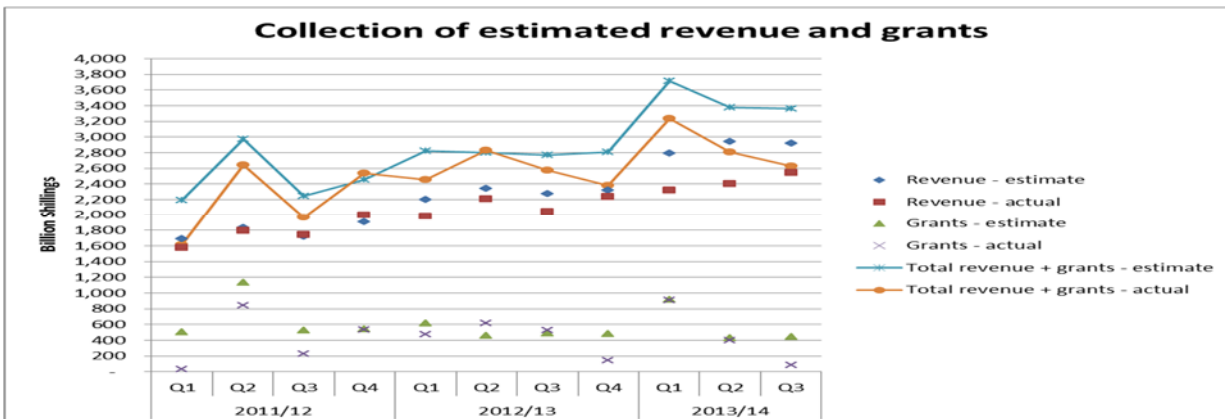
66. Poor predictability in the availability of funds, poor analysis, prioritization, execution and monitoring of investment projects, and weak procurement planning and processes, impede service delivery. The detrimental effects on the targeted sectors are significant, especially involving bulk purchases or infrastructural investments. In Health, for example, stock-outs of essential drugs are common with about one quarter of the main drugs regularly being depleted, and only 60 percent of urban facilities in Tanzania have access to electricity, water, and sanitation, with this figure close to zero for rural areas. In Education, a survey also indicates that, on average, only 3 percent of the schools in Tanzania have access to basic infrastructure services, with electricity being a key constraint, as only about 20 percent of the schools have access to it. In Water, low budget utilization suggests problems partly related to poor project implementation.

67. The three policy areas that significantly impede service delivery include: (i) cash management; (ii) public investment management; and (iii) procurement. Cash management, which currently does not ensure a predictable flow of funds to execute approved budgets, is hampered by several factors, including unreliable budgets and cash flow forecasts, under collection of domestic revenue and grants, ineffective commitment controls, growing expenditure arrears, an ineffective Treasury Single Account (TSA) modality, and multiple budget reallocations. As for public investment management, there is no central mechanism to guide the translation of plans into strategic, prioritized public investments. There is also no common standard approach to preparing, presenting and analyzing the value of public investments. This is further compounded by weak capacity for preparing and implementing projects. Procurement processes continue to be cumbersome and compliance with the law and regulations is a major area of concern, negatively affecting the procurement of goods and services. The Government, through the PFM Reform Program (PFMRP IV, which started in 2012) and taking into account the 2013 PEFA findings, is committed to further strengthening the PFM systems; in particular to enhancing budget credibility, reducing the contingent liabilities of public enterprises, strengthening internal controls and improving cash management.

Policy Area 3: Cash Management

68. There is poor predictability for MDAs (including LGAs) in the availability of funds for timely commitment of expenditures against their approved budgets. Figure 2 below illustrates the actual quarterly under collection of estimated revenues and grants (for 11 quarters until March 2014) - on average only 93 percent of the estimated revenues and 71 percent of the estimated grants were collected. A number of factors contribute to this situation: (i) unrealistic revenue estimates, (ii) inadequate revenue collection, (iii) slower than planned project implementation, and (iv) slow disbursement of grants. This level of consistent under collection of revenue and grants necessitates a control mechanism in order to slow or cut the level of expenditures in line with the ability to finance such expenditures from available balances, estimated revenue and grants, and loans. For this purpose the Government has established a monthly system of cash rationing, which is under the direction of a Ceiling Committee (CC) - chaired by the Permanent Secretary of the MoF, the Accountant general, and other members comprising senior managers in MoF, Tanzania Revenue Authority (TRA) and the Bank of Tanzania (BoT).

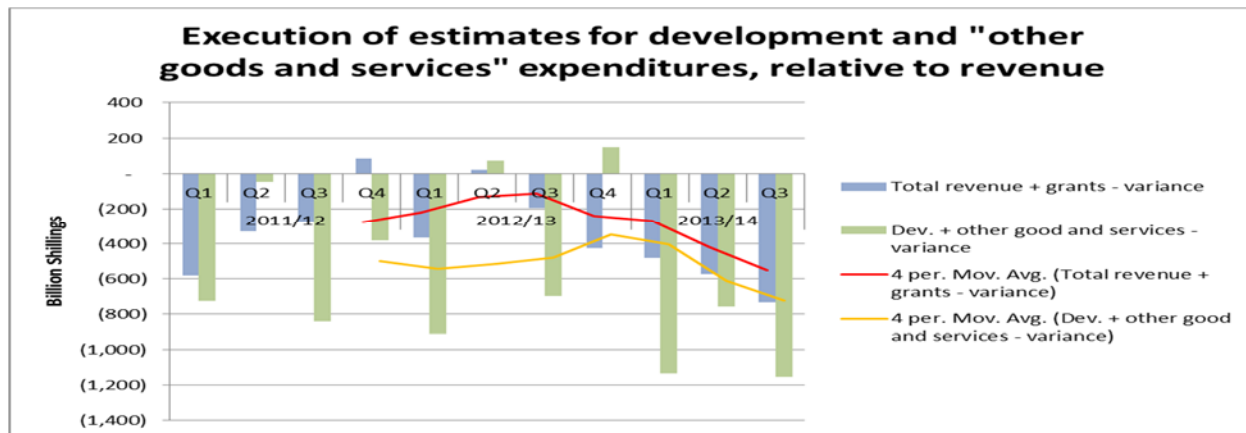
Figure 2: Collection of Estimated Revenue and Grants



Source: Quarterly Economic Review and Budget Execution Reports, MoF

69. The process to cash-ration budget execution generates significant uncertainty, and consequent inefficiency, in the smooth and orderly execution of service delivery functions. For example, it disrupts plans and processes to fill positions, the procurement and contracting of suppliers of goods, works, and services, the provision of basic supplies and necessities for day-to-day operations, and in addition, demotivates staff and slows project implementation. Figure 3 below depicts the impact of consistent cuts made by the CC to expenditures, in order to try and match cash outflows with balances, inflows and the ability to raise finance. The cash rationing process of course takes account of priority items, such as salaries, interest payments, arrears, and other fiscal pressures stemming from public entities. The natural ‘best’ candidates for cash rationing will be development expenditures (in particular the local financed component) and also ‘Other goods and services’. The negative variance against estimates for these categories of expenditure consistently follows the under collection of revenue and grants (Figure 3). By reigning in the authority to commit and spend on infrastructure, material, equipment, technology, etc., to facilitate service delivery, there is a consistent quarterly underspending on the associated estimates. Over 11 quarters until March 2014, on average an amount of TSh 584 billion was underspent each quarter on these two categories.

Figure 3: Expenditure Cuts



Source: Quarterly Economic Review and Budget Execution Reports, MoF

70. The monthly process to cash ration budget execution does not prevent MDAs from incurring unfunded expenditure arrears. Since the IFMIS only allows commitments up to the level of available funds (as approved by the Ceiling Committee), MDAs have developed the practice to execute their approved budgets as far as possible by entering into spending commitments outside IFMIS, in the hope that funds would eventually be available under the monthly cash limits to pay such invoices. Payments arrears then arise if the future monthly releases are not sufficient to pay off the invoices that arose from these commitments. The situation is worsened by the MoF (often under pressure) having to honor and pay such arrears. Starting in 2014/15, MDAs are required to post all expenditures in the IFMIS whether funded or not, thus allowing for full disclosure of and better control over the arrears. Commitment control for budget and cash management purposes is now performed at the payment stage.

71. A number of policy actions are required that will collectively and over time help to address the factors that give rise to the need for cash rationing, and its negative impacts. These are also supported by technical assistance and capacity building initiatives currently under implementation under PFM RP IV.

72. The Government needs to prevent MDAs from entering into commitments that are not controlled and recorded through the IFMIS. As explained above, the practice to cash ration budget execution encourages MDAs to incur commitments outside of the prescribed processes and system, especially since the practice has developed over time for the MoF to accept and pay such arrears. The MOF has now changed the system controls to allow all expenditures to be captured in the IFMIS as a first step that allows full disclosure of arrears. It has also confirmed the legal position (by issuing instructions) to commit all expenditures through the IFMIS (*OGPFM Prior Action*), initiate clearance of expenditure arrears in the FY 14/15 budget (*OGPFM Prior Action*), and implement a medium term plan to account for expenditure arrears in the budget and to reduce the stock of expenditure arrears (*OGPFM II and III Triggers*).

73. The Government needs to improve its budgeting and collection of domestic revenues and grants. The revenue budget appears to be the “balancing” figure in the budget framework. In addition to an unrealistic revenue budget, revenue collection is strained by numerous tax exemptions and collection inefficiencies. This results in revenue shortfalls and the need for cash rationing measures. If there are no realistic means to reach the revenue targets as set in the Budget Speech or to increase borrowing, expenditure cuts must be made to off-set the 12 percent average quarterly under-collection of revenues and grants in order to keep the overall fiscal deficit under control. This results in unpredictability of fund flows for MDAs to timely and formally commit for budgeted expenditures, as well as in large variances between expenditures in the Appropriation Act and the actuals, with serious implications for service delivery. As per good practice, such expenditure cuts should be avoided by having more credible revenue and expenditure budgets, and any subsequent changes to the original budget should be transparent, maintain cash predictability, and be limited to unforeseen and unavoidable expenditures (in order to also instill better planning, budgeting, and budget execution discipline). The rather opaque monthly cash rationing process currently does not facilitate this. The best course of action the GoT can take in order to get the situation under control is to cut the expenditure budget upfront to be in line with a realistic revenue collection and sustainable deficit and debt levels. However, given the existing budget climate and relationships, this course of action will be difficult to implement. However, through PFM RP IV,

there are a number of outputs / activities currently under implementation by the GoT, which have a direct bearing on the issues raised:

- Output 1.1 - Improved quality of forecasting of fiscal aggregates for three years on a rolling basis;
- Output 1.2 - Improved efficiency in domestic revenue mobilization both at the policy and the administration levels by updating legal instruments towards international best practices;
- Output 1.3 - Strengthened capacity of local government authorities to collect revenue by 2015;
- Output 1.4 - Increased Donor funding that flows through the exchequer system by 2016;
- Output 3.2 - Strengthened capacity of MDAs, Regional Administration Secretariats, and LGAs in Cash Management by 2015;
- Output 3.3 - Strengthened public debt management capacity by 2015.

74. Given the fact that these activities, coupled with possible improvements in the budget climate and relationships, will take a number of years to mature to a level where the original revenue and expenditure budgets will be largely credible, the cash rationing process will remain a key feature of budget execution for some time to come. What is required in the short term is to mitigate the negative impact of the process on predictability of fund flows, in order to allow for smoother planning and execution of services. The MoF has committed to develop and table in Parliament, before the end of FY 2014/15, a Budget Bill to enhance discipline and promote accountability for all stakeholders who are implementing the Government budget. This will provide an opportunity to develop and approve at the Cabinet level a clear set of rules for cash rationing of the appropriated budget when revenue and grants are under collected (*OGPFM II Trigger*).

75. The Government also plans to deal with inconsistencies in the legal framework authorizing the Ministry of Finance to borrow, and the limits thereof. There are two pieces of legislation currently in question – the Annual Appropriation Act, and the Loans, Guarantee and Grants Act (1974, as amended). The Annual Appropriation Act in its Section 5¹⁹ authorizes the Minister to borrow (in that fiscal year, and to be repaid by 31 October in the following fiscal year) for the full amount of the expenditure appropriated. Although probably not practical to implement, the clause as currently structured provides no incentive to develop and execute realistic revenue estimates. Its alignment with the limits provided for in the Loans, Guarantee and Grants Act also need to be assured, as well as with the Appropriation Bill to which the Minister of Finance has committed in his Budget Speech for FY 2014-15 (*OGPFM III Trigger*).

76. The daily cash management will be facilitated if all MDAs and LGAs operate on a Treasury Single Account (TSA) at the BoT. The Government has committed to further strengthen the TSA system and its configuration in the IFMIS, by closing bank accounts not necessary for budget execution and ensuring monthly reconciliation (as far as possible electronically) of all TSA bank accounts. At stake is the current arrangement whereby 21 regional treasuries process payments (using commercial bank accounts outside of the TSA in the BOT) on behalf of regional MDAs, which are not connected to the IFMIS. This requires budget, warrant and cash transfer processing by the central MDAs using commercial bank accounts by the regional

¹⁹ <http://www.parliament.go.tz/assets/uploads/files/cc4a3-THE-APPROPRIATION-ACT.pdf>

treasuries on their behalf, and subsequent reconciliation by all involved of cash advances made, payments processed and balances on hand. With wide-area connections available from the regions to the IFMIS all of the regional MDAs could be connected to the IFMIS for payment processing directly in the TSA. The same applies to LGAs that are operating commercial bank accounts. These could be switched to the TSA given their IFMIS connectivity and the EFT and TISS systems that are operational. The piloting of payments by regional votes through the EFT and TISS systems is being implemented (*OGPFM Prior Action*). As a logical next step, a plan to expand the use of EFT and TISS systems to LGAs (by sub-vote) would be required (*OGPFM II Trigger*).

77. Tanzania has two IFMIS systems (one for MDAs and the other for LGAs), but no consolidation architecture for these systems to support the production of public accounts. The consolidation of data in Tanzania's two IFMIS systems, coupled with full TSA implementation, would allow a consolidated view of revenue, expenditures, all available cash balances and liabilities at any given point in time. Tanzania has an IFMIS that covers all MDAs in Dar es Salaam and Sub-Treasury Accounts offices in all the administrative regions. Since 2012, another IFMIS system has been set-up covering 133 LGAs with a central server at the Prime Minister's Office Regional Administration in Dodoma. These two systems are not automatically linked and no data consolidation architecture exists that would inter alia provide an overview of consolidated cash balances available to the Government. In addition, and as explained earlier, there are bank accounts required for budget execution that are not part of the TSA set-up and configuration in the IFMIS. Ongoing technical assistance to support the GoT to improve its accounting and reporting of extractives revenues will further help to provide assurance that such revenues are timely, completely and accurately accounted for. The Government will benefit from IFMIS consolidation architecture for all budget execution data (revenue and expenditure) and related financial assets (including the TSA) and liability data (*OGPFM III Trigger*).

78. The Government plans to continue with its intent to move towards program based budgeting. Conceptually the planning, appropriation of budgets and monitoring of budget execution by programs and their associated outputs should (over time) support improvements in service delivery. The government has initiated a program based budgeting pilot in six MDAs (Ministries of Education, Water, Health, Transport, Finance and Community Development, Gender and Children) and this is supported by this operation (*OGPFM Prior Action*). At the moment (and even though appropriation is at the level of Vote for recurrent and development expenditures) there is a very detailed and cumbersome funds release and expenditure control system at the level of items, which results in significant reallocations during the year in order to execute the reality of MDA actions to deliver services and decisions taken through the cash rationing and other processes. This severely constrains the ability of service delivery managers to adjust to changes in circumstances and overloads the budget execution system with a level of control and administration that neither adds value, nor improves accountability, for service delivery. In order to realize the potential benefits of program based budgeting, during further roll-out in FY 2015/16 the Government plans to align the appropriation regime to the program based budget (*OGPFM II Trigger*). Further roll-out of a program-based budgeting and appropriation system will then be possible in FY 2016/17 (*OGPFM III Trigger*).

79. Results Indicators: Improvements in the cash management system will be primarily monitored using PEFA PFM performance indicators: (i) Stock of expenditure payment arrears as a percentage of GDP; (ii) Average annual under-collection of revenue and grants, as the difference

between actual and estimated revenues as reported in the final Budget Execution Report; (iii) Variance in expenditure composition in the last three years, excluding contingent items; (iv) Percentage of annual expenditure by regional MDAs paid through TISS and EFT; and (v) Number of pilot MDAs whose budget is presented, discussed, and appropriated by Parliament at the program level. Actual monitoring of the PEFA indicators for cash management will be undertaken outside the PEFA calendar in collaboration with other development partners supporting the PFMRP.

Policy Area 4: Public Investment Management

80. Strengthening PIM is essential to raise the level of efficiency in the use of public investment resources. Improving PIM becomes even more critical as revenue windfalls are expected from the exploitation of gas. The management of public investments in Tanzania has, over time, been located in different institutions (i.e., MOF, President’s Office, Planning Commission (PO-PC) and Prime Minister’s Office). There is no central mechanism to guide the translation of plans into strategic, prioritized public investments, nor is there a common standard approach to prepare and present development project/program proposals for inclusion in the development budget. Capacity in preparing project documents is weak among many departments of government. The institutional set-up for decision making on what projects should be in the national investment program and what projects should be prioritized in each year is weak with respect to objectivity. Public funds are not always allocated efficiently as robust economic and financial analyses are critical for objective project selection and for ensuring probity in the use of public funds. In addition, during project implementation, there is an irregular formal reporting on the execution of strategic investments. Under PRSC 11 the Government took a decision to prepare a Public Investment Management manual that would ultimately be used to guide spending units in the preparation and execution of projects.

81. The Government has consulted widely with various stakeholders in the preparation of the Public Investment Management manual, including the IMF and the Bank, who provided substantial comments to improve its quality in line with the standard PIM approach²⁰. The drafting of the manual was completed and approved by the Government in November 2014. The focus of this operation is to ensure MDAs adopt the new institutional process for PIM. The Government has included specific instructions in the budget guidelines for the 2015/16 budget that were issued in November 2014 (*OGPFM Prior Action*) on the use of the manual by MDAs. This will require MDAs to develop new investment projects in line with the PIM manual in the course of the next fiscal year, 2015/16. These new investment projects are expected to be submitted for selection, funding, and possible implementation in the fiscal year 2016/17. In selecting projects for funding in 2016/17, it is expected that the PO-PC and MOF will utilize the PIM manual and publish a report on investment projects screened following the PIM manual, thus demonstrating its use in decision making (*OGPFM II Trigger*). In general, the budget guidelines provide instructions to all spending units on the preparation of the annual budget and are expected to introduce the new institutional mechanism for preparing, selecting, and

²⁰ The standard PIM approach has eight must- have-features covering: (i) Investment Guidance, (ii) Project Development & Preliminary Screening, (iii) Formal Project Appraisal, (iv) Independent Review of Appraisal, (v) Project Selection and Budgeting, (vi) Project Implementation (include contracting), (vii) Project Adjustment, Facility Operation, (viii) Basic Completion Review and Evaluation.

implementing investment projects to enable all spending units to abide by this process. This will include improving the monitoring and evaluation of public investment projects by presenting a brief qualitative summary of progress for strategic investments in the well institutionalized “Quarterly Economic Review and Budget Execution Report” (*OGPFM III Trigger*). Development partners supporting the PFM RP IV have agreed to support capacity building in PIM for staff in spending units to be able to effectively use the manual during fiscal year 2015/16.

82. Results Indicators: New public investment projects selected for financing based on the PIM manual as a percentage of total new public investment projects for the same year.

Policy Area 5: Procurement

83. Modernization of public procurement system is essential to improve service delivery in Tanzania. Weak compliance with the procurement legal framework is a major challenge for the proper execution of the budget. The latest CAG audit report (2012/13) states that “in general LGAs do not have adequate administration and monitoring mechanisms to ensure that procurement and contracting process for goods and services attain value for money in meeting planned LGAs’ objectives”. Non-compliance with the laws and regulations is reflected in the use of inappropriate and non-competitive bidding methods, poorly or non-recorded stores in the ledger, goods paid but not delivered, and inadequate records of procurement processes. According to the CAG, the enforcement of procurement legislation is not properly instituted, PMUs are understaffed and procurement processes are often managed by non-experts who would require a large amount of feedback and supervision by the PPRA. Shortage of qualified staff and lack of immediate feedback from the regulator to procurement entities may encourage the latter to consider reporting requirements as a formality and not a meaningful exercise²¹. Hence, procurement, especially of goods and services which constitutes approximately 40 percent of the Government budget, remains extremely vulnerable to mismanagement by government officials, opening opportunities for resource misallocations (TGR 2011-12)²². These complaints have partly been related to the inherent weaknesses of the *2004 Public Procurement Act* (PPA 2004) that has been repealed and replaced by the 2011 PPA, following publication of the regulations in December 2013 (*OGPFM Prior Action*).

84. The PPRA has undertaken measures to build compliance in the procurement system but is under resourced to effectively cover over 400 procurement entities. There are three key measures being undertaken by the PPRA to improve compliance with the law and regulations. The first major function of the PPRA is to monitor procurement activities undertaken by over 400 Procurement Entities (PEs) spread across the country. PEs are required to report on the procurement activities using established tools. These reports are used by PPRA in the planning for

²¹ Lack of staff has resulted in the establishment of committees of non-qualified staff to perform the duties of PMUs which has not been effective as the members of the committees focus more on their other responsibilities at the expense of the functions of PMUs. The Public Procurement Regulatory Authority (PPRA) has established tools for reporting on procurement activities by all procuring entities. These reports are used by the PPRA in planning for the monitoring of procurement activities including audits for procuring entities, and feedback on the reports is provided through the annual reports. The level of compliance by procuring entities on the reporting of procurement activities has been low.

²² High level corruption cases, such as the radar and the central bank building contract, have arisen when procurement regulations have not been followed and when senior civil servants have been able to apply the law in their own favor. Policy makers on the other hand cite procurement processes as a major impediment to timely, quality and cost effective service provision.

the monitoring of procurement activities including audits for procuring entities and feedback on the reports is provided through the annual reports. Another key role of PPRA is to provide capacity building and awareness to procurement staff to adhere to the law and regulations. Capacity building has been undertaken with support from the AfDB and Belgian Technical Cooperation funds with respect to LGAs. With funding from PFM RP IV, PPRA has undertaken a Training Needs Assessment that will also lead to a capacity building program for LGAs. A third function of PPRA is to undertake procurement compliance audits, and the findings are reported in the annual performance evaluation report presented to the President and Parliament. Due to inadequate resources, PPRA is able to audit a third of the PEs annually. Under the PPA 2011, the PPRA has been given more powers to undertake monitoring of procurement activities and to sanction PEs for non-compliance.

85. The use of e-procurement is expected to bring transparency and improve compliance with the PPA 2011. Implementing an e-procurement system is expected to enhance transparency and fairness as most procurement transactions will be easier to monitor on-line. Establishment of e-procurement will enable PEs to report more frequently and transparently to PPRA. The PPA 2011 gives the MoF full responsibility to implement e-procurement in coordination with the PPRA. PPRA is undertaking a study on detailed user requirements and a strategic plan on e-procurement will be completed in 2014/15. Establishment of e-procurement requires a law that will recognize the legality of e-signatures to allow bidding for tenders and purchase of goods and services on-line. The GoT is in the process of enacting such legislation that is expected to be submitted to parliament in 2015/16 (*OGPFM II Trigger*). The enactment of the law on electronic transactions will also enable the Government to establish an institution that will be responsible to issue e-signatures to bidders. As such, it is expected that GoT will launch the use of e-procurement in goods purchased by the Medical Stores Department and the Government Procurement Services Agency in the third year (*OGPFM III Trigger*).

86. The GoT's plans for using e-procurement systems are currently focused on the health sector purchase of drugs and medical equipment and in the Government Procurement Services Agency (GPSA) for common use goods. In the Health sector, the supply chain for essential drugs is problematic. According to a recent survey, stock outs of essential drugs are common with about one quarter of the essential drugs being out of stock at the time of the survey. In addition, complaints of corruption and purchase of sub-standard goods in the procurement process have led in some cases to cancellation of tenders. The use of e-procurement in the purchase of drugs and medical equipment is expected to improve the selection process through higher transparency in decision making and selection process. The GPSA on the other hand, aims to improve its performance as well as transparency in procuring common goods for Government departments to improve service delivery. The agency has a huge mandate to procure goods and services for the Government. E-procurement system will enable it to achieve its mandate in an efficient manner.

87. Results Indicators: Procurement Indicators include (i) Average percentage of procurement entities that comply with PPA 2011 as per the PPRA annual evaluation report, and (ii) Percentage of goods procurement contracts undertaken annually using e-Procurement in Medical Store Department and the Government Procurement Services Agency.

Table 7: OGPFM Prior Actions and Analytical Underpinnings

No.	OGPFM 1 Prior Actions (March, 2015)	Related Analytical Work	Findings
1.	Cabinet approves an Access to Information (ATI) bill for submission to parliament in line with the OGP action plan, following broad consultations with stakeholders.	Open Government Declaration, 2011 (OGP).	Governments collect and hold information on behalf of people, and citizens have a right to seek information about governmental activities. The GoT has committed to promoting increased access to information and disclosure about governmental activities at every level of government. (OGP)
2.	<p>Government initiates the proactive disclosure of government data by:</p> <ul style="list-style-type: none"> a) Issuing instructions to establish an interagency working group to set policies, advise on standards and coordinate implementation of open data across MDAs and LGAs; b) Issuing a circular with interim guidelines for publishing data in Open Data format on the Government open data portal. 	<p>Tanzania Open Data Readiness Assessment 2013 (ODRA)</p> <p>Demand for Open Data in Tanzania, 2014 (DFD)</p> <p>Open Budget Index, Tanzania Report 2012</p>	<p>Given the inconsistent practices in charging for data, determining who gets access to data, and the conditions for releasing data, it is important that the Government issue an official Open Data Policy that sets consistent policies on the release of data, use of a standard “open data” license and compliance with technical standards for open formats. (ODRA Ex. Summary:4)</p> <p>Early release of some high-value datasets combined with the targeted development of visualizations and applications using this data will have an important demonstration effect across the entire government about the value and potential of Open Data (ODRA Ex. Summary:4)</p> <p>There is a strong call from citizens and civil society organizations for government to take the leadership in implementing an Open Data platform for Tanzanian government. This platform should be a collection and dissemination point of data from ministries, departments and agencies. (DFD:46)</p> <p>Tanzania is a weak performer in East Africa in terms of budget oversight and citizen engagement. The government provides the public with only some information on the national government’s budget and financial activities during the course of the budget year. This makes it challenging for citizens to hold the government accountable for its management of the public’s money (OBI 2012)</p>
3.	MoF issues instructions to spending units to commit all	Public Expenditure and Financial Accountability	The 2010 PEFA assessment noted that the cash management system was still nascent,

No.	OGPFM 1 Prior Actions (March, 2015)	Related Analytical Work	Findings
	<p>expenditures through the Integrated Financial Management Information Systems.</p> <p>Appropriated budget FY14/15 provides funding to reduce the level of expenditure arrears.</p>	<p>(PEFA) assessment report 2013 Non-Technical Drivers of PFM, 2013 (NTD 2013)</p> <p>PER study on the prevention and management of payment arrears (IMF, Draft Oct 2014)</p> <p>PFMRP IV Program Document (PFMRPIV)</p> <p>Inter-Governmental Funds Flow study, 2013 (IFGF)</p>	<p>providing a rating of C; the situation has changed little since. (PEFA: PI-16 (i)) Of the reforms that currently have momentum, cash management is perhaps the most challenging and demanding. If key elements contributing to good cash management can be improved it will positively impact other areas, particularly investment planning and service delivery (NTD:80)</p> <p>Efforts have been made to improve cash management. The present cash-based commitment system, which ensures commitment control on the macro-level, puts some challenges to cash management as its side effects can distort execution of the budget especially when cash is not available in a timely manner. (PFMRP IV: xiii)</p> <p>The current practice of allocation and transfer of funds has resulted in unpredictability of timing of receipt and amount both of which do not help LGAs in discharging their functions meaningfully. The process of allocating available Other Charges (OC) resources, i.e., rationing, to LGAs is not transparent and responsibilities for deciding who receives how much is based on criteria, which are not defined. (IGFT: vii)</p>
4.	MoF pilots payments by regional MDAs through the Tanzania Inter-bank Settlement Scheme (TISS) and Electronic Fund Transfer (EFT).	Inter-Governmental Funds Flow study, 2013 (IFGF)	The processes and systems to enable payments of expenditures by regional MDAs through the TISS and EFT systems at the BoT have been initiated. This will have a positive impact on cash management.
5.	MoF and POPC jointly issue budget guidelines for six pilot MDAs including education, water and health to present 2015/16 estimates on programmatic classification as a supplementary budget document.	<p>Rapid Budgetary Analysis 2013 (RBA 2013)</p> <p>PFMRP IV Program Document (PFMRPIV)</p> <p>Inter-Governmental Funds Flow study, 2013 (IFGF)</p>	<p>Overall development [budget] execution rates increased to 79 percent from 70 percent in 2011/12, driven largely by good performance in disbursement of local funds, with an execution rate of 89 percent. Nevertheless, the large share of development funds were released during the last quarter of FY, about 47 percent, while less than 15 percent were released during the first quarter. (RBA 2013:7)</p> <p>Overall there is a need for strengthened quality of budget preparation and budget and commitment control. In the context of a reallocation policy the emphasis should</p>

No.	OGPFM 1 Prior Actions (March, 2015)	Related Analytical Work	Findings
		Assessment of reallocation warrants in Tanzania, Sept 2014 (RW)	be put on two actions: (i) Reducing the number of administrative reallocation processes and strengthening the overall coordination to allow for a more strategic reallocation process; and (ii) Reassessing the classification and coding to reduce the level of detail on budget authorizations. (RW)
6.	MoF issues budget guidelines that require mandatory use of the Public Investment Management manual in preparation and screening of investment projects.	Tanzania Public Expenditure Review 2010	Tanzania could usefully develop a national public investment program (PIP) that brings together all the investment projects that fit within its national and sectoral strategies to avoid proliferation of low- impact, unrelated, and small sized projects. (PER 2010: viii) Countries that have developed a coordinated PIP have made it easier for central institutions to prioritize, implement, and monitor and evaluate projects. (PER 2010: viii)
7.	MoF publishes the regulations to implement the Public Procurement Act 2011 and a notice to all procuring entities to implement the Act and regulations.	Non-Technical Drivers of PFM, 2013 (NTD 2013) PPRA Annual Performance Evaluation Report 2012 (PPRA 2013)	Lack of procurement planning in projects, often leading to excessive use of restrictive competitive bidding or single sourcing, even for procurements above the threshold limits reform progress (NTD: 43). The PPRA will continue to prepare a detailed system requirement for implementation of e-Procurement in Tanzania, in consultation with relevant stakeholders (PPRA 2013)

C. Link to CAS, Other Bank Operations, and the WBG Strategy

88. The proposed program has been developed in the context of the FY12-FY16 Country Assistance Strategy Progress Report. The CAS aims at supporting Tanzania to sustain high growth and to make growth more inclusive to reduce poverty. In this context, it highlights the challenges the country needs to address, including improvements in service delivery to build a healthy and skilled workforce, and to manage urbanization. The country also needs to continue to fight corruption and strengthen transparency and accountability across sectors and all levels, especially in the context of future exploitation of natural gas reserves.

89. The CAS-PR proposes adjustments around two strategic clusters, which support the WBG Strategy: (a) Productive investments for growth of labor-intensive industries and job creation; and (b) Programs that target reduction of extreme poverty and improvements in quality of social services. Adjustments in the first cluster aim to over time increase productivity and growth of labor-intensive industries and job creation, directly contributing to boosting shared prosperity to benefit the bottom 40 percent of the population. Similarly, adjustments in the second cluster aim to reduce extreme poverty and directly target the extreme poor by increasing their

incomes and enhancing their access to quality social services. Furthermore, the proposed adjustments are aligned to a large extent with the government's BRN priorities, thereby enhancing the likelihood of accelerated delivery and implementation. The proposed OGPFM has been prepared to address the challenges identified in the CAS and intensify efforts in poverty reduction outlined in the CAS progress report by strengthening open government and public finance foundations to improve public expenditure transparency and management, and strengthen the delivery of social services.

90. The OGPFM series is also complementary to a number of Bank financed operations.

By enabling access to information, transparency and accountability in education, water and health, this operation is complementary to the Big Results Now in Education program (P147486), the Water Sector Support Project (P146700), the Basic Health Services Project (P125740) and the Urban Local Government Strengthening Program-for-Results operation (P118152). Annex 4 shows in more detail the relationship between these sector programs and the OGPFM. All these projects will rely on the dashboards supported by the OGPFM series and SOGDAT to assess progress. The respective task teams involved in the selected areas have been involved at various stages in the design of this operation and will continue to work closely with the team to provide technical assistance in relevant areas.

91. In addition, the proposed program is closely linked to initiatives aimed at improving good governance and statistics.

These include the multi-donor funded Statistics Capacity Building project (STATCAP – P107722) that is led by the Bank and implemented by the National Bureau of Statistics (NBS). NBS has been selected by the Government to coordinate open data efforts with other departments including the National Records and Archives Agency and the E-Government Agency. The Regional Communication Infrastructure Support Program (RCIP – P111432) funded by the Bank has also supported technical assistance that is complementary to the proposed program.

D. Consultations and Collaboration with Other Development Partners

92. There is a high level of consultation and collaborative arrangements in Tanzania under the Budget Support (BS) group of development partners.

Through this framework, the Bank has appraised all development partners regarding the proposed program. In particular, the operation has been linked to development partner working sub-groups on governance and public financial management. There is agreement between development partners that the Performance Assessment Framework for BS in 2015 will include a policy action and indicator on open government. This action has been drawn from the results matrix of the proposed OGPFM. This will ensure harmonization of donor programs towards a single dialogue on governance with the Government. The BS donors in Tanzania are guided by the Government priorities in the MKUKUTA and Five Year Development Plan. In addition, the PFM triggers in the proposed OGPFM have largely been drawn from the dialogue between the PFM development partners and the Government. The revitalized Public Expenditure Review process in Tanzania has provided space for dialogue with stakeholders, including development partner representatives, the private sector and CSOs, on public investment management and budget execution challenges including expenditure arrears and reallocation warrants. Also consultations undertaken with major CSOs

working on open government and in Public Finance has helped to clarify the prior actions and triggers to ensure they are well designed to deliver on the key outcomes of the program²³.

93. There are a number of development partners that have expressed interest to commit direct or complementary support to this program. DfID is contributing through SOGDAT to support technical assistance to the Open Data agenda. Sweden is providing a Senior Governance Specialist to assist with the monitoring of the series progress, technical assistance on OGP, and coordination support with stakeholders. Also Japan and the EU have shown interest in providing direct funding to complement the Bank's lending under this program. This reflects the common view among development partners in Tanzania that there is a need to focus attention on institutional bottlenecks that lead to improvement in service delivery.

V. OTHER DESIGN AND APPRAISAL ISSUES

A. Poverty and Social Impact

94. This program is expected to contribute to the poverty reduction and inclusiveness agenda through two main channels that will have an impact on service delivery. Under the first pillar, implementation of the OGP commitments on ATI and open data will lead to increased access to public information by citizens and enhance their participation in policy dialogue and monitoring of government service delivery programs. Through the second pillar of enhancing PFM impediments for service delivery, the Government will address some of the key bottlenecks in budget execution to improve social service delivery and adopt the use of better public investment management practices that will improve the selection and execution of investment projects leading to better outcomes for citizens' welfare. Improvements in public service delivery in education, water and health are a major contributor to poverty alleviation and the long-term growth agenda through increasing access of the poor to these services and their impact on improvements in human capital.

95. Under the first pillar, improvements in open data will lead to increased effectiveness in decision making within the government and provide opportunities for citizens' awareness and participation in monitoring government performance. This will in turn lead to improved targeting of government interventions that lead to better service delivery outcomes. The chosen approach to engage with government to 'open up' and eventually support citizens in accessing and using data to assess performance and provide feedback is expected to bring a positive change to the way services are delivered. However, evidence of the extent, speed, and likelihood of impact upon service delivery and poverty in general is still limited as these transformational approaches take time to bear fruit. The expectation is that decision makers in government under pressure to deliver information in a timely fashion may be able to monitor more effectively the results of policy decisions on inputs, outputs, and relate these to policy outcomes such as access to services. This will also enable decision makers to improve with time the targeting of public resources to areas where they have more impact. For example, timely and frequent availability of data on the resources allocated will lead to identification of under-funded areas that if well-funded could lead to a higher impact to service delivery and thus poverty reduction.

²³ Discussions were held with Research on Poverty Alleviation (REPOA), Policy Forum, Twaweza and Haki Elimu.

96. Under the second pillar of the OGPFM, improvements in cash management, public investment management and procurement will lead to streamlined processes to execute activities efficiently for effective service delivery, on time and in line with budget, which will enable better targeted spending on priority needs. Improvements in the information required for revenue and cash management and the associated processes will facilitate better predictability in the availability of funds flow for the execution of approved budgets. Cash rationing, as the current means to deal with unreliable revenue and expenditure budgets and cash shortfalls, will become less disruptive to the processes required for well planned and executed service delivery. This in turn will help to prevent service delivery issues, such as stock out of critical drugs in the Health sector, etc. Over time, and coupled with better PIM and procurement processes, as well as improved monitoring and accountability, better delivery of public services will be achievable.

97. An improved PIM process will help the Government plan, select, and implement the most cost-effective projects in line with policy priorities under the MKUKUTA and FYDP. This policy action will also lead to efficient use of financial resources, by ensuring that only projects with a high likelihood of success are selected for funding. It will also improve efficiency of spending by ensuring that investment resources are able to finance fully the projects selected, thereby achieving the intended objectives. This will limit the practice of partially funding many projects, which take many years to complete and erode the quality of investments. Improved public investment management practices will enhance the quality of investment projects to achieve desired results.

98. Implementation of the Public Procurement Act 2011 and regulations will improve the regulation of procurement processes and at the same time improve the procurement function in spending units to achieve better service delivery. Furthermore, adoption of e-procurement will lead to improved transparency in selection of bidders as well as better implementation of procurement contracts and compliance with existing laws and regulations. These actions are expected to lead to improved service delivery.

B. Environmental Aspects

99. The specific policies supported by this programmatic operation are not expected to have negative effects on Tanzania's environment, forests, water resources, habitats or other natural resources, nor are there any short or long term climate change or disaster risks relevant to this operation. The risk of unanticipated adverse effects to the environment and natural resources is low. Tanzania has in place adequate environmental controls and legislation under the mandate of National Environmental Management Council (NEMC), providing support to line-ministries including MoF in incorporating environmental guidelines.

100. The OGPFM will support the adoption and implementation of a PIM manual which will have a positive impact on environmental aspects of projects. Currently, environmental issues are not systematically captured in investment projects, due to weaknesses in the institutional mechanism for project selection, approval, and execution. The adoption of the PIM manual will integrate environmental aspects as key aspects in the selection of investment projects for funding, as well as ensure that these are well managed during implementation.

C. Financial Management, Disbursement, and Auditing Aspects

101. While Tanzania’s public financial management (PFM) was once considered among the best in Africa, there are signs of weakening in the PFM system in recent years. The 2009 and 2013 PEFA scores reflect some deterioration of the PFM systems since 2005. The latest 2013 PEFA highlighted several key problem areas: (i) weaknesses in non-salary internal control systems; (ii) fiscal risk to the budget posed by some public enterprises; and (iii) unreliable cash forecasting, multiple budget reallocations, execution of the budget through a monthly cash rationing system, and ineffective commitment control, all of which impede service delivery. Tanzania’s rating in the area of PFM was lowered in the 2011 CPIA by the World Bank and remained at the same rating in 2012. The Bank and other DPs continue to support the Government’s effort to address challenges in the PFM system including macroeconomic and fiscal forecasting, predictability of budget execution, harmonization of debt systems, and timely implementation of audit recommendations through phase IV of the PFM Reform Program (PFMRP).

102. The Government has increased the amount of budget information made widely available to the public. The Government budget for the financial year beginning July 1, 2014 (FY2014/15) was presented to the Parliament on June 11, 2014 (before commencement of the new financial year) and approved on June 15, 2014. The budget presented to the Parliament in the form of the budget speech (and accompanying four volumes of the budget books as submitted to Parliament) by the Minister of Finance was immediately made available on the MoF website. For the financial year beginning July 1, 2014 approved budget books were posted on the MoF website in the same month.

103. The Poverty Reduction Budget Support (PRBS) accounts are annually audited by the CAG. The latest CAG report for FY2012/13, issued in March 2014, provided an unqualified opinion. The Bank, like other DPs, was provided with a copy within a month after completion of the audit. This report confirmed the integrity of PRBS funds and made recommendations on a number of improvements to the mode of operations, which have resulted in new technical improvements to the related financial operations. In light of the above, the fiduciary risk to Bank funds being disbursed to BoT for onward credit to the exchequer account is rated as moderate.

104. An updated IMF safeguards assessment of the Bank of Tanzania (BoT) was finalized in November 2012. It found a strengthened governance and safeguards framework at the BoT, including its audit committee and establishment of a risk-management function. The assessment noted the importance of continued strong oversight by the BoT’s board over remaining noncore functions and over compliance with statutory limits on credit to government. The audited accounts of the BoT for 2012/13 with an unqualified opinion are published on the BoT’s website.

105. The overall PFM system in Tanzania remains adequate for OGPFM I and fiduciary risks directly related to this operation are Moderate.

106. The proposed credit will follow the Bank’s disbursement procedures for development policy loans/credits. The untied finances will be disbursed against satisfactory implementation of the development policy program and are not tied to any specific purchases. Once the credit is approved by the Board and becomes effective, and at the request of the Borrower, the proceeds of

the credit will be deposited by the International Development Association (IDA) in an account designated by the Borrower and acceptable to the Bank at the BoT (central bank of Tanzania), and forming part of the country's foreign exchanges reserves. The Borrower shall ensure that upon the deposit of the loan into said account, an equivalent amount is credited in the Borrower's budget management system in TZ shillings at the official exchange rate, in a manner acceptable to the Bank. The Borrower will report to the Bank on the amounts deposited in the foreign currency account and credited to the budget management system within 30 days after the disbursement is made²⁴. If the proceeds of the credit are used for ineligible purposes as defined in the Financing Agreement, IDA will require the Borrower to, promptly upon notice from IDA, refund an amount equal to the amount of said payment to IDA. Amounts refunded to the Bank upon such request shall be cancelled. The administration of this credit will be the responsibility of the Ministry of Finance.

107. Audit arrangements. The proposed credit finances the Consolidated Fund, which is subject to audit by the CAG. The CAG is required by law to present the audit report on the public accounts to the Parliament within nine months of the financial year end. IDA will have access to those reports.

D. Monitoring, Evaluation, and Accountability

108. The implementation of the OGPFM series will be monitored by the World Bank and through the Bank's participation in the preparation and the assessment of the annual Performance Assessment Framework in the context of the ongoing Budget Support (BS). As part of an overall framework, supervision and preparation of the operations in the series take place in collaboration with other donors and in consistency with the BS review mechanism. The BS review will be conducted annually for an overall assessment of progress made in each of the program areas. The Partnership Framework Memorandum of BS sets the framework for M&E under BS. The Government and BS partners will keep track of their performance relative to jointly agreed indicators, targets, and actions listed in the PAF. The PAF has incorporated some of the prior actions and triggers proposed in the first two operations of the series. Monitoring and dialogue processes will follow an annual review process aligned with the Government's planning, budgeting, and MKUKUTA II review cycles. All formal performance assessments will be undertaken jointly by the Government and BS partners.

109. In addition, since the OGPFM second pillar has major PFM actions, the Bank will continue to supervise this area as part of the technical assistance program on PFMRP IV. The Bank has traditionally been involved in supervision of PFM in collaboration with other DPs. The supervision is done quarterly leading to review meetings that are jointly chaired by the Government and Development partners. An annual supervision report is prepared jointly reflecting the major successes and challenges in implementing PFM reforms in Tanzania. Apart from the normal supervision, the partners also agree to undertake joint analytical work to address key constraints, including Public Expenditure and Financial Accountability (PEFA) review

²⁴ For the past PRSC operations, the authorities submitted such receipts after the disbursements with Exchequer Receipt Vouchers attached with some time lags of 40 to 70 days for PRSC-7, PRSC-7 supplemental, and PRSC-8.

periodically. An independent mid-term review of the PFM RP IV will be undertaken in 2015, which will also be used by the Bank to monitor the technical assistance program.

110. Grievance Redress: Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a World Bank Development Policy Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns.

111. Affected communities and individuals may submit their complaints to the World Bank's independent inspection panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank management has been given an opportunity to respond.

112. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

VI. SUMMARY OF RISKS AND MITIGATION

113. The overall risk level of this operation is rated as Moderate. Table 9 presents the findings the Bank's Systematic Risk Assessment Tool (SORT) and major risks are discussed below.

114. Political and Governance risks are rated as Moderate. Elections will be held in October 2015, and in the past these have put pressure on the Government to increase spending to meet election promises. There is also a potential governance risk as shown in the recent case of the IPTL case. While the Executive has taken strong actions to implement the recommendations from the Parliament Public Accounts Committee, there are remaining steps to be taken to fully complete the process. A key mitigation measure is the high level of Government leadership, commitment, and focus on BRN which should target specific areas of spending.

115. Macroeconomic risks are rated as Moderate. Among the exogenous external risks, the economy remains exposed to variations in prices on international markets, notably of food, fuel, and gold. On the domestic front, the most important risks arise from fiscal policy as discussed in the earlier macroeconomic section, which include: (i) shortfalls in revenue collection while facing increased public spending, particularly from the BRN initiative; (ii) accumulation of arrears particularly in the pension sector as well as contingent liabilities from Public Authorities and Other Bodies (PA&OBs); and (iii) level of debt with increased non-concessional borrowing.

116. To address some of these risks, the Bank has strategically processed a series of operations in close coordination with the IMF and the BS partners. In addition, the proposed OGPFM series will benefit from complementary dialogue channels, including the macro-fiscal dialogue through the IMF program and the PER process which offers the platform to monitor

recent fiscal developments and inform policymakers, as well as debt sustainability diagnostics such as DSA and debt management technical assistance activities.

117. Sector Strategies and Policies risks are rated as Moderate. While unlikely, there is a risk that a new administration will be elected to power and could change its level of commitment to the open government agenda as well as to the public financial management reforms.

118. These risks will be mitigated by the proposed program being partly aligned to the Government's agenda on the Big Results Now (BRN) initiative that aims to expedite improvements in service delivery. As part of its commitment to the BRN, the Government has been holding timely progress review meetings to ensure the program is not derailed. High level Government leadership is committed to implement the OGP program due to its focus on improving transparency of Government activities, as well as demonstrating improvements in service delivery in line with the BRN. However, it is likely that post-election, the second OGPFM in the series may be affected as there will be a new administration. The Bank has scheduled frequent meetings with senior Government officials and collaborating development partners during which progress in implementing this program will be discussed among other issues. The team plans to hold consultative meetings with CSOs to inform them of progress in implementing this program, which will ensure CSOs are able to advocate for the Government to achieve its commitments under the OGP and to enhance public service delivery. The team will also closely assess the political situation and discuss with management the appropriate timing of the next operation.

119. Technical Design of the Program risks are rated as Low. The proposed program has been narrowly designed to achieve results in three key sectors aligned to the BRN. The scope of the operation is considered to be feasible before the elections and will demonstrate the usefulness of open government and better PFM in a changing political environment.

120. Institutional Capacity for Implementation and Sustainability risks are rated as Substantial. The implementation and sustainability of the program supported by the OGPFM series may face risk in terms of capacity to implement the program. Particular challenges include: (i) insufficient technical capacity; (ii) possible delays in the implementation of open government and public financial management programs to support the sector institutions; and (iii) shifts in Government priorities away from the BRN, open government, and improved service delivery.

121. To mitigate these risks, a number of parallel technical assistance programs have been designed to increase capacity in the selected sectors. In collaboration with other partners, the Bank is already providing technical support to the selected sectors in order to address capacity shortfalls in areas such as access to information legislation, Open Data, and financial resources for capacity building in public financial management. A technical assistance program funded by DfiD, SOGDAT, will support the technical requirements for achieving open data including training of infomediaries and promoting pilot programs that will make use of Open Data. In addition, the multi-donor funded PFM RP IV will continue to provide support to PFM reforms. Likewise, the proposed education performance Program for Results and the on-going water sector development program will provide technical assistance as needed.

122. Fiduciary risks are rated as Moderate. The overall PFM system in Tanzania remains adequate for DPOs, and the resolution of the IPTL case has demonstrated that accountability

mechanisms do function. However, capacity constraints in PIM and PFM continue to pose a risk in the country’s PFM system. To mitigate these risks, the ongoing PFMRP IV program and the PER dialogue process, as well as the PSI, will function as important channels of dialogue and technical support in ensuring that further deterioration of the PFM system will not occur.

123. Environmental and Social Risks are rated as Low. The specific policies supported by this programmatic operation are not expected to have negative effects on Tanzania’s environment, forests, water resources, habitats or other natural resources, nor are there any short or long term climate change or geo-hazard risks relevant to this operation. Tanzania has in place adequate environmental controls and legislation under the mandate of National Environmental Management Council (NEMC), providing support to line-ministries including MoF in incorporating environmental guidelines. In addition, the program supports the adoption of the PIM manual for selecting investment projects that improve the economic and social welfare of the people. The manual itself incorporates environmental considerations in the selection of projects in line with the environmental laws and regulations. The NEMC will provide oversight as the appropriate regulatory agency on investment projects before decisions are made to fund them as well as ensure mitigation measures are applied during implementation.

124. Stakeholder Risks are rated as Moderate. The role of local Non-State Actors (NSAs) in advancing Demand for Good Governance (DFGG) in Tanzania is very recent, most of them starting as service delivery agencies, and more recently focusing on improving governance and accountability as this theme has gained priority in development partner programs. Key roles played by NSAs have been in monitoring and evaluation of government development programs, awareness raising of local communities, and acting as infomediaries by communicating policy messages to citizens. Though on some occasions there have been significant attempts to challenge government policy implementation at the national level, these have not been sustained, largely due to inadequate information necessary to support the NSAs monitoring and evaluation.

125. To mitigate these risks, SOGDAT will finance capacity building of NSAs to enable re-use of open data and to inform citizens. This will be undertaken in parallel with enhanced availability of open data to public officials. As such, capacity within the Government to respond to information requests will be increased in order to more confidently respond to requests from the public. In addition, efforts will be undertaken through a complementary program to SOGDAT run by TWaweza, a local NGO, to increase demand side re-use of data.

Table 9: Systematic Risk Assessment Tool (SORT)

Risk Categories	Rating (H, S, M or L)
1. Political and governance	M
2. Macroeconomic	M
3. Sector strategies and policies	M
4. Technical design of project or program	L
5. Institutional capacity for implementation and sustainability	S
6. Fiduciary	M
7. Environment and social	L
8. Stakeholders	M
Overall	Moderate

ANNEX 1: POLICY AND RESULTS MATRIX

OGPFM 1 Prior Actions (March, 2015)	OGPFM 2 Triggers	OGPFM 3 Indicative Triggers	Results Indicators	Baseline (2014)	Target (2017)
Pillar 1: Open Government Partnership – Support Tanzania’s commitment to promote access to information, open budget, and open data in Education, Water and Health					
Policy Area 1: Establishing the Legal Framework for Access to Information					
Cabinet approves an Access to Information (ATI) bill for submission to Parliament in line with the OGP action plan, following broad consultations with stakeholders.	Government approves implementing regulations for the ATI Act and establishes public information focal points in the Education, Water and Health ministries.	Government establishes a mechanism for monitoring implementation of the ATI legislation in line with the provisions of the ATI Act.	Percentage of ATI requests granted as a share of total requests.	0	80 percent of the requests for information by citizens will have been granted in line with the ATI Act.
Policy Area 2: Establishing an Open Data system and practice for Government Budget and Sector Performance					
Government initiates the pro-active disclosure of data by: a. Issuing instructions to establish an interagency working group to set policies, advise on standards, and coordinate implementation of open data across MDAs and LGAs. b. Issuing a circular with interim	Government adopts a policy on open data applicable to all public institutions following wide stakeholder consultations. Ministries of Education, Water and Health will pilot an Open Data dashboard on the Government open data portal which	Ministries of Education, Water, and Health will expand the dashboards to include performance data and roll them out.	Dashboards with data and performance information for the Education, Water, and Health sectors, including a citizen feedback mechanism, are fully functional and available on the Government open data portal. Increased downloads of budget and expenditure data	0 0	3 2,500

OGPFM 1 Prior Actions (March, 2015)	OGPFM 2 Triggers	OGPFM 3 Indicative Triggers	Results Indicators	Baseline (2014)	Target (2017)
guidelines for publishing data in Open Data format on the Government OD portal.	includes a citizen feedback mechanism.		Number of information intermediaries that use open data.	0	5
Pillar II: Public Financial Management - Improve budget credibility and execution, through better cash management, public investment management, and procurement					
Policy Area 3: Cash Management					
MOF issues instructions to spending units to commit all expenditures through the Integrated Financial Management Information System. Appropriated Budget FY14/15 provides funding to reduce the level of expenditure arrears.	Cabinet approves a plan that: (i) establishes a verifiable level of expenditure arrears; (ii) finances the payment of such arrears through the budget; and (iii) prevents the build-up of further arrears.	MoF continues to implement the plan to reduce the stock of expenditure payment arrears	Stock of arrears of expenditure payments as % of GDP, at end of fiscal year	1.8%	1%
	Cabinet approves a set of transparent rules for cash rationing of the appropriated budget when revenue and grants are under collected	Cabinet approves amendments to the Appropriation Bill to ensure consistency in the borrowing powers granted to the Minister of Finance and debt ceilings, as specified in the Loans, Guarantee, and Grants Act (1974, as amended).	Average annual under collection of revenue and grants, as the difference between actual and estimated revenues as reported in the final Budget Execution Report. Variance in expenditure composition in the last three years, excluding contingent items.	12% Exceeded 15% in at least two of the last three years.	5% Exceeded 10% in no more than one of the last three years.

OGPFM 1 Prior Actions (March, 2015)	OGPFM 2 Triggers	OGPFM 3 Indicative Triggers	Results Indicators	Baseline (2014)	Target (2017)
MoF pilots payments by regional MDAs through the Tanzania Inter-bank Settlement Scheme (TISS) and Electronic Fund Transfer (EFT).	MoF approves plan to link LGAs to the TISS and EFT.	MoF initiates implementation of consolidation architecture for the IFMIS data of MDAs and LGAs, for budget execution data (revenue and expenditure), and related financial asset and liability data.	Percentage of annual expenditure by Regional MDAs paid through TISS and EFT.	0	100%
MoF and POPC jointly issue budget guidelines for six pilot MDAs, including education, water, and health, to present 2015/16 estimates on a programmatic classification as a supplementary budget document.	MoF implements a program based budgeting and appropriation system for the six pilot MDAs.	MoF continues to roll-out a program based budgeting and appropriation system to an additional six MDAs.	Number of pilot MDAs whose budget is presented, discussed and appropriated by Parliament at the program level.	0	6
Policy Area 4: Public Investment Management					
MoF issues budget guidelines that require the mandatory use of the Public Investment Management (PIM) manual in preparation and screening of investment projects.	POPC publishes a report on investment projects screened following the PIM manual	Report in the Quarterly Economic Review and Budget Execution Report on progress with the public investment program.	Percentage of the new public investment projects selected for financing based on the PIM manual as a percentage of total new public investment projects in the same year.	0	100%
Policy Area 5: Procurement					
MoF publishes the regulations to implement the Public Procurement Act 2011 and a notice to all procuring entities to implement the Act and regulations.	Ministry of Communication Science and Technology submits a bill to Parliament that will provide the legal framework for	Government launches the use of e-procurement for goods purchases at the Medical Stores Department and Government Procurement Services Agency.	Average percentage of procurement entities that comply with PPA 2011 as per PPRA annual evaluation report.	64.3%	90%

OGPFM 1 Prior Actions (March, 2015)	OGPFM 2 Triggers	OGPFM 3 Indicative Triggers	Results Indicators	Baseline (2014)	Target (2017)
	electronic transactions.		Percentage of goods procurement contracts undertaken annually using E-procurement in Medical Store Department and the Government Procurement Services Agency.	0%	60%

ANNEX 2: LETTER OF DEVELOPMENT POLICY

THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF FINANCE

Telegrams: "TREASURY", Dar es Salaam,
Tel: 2111174/6, Fax 2110326.
Telex: 41329.

(All Official communications should be
addressed to the Permanent Secretary to
the Treasury and NOT to individuals).



1 MADARAKA STREET,
P. O. Box 9111,
11468 DAR ES SALAAM

In reply please quote:

Ref. No. CDB. 427/624/01



Country Director for Tanzania, Uganda and Burundi,
World Bank Country Office,
50 Mirambo Street,
DAR ES SALAAM

LETTER OF DEVELOPMENT POLICY

1. On behalf of the Government of the United Republic of Tanzania, I hereby write to request approval of the Open Government and Public Financial Management Development Policy Credit in the amount of US\$ 100 million. This credit will assist the Government in the implementation of the Open Government Partnership commitments and in improving Public Financial Management in Tanzania which will contribute in the achievement of the objectives of the National Strategy for Growth and Poverty Reduction and the First Five Year Development Plan. In particular, this credit will enhance the governance initiatives of the Government by promoting transparency in public service delivery and expenditure and in the proper management of public financial resources.

2. Tanzania has taken major steps to improve governance in collaboration with the World Bank and other development partners. To spearhead improvements in service delivery, the Government has adopted the Big Results Now (BRN) as an overarching strategy for achieving quick results. The BRN will require efficient and effective public financial management systems to deliver funding to the front line. It will also require increased transparency to inform citizens on Government performance. We are committed to changing the way Government functions. It is in this light that we are pleased to provide the following summary of the policy areas that this operation seeks to support.

BACKGROUND AND RECENT DEVELOPMENTS

A. MACROECONOMIC PERFORMANCE

3. **Tanzania's recent economic developments have been favorable with stable growth and inflation under control.** GDP growth remains robust,

reaching 7.3 percent in fiscal year (FY) 2013/14, and is projected to remain at the same level in FY2014/15. Economic expansion has been driven by several fast-growing sectors, such as mining, communication, financial services, construction, manufacturing, and retail trade. By contrast, agriculture—the sector on which about 80 percent of households depend as their primary economic activity—has continued to post slower growth and weaker productivity gains. Inflation has steadily declined over the past two and a half years due to tight monetary policy as well as falling international energy and food prices. The inflation rate was four percent in January 2015, down from over 19 percent at the end of 2011.

4. Sustained public and private consumption and investment have been the main drivers of economic growth from the demand side. Both household consumption and private investment growth has remained high between 2007 and 2013, accounting for 57 percent and 34 percent of GDP growth respectively. Comparing two periods of 2001-2006 and 2007-2013, the share of public consumption and investments in GDP growth increased from 29 percent to 40 percent and from 11 percent to 15 percent, respectively, reflecting the Government's effort to sustain social service provision while scaling up infrastructure investments in the country.

5. However, the relatively high economic growth has not translated into growth of productive jobs that are sufficient to absorb the rapidly growing labor force in the country. So far Tanzania has not been able to stimulate job creation at a sufficiently rapid pace because productivity growth has been limited in a small set of sectors that are relatively more capital/technology intensive rather than labor intensive. Therefore, productivity growth and increased diversification of the economy will be central to enhancing the expansion of private firms and their capacity to create productive jobs. These issues are at the center of the Country Economic Memorandum (CEM) launched in September 2014 and the private sector DPO which is being prepared by the Bank.

6. Tanzania's economy has increasingly become more open, with increasing diversification toward new products and markets during the past five years, but remained low than the average for Sub-Saharan Africa. The trade-to-GDP ratio has risen from 42 percent in 2008 to 49 percent in 2013 which is significantly low compared to the Sub-Saharan Africa average of around 66 percent. Although the export structure remains largely dependent on primary commodities such as minerals (especially gold), coffee, tea, cashew, and cotton, the recent surge in manufactured exports to EAC and the Southern African Development Community (SADC) has been a notable and welcome development. During the same period, imports grew faster than exports, leading to a growing trade deficit over time.

7. The balance of payment remained stable in 2013/14 despite the weak performance of exports and increased imports bill. Decline in

commodity prices in 2013 adversely affected Tanzania's export basket, which is still driven by several commodities. The overall fall in unit prices of both traditional and non-traditional exports, especially gold, together with declining manufactured exports resulted in a weaker export performance with the value of exports of goods and services having increased only by 6.6 percent in 2013/14 in real terms, while the value of imports of goods and services increased by 7.2 percent. Despite the widened current account deficit, a high volume of FDI has helped the economy maintain its overall stability in balance of payments. Gross official reserves amounted to US\$4,633 million as at the end of June 2014, sufficient to cover 4.0 months of (current year) imports of goods and services for the following year. The current account balance is anticipated to improve significantly in 2014/15 as a result of reduced import bill due fall in oil import value.

8. The Central Bank has continued to follow a conservative monetary policy, which resulted in falling inflation during the last two years. Annual growth of average reserve money declined to 13.7 percent in 2013/14, down from 19.3 percent three years ago. As a result, together with falling domestic food prices, inflation reached 4 percent in January 2015—a significant decline compared to 19 percent in December 2011. However, the recent significant use of liquidity papers for financing the budget needs to be monitored.

9. In 2013/14 the GoT implemented a tight fiscal policy that brought the fiscal deficit down to 3.3 percent of GDP from 4.3 percent of GDP in 2012/13. At 13.7 percent of GDP, the actual domestic revenue collection in 2013/14 turned out to be more than two percentage points lower than the initial target. This forced the Government to undertake significant expenditure cuts (about 2.5 percent of GDP) as well as significant accumulation of expenditure payment arrears (about two percent of GDP). As a result, overall public expenditure in FY2013/14 was 18.7 percent of GDP, which is about five percent lower than the target. The significant expenditure cuts affected implementation of the priority infrastructure investment projects and social services under the BRN and the national development plan (MKUKUTA) which had to be postponed. However, slightly higher than half of the discretionary public spending was spent on the six MKUKUTA priority sectors (education, health, water, agriculture, energy, and roads) in FY2013/14.

10. Despite improving the overall deficit in 2013/14, the Government has accumulated significant level of arrears in the range of six percent of GDP. The central government has accumulated arrears of around 1.8 percent of GDP with suppliers (mainly in road construction), to which arrears with the pension system need to be added – in the range of two percent of GDP. These figures do not include the arrears accumulated by public agencies and parastatals (e.g., TANESCO and DAWASCO), which in turn are estimated to be around 2-3 percent of GDP. While the central Government is not directly responsible for those arrears, the contingent fiscal risk is considerable.

11. Further fiscal consolidation is anticipated in FY2014/15 with an overall fiscal deficit target of 3.7 percent of GDP. This will be achieved by controlling public expenditures and increasing domestic revenues. Domestic revenue collection target for FY2014/15 is set at 13.9 percent of GDP, about 0.2 percent higher than the actual revenue collections in 2013/14, driven largely by tax policy and administration reforms introduced by the FY 2014/15 Budget Speech. The FY2014/15 public expenditure is anticipated to be around 20.4 percent of GDP, about two percent higher than in FY2013/14. A significant share of the public spending will be directed towards priority projects and programs identified under the BRN and National Strategic Investment Projects in line with the Five Year Development Plan (FYDP) and the MKUKUTA. However, implementation of the FY2014/15 budget will depend largely on the performance of the domestic revenue collection and budget execution, especially the development budget. Preliminary data shows that actual revenue collection during the first semester of the FY2014/15 has fall short of the target by around 15 percent while disbursement of budget support grants of about 1.2 percent of GDP has been delayed due to IPTL scandal.

B. MACROECONOMIC PROJECTIONS

12. Tanzania's macroeconomic situation is expected to remain stable with the GDP growth rate anchored at 7 percent over the next two years. Scaling up of public investments (as part of the BRN initiative), if implemented successfully, should further support the drive for growth. In the medium term, the expected huge FDI inflows (potentially \$ 4-5 billion per year) toward the natural gas sector, especially for construction of LNG plant(s) that may start as early as 2017 depending on final decisions by the international gas investors, should support the growth of the economy.

13. The authorities remain committed to a prudent monetary stance and flexible exchange rate regime. Inflation is expected to stabilize at around five percent as a result of prudent monetary and exchange rate policies in addition to favorable food and global energy prices. Moreover, the Bank of Tanzania intends to gradually move to interest rates as opposed to the current reserve money targeting approach.

14. The medium-term fiscal policy framework aims at further reducing the overall fiscal deficit to around 3 percent of GDP and stabilizing the total public debt at around 34 percent of GDP in FY2014/15 These targets are consistent with the GoT's objective of maintaining fiscal sustainability, low debt distress, limiting accumulation of new arrears and expenditure cuts during budget execution, and avoiding the risk of renewed inflation pressure. This will be achieved by mobilizing additional domestic revenue. The control of recurrent spending, notably the wage bill, will be required as well as considerable improvements in the selection and management of investment projects. Close monitoring and improvement in both fiscal and debt management remains critically important.

15. The current account deficit should remain relatively high but will be offset by anticipated large FDI inflows in the natural gas sector. In the medium term, however, the current account deficit is expected to improve significantly after domestic natural gas replaces liquid fuel as the main source of thermal power generation, thereby reducing presently costly fuel imports. Construction of LNG plant(s), which is likely to be financed by multibillion dollar FDI per year, would widen the current account deficit at least temporarily due to expected growth of imported materials and equipment for the construction, but should not lead to any significant deterioration in balance of payments because of the size of potential FDI flows.

16. Tanzania's current risk of debt distress remains low provided fiscal consolidation is maintained. The last IDA-IMF Debt Sustainability Analysis (DSA) (April 2014) shows that Tanzania's risk of debt distress was low. Even though DSA indicates that public debt sustainability continues to be sensitive to fiscal consolidation and recognition of outstanding pension and other liabilities, Government is committed to pursuing a sound debt management strategy, including taking measures to urgently addressing the pension liabilities, adopting a conservative approach to non-concessional borrowing, and improving capacity to plan and execute public investments in order to ensure future debt and fiscal sustainability.

C. BACKGROUND ON THE OPEN GOVERNMENT PARTNERSHIP AND THE PUBLIC FINANCIAL MANAGEMENT REFORM PROGRAM

THE GOVERNMENT PROGRAM ON OGP

17. Tanzania joined the Open Government Partnership (OGP) in September 2011. The country's first OGP Action Plan was submitted in April 2012, focusing on enhancing transparency, citizen participation, accountability and integrity and the use of technology and innovation in service delivery sectors of health, water and education. The first OGP Action Plan was prepared following a public consultation process in which a number of key stakeholders including non-state actors, media and citizens were involved. The two year plan was self-evaluated in 2013 and independently in early 2014. Both the Self-Assessment Report and the report of the Independent Review Mechanism found that implementation was challenging and therefore limited success was recorded.

18. Tanzania's Second OGP Action Plan (2014/15-2016/17) focuses on five priority areas, selected for their cross-cutting importance. These areas are enactment of an Access to Information Act, establishing a system of open data, making budget data publicly available, making land use plans and ownership transparent, and fulfilling EITI transparency commitments. The second action plan still puts an emphasis on promoting service delivery in three key sectors of education, water and health in terms of open data, budget transparency and access to information.

THE GOVERNMENT PUBLIC FINANCIAL MANAGEMENT REFORM PROGRAM

19. **Tanzania has also prepared and is implementing a Public Financial Management Reform Program (2012/13 – 2016/17) which is currently in phase IV.** This program aims at enhancing public financial management in the areas of revenue management, planning and budgeting, budget execution, accountability and transparency; budget control and oversight; change management and program monitoring and communication. This program contributes to the MKUKUTA and Five year Development Plan objectives for achieving economic growth and poverty reduction, improving service delivery and improving transparency and accountability in government functions.

20. **The OGP Action Plan and the PFMRP define the Government program that will be supported by the proposed credit.** The Open Government and Public Financial Management development program will support the Government to implement the OGP and the PFMRP IV in the following areas: (i) enactment of the Access to Information Act; (ii) establishment of a system of Open Data; and (iii) publishing of budget data in open format in the three selected sectors of education, water and health. The program will also support the Government in implementing policy actions on (iv) cash management, (v) public investment management and (vi) procurement.

DESCRIPTION OF POLICY AREAS

ESTABLISHING THE LEGAL FRAMEWORK FOR ACCESS TO INFORMATION

21. Tanzania joined the OGP international initiative to make government business more open to its citizens in the interest of improving public service delivery, government responsiveness, combating corruption and building greater trust. Under this initiative, Government is committed to increase the availability of information to support citizens' participation in policy making and implementation, promoting high standards of professional integrity, and ensuring transparency in the management of public finances.

22. The right to be informed and to access and disseminate information is recognized in *Articles 18(1) and 18(2)* of the Constitution of the United Republic of Tanzania (1977). At present, however, there is no law that provides the means to put this constitutional right into practice. The Access to Information (ATI) Act has been extensively debated and it is long overdue. The Government has committed to prepare an ATI bill in the second OGP action plan (2014-16). Enactment of the ATI bill will provide a strong legal framework for openness in public policy making and implementation.

23. Government has completed the drafting of an ATI bill in line with international best practice legislation that includes:(i) recognition of a human

right to information, along with a broad presumption of openness of information held by public bodies, including state-owned enterprises and bodies, and private bodies undertaking public functions or operating under public funding; (ii) an obligation to publish a wide range of information on a proactive basis; (iii) robust procedures for making and processing requests which are simple, free and quick (with a clearly specified maximum response time); (iv) a limited regime of exceptions based on preventing harm to protected and security related interests, a public interest override and severability where part of a record is exempt; (v) a right of appeal; (vi) protection for good faith disclosures and sanctions for obstruction of access; and (vii) obligations to report on requests received backed up by sanctions for refusal to disclose information without reasonable cause. The ATI bill is now expected to be read in Parliament in March of 2015.

OGPFM Prior action: Cabinet approves an Access to Information (ATI) bill for submission to Parliament in line with the OGP action plan, following broad consultations with stakeholders.

ESTABLISHING AN OPEN DATA SYSTEM AND PRACTICE FOR GOVERNMENT BUDGET AND SECTOR PERFORMANCE

24. Government is committed to the open data initiative since it is a useful tool to improve functionality and effective information sharing within government and between government and citizens to enhance service delivery. This is particularly important to strengthen the links between central and local governments. Data is also a potentially important resource to strengthen government accountability in service delivery for civil society and for politicians, MPs, and local councilors. With support from the Bank, the GoT prepared an Open Data Readiness Assessment (ODRA) that was presented to key stakeholders in June 2013. The report forms the basis of the actions being taken by Government in establishing an open data environment.

25. The National Bureau of Statistics (NBS), an agency under the MOF, the Records and Archives Division and e-Government Agency both of President's Office-Public Service Management have been mandated to form the task force and to draft the guidelines and policies on open data. The guidelines on open data have been prepared and discussed at the policy making level and a letter has been issued by the Chief Secretary to all Ministries, Departments and Agencies to provide guidance on issuing open data.

OGPFM Prior Actions: Government initiates the pro-active disclosure of data by:

- (i) Issuing instructions to establish an interagency working group to set policies, advise on standards, and coordinate implementation of open data across MDAs and LGAs.

- (ii) Issuing a circular with interim guidelines for publishing data in Open Data format on the Government OD portal.

CASH MANAGEMENT

26. **Government is committed to improve the predictability of funds disbursements to MDAs (including LGAs) in line with their approved budgets.** Consistent under collection of domestic revenues have undermined the Government's cash flow and its ability to provide adequate funding for budget execution. A number of factors contribute to this situation: (i) unrealistic estimates, (ii) inadequate revenue collection, (iii) slower than planned project implementation, and (iv) slow disbursement of grants. Although Government undertakes cash rationing this does not prevent MDAs from incurring unfunded expenditure arrears. In the past, the IFMIS only allowed commitments up to the level of available funds (as approved by the Ceiling Committee). This resulted in accumulation of arrears when MDAs entered into spending commitments outside IFMIS, which were not funded due to cash constraints even though they were budgeted.

27. Starting from this fiscal year, MOF has modified the IFMIS to allow all payments to be recorded in the system. Since all expenditures are reported monthly, this will allow MOF to monitor and age the arrears in a timely way to enable timely decisions on funding them or taking administrative actions against unauthorized expenditures. This will allow full disclosure and better control over the arrears by MOF. It has also confirmed the legal position by issuing instructions to spending units to commit all expenditures through the IFMIS in the 2014/15 fiscal year.

28. The Government has committed to further strengthen the use of electronic payment systems by expanding the use of the Tanzania Interbank Settlement System (TISS) and the Electronic Funds Transfer (EFT) system. Currently more than 90% of tax revenues are remitted to the Government account at BOT through TISS. The BOT has also operationalized 24 sub-treasuries at regional level connected to TISS which allows them to make direct online payment for expenses of MDAs at the regional level. This resulted from implementation of Treasury Circular no. 3 of 2010 that most of the Government payments in Ministries and Regions are to be processed by using TISS with exception of standalone MDAs. However plans are underway to connect TISS to all standalone MDAs and some councils in FY 2015/16. For councils, the Government plans to connect TISS in two phases. The first phase will cover Kinondoni Municipal Council, Temeke Municipal Council, Ilala Municipal Council, Dares salaam City Council, Arusha City Council, Mbeya City Council, Tanga City Council, Mwanza City Council and Morogoro Municipal Council. The remaining councils will be connected in the second phase. Furthermore, the Government is in the process of connecting EFT to Pension Unit at the Ministry of Finance by April, 2015 and pays all Government employees' salaries by December 2015. This will improve the

centralization payments and goes a long way to establish a single payment account.

29. The Government has initiated a program based budgeting pilot in eight MDAs (Ministries of Education, Water, Health, Transport, Finance and Community Development, Gender and Children) under the Public Financial Management Reform Program. The objective is to move from an inputs to an outputs and results based budgeting system. As part of preparation to move to PBB, the government with support from development partners has been implementing changes to the Public Finance Act, the chart of accounts and introducing templates for program based budgeting in respective institutions. For 2015/16 budget, the Government has instructed pilot ministries to prepare the budgets to include shadow budgets using the PBB template. These shadow budgets will also be tabled in parliament for discussion as part of the 2015/16 budget approval process.

OGPFM Prior Actions: To improve on cash management the following prior actions have been agreed:

- (i) MOF issues instructions to spending units to commit all expenditures through the Integrated Financial Management Information Systems.
- (ii) Appropriated Budget FY14/15 provides funding to reduce the level of expenditure arrears.
- (iii) MoF pilots payments by regional MDAs through the Tanzania Inter-bank Settlement Scheme (TISS) and Electronic Fund Transfer (EFT).
- (iv) MoF and POPC jointly issue budget guidelines for six pilot MDAs, including education, water and health to present 2015/16 estimates on programmatic classification as a supplementary budget document.

PUBLIC INVESTMENT MANAGEMENT

30. The Government has prepared the Public Investment Management (PIM) manual to guide MDAs, Regional Secretariats (RSs) and Local Government Authorities (LGAs) on PIM with a focus to achieving value for money outcomes through increasing efficiency and effectiveness of public investments. Specifically, the manual is intended to serve four purposes: (a) to act as an instrument for enhancing coordination of public investments; (b) to clarify procedures for integration of projects into the national development budget; (c) to build capacity within the public sector in economic and financial analyses of public investments projects; (d) to provide guidance on integration of public

and private investments in economic development; and (e) to serve as a basis for establishing a projects database which a country now needs in order to rationalize financing of development projects by the Government.

31. The manual has been extensively discussed by stakeholders and has now been approved for use across the public sector. The MOF has included specific instructions on the use of this manual by all spending units in the preparation and selection of projects for the next fiscal year 2015/16. It is expected that the PIM manual will lead to a more objective criteria in the use of public investment resources and improved economic and social welfare of the people.

OGPFM Prior Action: MoF issues budget guidelines that require the mandatory use of the Public Investment Management (PIM) manual in preparation and screening of investment projects.

PROCUREMENT

32. Government has achieved an important milestone in improving public procurement by gazetting in December 2013 the regulations related to the Public Procurement Act of 2011. Key changes in the Act and regulations include: Providing clarity on institutional roles and mandates of the five organs involved in implementing the law: i) Ministry of Finance Procurement Policy Division (PPD) established to develop and monitor implementation of the procurement policy; ii) Public Procurement Regulatory Agency (PPRA) responsible for regulating and monitoring procurement activities in Procuring Entities (PE); iii) Public Procurement Appeals Authority (PPAA) whose mandate is to hear and determine appeals and complaints from bidders; iv) Procurement and Supplies Professional and Technician (PSPTB) responsible for regulating and monitoring conducts of procurement and supplies professionals in the country and; v) Government Procurement Services Agency (GPSA), which coordinates and manages procurement of commonly used items.

33. The accompanying regulations grant more powers to the Public Procurement Regulatory Agency (PPRA) to suspend procurement processes prior to contract award in case of non-compliance with the Act and regulations; it also extends PPRA control over procurement transactions under Public Private Partnerships (PPPs). The Act and regulations also give more autonomy to the PPAA in hearing appeals related to procurement in contrast to the past when it was a department under the MOF. Penalties for non-compliance with the Act and regulations have also been enhanced to be more stringent.

OGPFM Prior Actions: MOF publishes the regulations to implement the Public Procurement Act 2011 and a notice to all procuring entities to implement the Act and regulations.

34. Following discussions with the Bank team, we concur with the proposed triggers of the second OGPFM operation and are committed to achieving them in line with the program timeline. For the purpose of transparency, we concur that this letter of development policy and the aide Memoire of the appraisal mission can be disclosed to the public

CONTRIBUTION TO BUDGET SUPPORT AND ADHERENCE TO UNDERLYING PRINCIPLES

35. External finance continues to be an important component of the Government budget. Government continues to favor the use of budget support as the main modality for aid provision. Implementation of the Budget Support is guided by the Partnership Framework signed in May 2011. Under PFM, Government and Development Partners have agreed to implement a set of principles and commitments designed to improve the overall performance of Government, including Governance and Accountability, improved service delivery and enhanced anti-corruption efforts.

36. In the interest of transparency, I would like to assure you that the Controller and Auditor General of Tanzania, following instructions of the Prime Minister and acting on the directive of the Parliament undertook an investigation of the closure of an escrow account in the BOT that had been established to pay for disputed capacity charges to IPTL an independent power provider to TANESCO. The investigative report has been submitted to the Parliament and a decision has been made. Government is following up on implementing the decisions taken by Parliament to ensure that this issue is resolved.

CONCLUSION

37. As mentioned in my earlier letter of development policy at the end of the PRSC series, the Government welcomes the new program on Open Government and Public Financial Management. It looks forward to working with the World Bank to enhance the quality of Governance through this mechanism and to promote the development goals set out in the MKUKUTA and Five Year Development Plan.

Thank you for your continued cooperation and support.

Yours sincerely,

Dr. Servacius B. Likwelile
PERMANENT SECRETARY

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ANNEX 3: FUND RELATIONS ANNEX

Press Release No. 14/350

July 16, 2014

The Executive Board of the International Monetary Fund (IMF) today approved a new three-year Policy Support Instrument (PSI) for Tanzania.¹ The IMF recently concluded the final review of the country's economic performance under a Standby Credit Facility (SCF) arrangement (See Press Release 14/182), together with the Article IV consultation with Tanzania on April 25, 2014 (See Press Release No. 14/227). The SCF expired on April 30, 2014.

The PSI for Tanzania aims to support the authorities' medium-term objectives. These include: the maintenance of macroeconomic stability, the preservation of debt sustainability, and the promotion of more equitable growth and job creation.

Following the Executive Board discussion, Mr. Naoyuki Shinohara, Deputy Managing Director and Acting Chair, said:

“Tanzania is expected to sustain its recent positive macroeconomic performance over the medium term, leading to a gradual reduction relative to Gross Domestic Product (GDP) of its still large current account deficit. This positive outlook is predicated in part on the authorities' intention to undertake further reforms to improve the investment climate and diversify the economic base.

“The current budget appropriately targets a smaller deficit than in the previous fiscal year. Going forward, the authorities will need to continue the fiscal adjustment underway while opening up room for badly needed spending on infrastructure and social services. Steps to mobilize additional revenues and improve public financial management, including by addressing domestic arrears, will be critical, in this regard. Although Tanzania remains at a low risk of debt distress, fiscal risks, including those arising from public enterprises and social security funds, need to be better monitored and managed.

“Tanzania stands to benefit from potential revenues from offshore extraction of natural gas, likely to start in the early 2020s. In approving the PSI, the IMF Executive Board stressed the need for a comprehensive framework to manage natural resource wealth. Such a framework should ensure full integration of resource revenues in the budget, and institutionalize the transparency and accountability of spending decisions.

“The authorities failed to provide accurate information to the Fund with respect to the accumulation of new external arrears by the government within the context of completion of several reviews under the recent PSI. The inaccurate reporting of arrears data, associated with a government-guaranteed lease contract with a public enterprise, also gave rise to a non-complying disbursement under the SCF arrangement. However, in light of the corrective measures taken by the authorities to improve external debt management, the Executive Board maintained its overall positive assessment of Tanzania's program performance under the recent PSI and granted a waiver of non-observance of the performance criterion that gave rise to the non-complying disbursement under the SCF.”

ANNEX

Recent economic developments

Tanzania has enjoyed strong and stable real GDP growth, projected at 7 percent in 2014 and in the medium term. Inflation is at 6 percent, projected to gradually converge to the authorities' 5 percent medium-term objective. The external current account deficit remains among the largest in the region, at 14 percent of GDP this year. The overall fiscal deficit in 2014/15 is projected at 4.9 percent of GDP. Based on the debt sustainability analysis, Tanzania remains at low risk of debt distress.

In the long term, the macroeconomic outlook remains favorable, based on the projected completion of a natural gas pipeline and adequate natural gas-fired power plants in 2014/15. The availability of cheaper energy is expected to benefit economic growth and the current account. Nevertheless, with continued strong domestic demand and sizable foreign direct investment, the current account deficit is projected above 10 percent of GDP in the medium term. Tanzania will need to maintain strong policies that preserve fiscal sustainability and deliver low, stable inflation, and undertake growth-enhancing structural reforms aimed at improving the business environment and the diversification of the export base.

Program Summary

Building on the achievements under the previous Fund-supported programs, Tanzania's new PSI will support the authorities' program to promote sustainable, broad-based high growth, price stability and poverty reduction. In the fiscal area, the focus will be on strengthening public finance management practices to improve efficiency and transparency of public spending, and on further broadening of the tax base, to mobilize revenues and reduce aid dependence. In addition, the PSI aims to strengthen the framework for monitoring and managing fiscal risks. Through these efforts, the program aims to provide the fiscal space to allow for infrastructure and priority social spending. The authorities have identified infrastructure, education, health, and essential social services as priority spending areas to foster inclusive growth. The program will support the authorities' efforts to ensure that potential revenues from offshore natural gas—which are likely to accrue in the 2020s—benefit all Tanzanians.

The Bank of Tanzania (BoT) will maintain the current prudent monetary policy stance in order to preserve inflation in mid-single digits. The intended modernization of the policy framework envisages a gradual move toward the use of interest rates as the main policy tool. This is expected to strengthen the BoT's ability to communicate with markets and to preserve price and financial stability. The program will also support reforms to the financial stability framework to ensure it keeps pace with rapid development in the sector, driven by the increasing sophistication of financial institutions, regional financial integration, and technological innovations such as mobile banking.

Footnote 1: The PSI is an instrument of the IMF designed for low-income countries that may not need balance of payments financial support but seek to maintain a close policy dialogue with the IMF through the IMF's endorsement and assessment of their economic and financial policies. The PSI, once approved by the IMF's Executive Board, signals to donors, multilateral development banks, and markets, the strength of a member's policies (see <http://www.imf.org/external/np/exr/facts/psi.htm>).

ANNEX 4: COMPLEMENTARITY OF THE OPEN GOVERNMENT AND PUBLIC FINANCIAL MANAGEMENT DEVELOPMENT POLICY CREDIT WITH OTHER PROGRAMS AND INSTITUTIONS

Complementary Program or Institution (related Pillar of OGPFM)	Complementary Program/Institution contribution to the OGPFM objectives	OGPFM contribution to the complementary Program or Institution
Open Government Partnership initiative (OGP) – Pillar I	Tanzania has signed on to the international Open Government Partnership initiative that seeks to provide public information to citizens to enable them to participate effectively in policy making. The OGP objectives that Government of Tanzania has signed up for in education, water, and health provide the priority areas of policy action in terms of the Open Government pillar of the DPO.	The OGPFM will support the Government in implementing its commitments on Access to Information and Open Data in the priority sectors. Achievement of policy actions in ATI and OD will support increased participation of citizens in policy making and implementation.
Big Results Now (BRN) – Pillar I and II	BRN is a Government program aiming to expedite service delivery programs in education, water, and health to achieve quick and significant results for citizens. It has adopted a clear approach to improving service delivery with a set of targets, which are useful entry points for open data dashboards in education, water and health. The Bank has aligned its sector reform programs to the BRN.	Establishment of an open data environment as envisaged by the OGPFM will lead to availability of reusable data on sector performance that will enable evidence based assessment of progress by government officials and citizens. This is expected to lead to strengthened dialogue and participation in policy making and implementation. Further, the OGPFM will support improved flows and effective and efficient use of public funds in support of service delivery.
Big Results Now in Education program (P147486) - (Pillar I and II)	This Program for Results supports Government’s basic education program, with a focus on the prioritized action plan developed through the Big Results Now. The program has interventions that seek to (i) improve transparency in school ranking of education results, (ii) provide incentives to high performing schools, and (iii) provide support to poorly performing schools to enhance performance.	The OGPFM through the open data guidelines will enable sharing of data in open format, thus allowing its use by various stakeholders. This will include data on education results, teacher numbers, school location and others. Currently, data is provided in non-open formats, which limits its use.
Water Sector Support Project (P146700) - (Pillar I and II)	The WSSP is a basket funded program with the objective of assisting the Government in (i) improving integrated water resources management by	The OGPFM will provide guidelines on sharing of open data to support sharing of water point data in open format and thus allow various

	strengthening water sector institutions; and (ii) expanding access to water supply and sanitation services. Under (ii) the program established a Water point mapping system with support from Water Aid and SDV.	stakeholders to use the data easily and in various ways.
Basic Health Services Project (P125740) (Pillar I and II)	The Basic Health Services Project seeks to assist the Government in improving the equity of geographic access and use of basic health services across districts and enhancing the quality of health services being delivered. Through the project support, the health management information system has been improved to provide data on health indicators.	The OGPFM will provide guidelines on sharing of open data, including data on the health management information system to allow use of such data in an open format and in combination with other data sources such as location and budget. This will enable various stakeholders to use the data.
Urban Local Government Strengthening PforR operation (P118152) – (Pillar I and II)	The urban local Government Strengthening project seeks to improve institutional performance for urban service delivery in urban local government authorities. Part of the institutional strengthening support is in improving own source revenues.	OGPFM will support open data guidelines and policies that will strengthen sharing of information on the performance of LGAs including in revenue performance. This will provide easy to use information to citizens.
Regional Communications Infrastructure Project - (RCIP) - (Pillar I and II)	RCIP has supported strengthening of the Government IT infrastructure and e-procurement at the Medical Stores Department. The OGPFM will make use of the IT infrastructure, especially the Government website.	OGPFM will support policies to legalize electronic transactions that are important for e-procurement in the Medical Stores Department.
Support to Open Government Data and Accountability in Tanzania - (SOGDAT) - (Pillar I)	SOGDAT provides technical assistance in implementing Open Data (OD) policies and use of OD in Tanzania. The activity also supports the design and development of public online performance dashboards for Health, Education, and Water services. The dashboards will serve as interactive progress barometers for key BRN goals as well as a channel for citizen feedback on public service delivery.	The OGPFM will promote the adoption of open data guidelines and policies by the Government that will enable implementation of OD policies.
Statistics Capacity Building Project – (STATCAP) – (Pillar I)	STATCAP has supported the National Bureau of Statistics (NBS) to undertake statistical surveys and to release census data including population, service facilities, and administrative boundaries, which are useful for the open data program supported by OGPFM. NBS is leading a Government task force on	OGPFM will support open data guidelines and policies that will enable NBS to share data in open formats and thus assist in wider use and reuse of this data by users.

	drafting guidelines and policies on open data.	
DFID (Pillar I)	DFID has provided funding for SOGDAT and an NGO (TWAWEZA) that is at the forefront in implementing the OGP initiative in Tanzania. TWAWEZA primarily works on the demand side of open data to ensure it is used effectively.	The OGPFM initiatives in addressing policies on open data and PFM will complement DFID's initiatives in improving basic services.
Sweden (Pillar I)	Technical Assistance staff to coordinate the Open Government and SOGDAT work in Tanzania.	Not applicable.
Public Financial Management Reform Program (PFMRP) Phase II (Pillar II)	The PFMRP aims to build institutional capacity across levels of government in budget planning and execution, cash management, and oversight functions in order to enhance an efficient allocation and use of public resources and ensure competing needs are met in the short-term. It has provided support to analytical work on PFM including PEFA and inter-governmental fiscal flows. In the future, it has plans to provide capacity building support on Public Investment Management.	The OGPFM will assist in addressing policy issues that are beyond the scope of the PFMRP, but are critical for achievement of the PFM objectives including in cash management, public investment management, and procurement.
Public Expenditure Review (PER) Champions Group (Pillar II)	Support to analytical work on reallocation warrants and arrears that has been useful to identify the main drivers for such practices in budget execution.	Not applicable.

ANNEX 5: OPEN GOVERNANCE DASHBOARDS IN TANZANIA

1. A common goal of open government initiatives around the world is not only to release government information publically, but to make it easier for citizens and stakeholders to find, access, and make use of data. As such, analytical tools to visualize and explore government data in ways that are meaningful to end-users often support open government efforts. Dashboards, in the context of open data, represent simple management information systems aiming to provide an interactive progress report where information is displayed on a web page that is linked to key datasets.

2. The Government of Tanzania has determined that its open data actions in Health, Education, and Water should align in order to support the monitoring of progress of the Big Results Now (BRN) service delivery goals for those sectors. Publicly accessible dashboards that can combine key datasets released by sectors and visualize such information alongside the targets set by the BRN are expected to provide a powerful application for Tanzanian citizens to monitor progress and easily access service delivery data of interest to their local context. Such websites can also be useful to collect feedback from citizens on aspects ranging from commentary on the service performance itself, demand for new datasets, or queries on the underlying data presented.

3. Development and rollout of a dashboard is relatively simple process from a technology perspective. However, ensuring sustained and effective use can be challenging and requires both *a process of reform* in data management as well as *careful design* of features and user friendly approach. Data suppliers should be sensitized to the importance of coherent, timely data of reasonable integrity and fidelity that can be linked in useful ways as well as an appreciation of the value of citizen feedback as an input for performance management and quality improvements. Dashboards that fail to be adopted by users often fail to present data of relevance to users, or present out of date information or data that are unusable owing to incompatible taxonomies, poor documentation, or lack of metadata. Additionally, dashboards will attract little user feedback if there is limited trust that service providers will respond or react to such feedback.

4. SOGDAT is supporting the government to establish open data dashboards in a sequence of deployment steps. These dashboards will link several key data sets within a sector to provide meaningful information that is helpful to decision makers to monitor progress in service delivery and make decisions to address shortfalls. Dashboard capabilities are expected to evolve iteratively to include increasing functions and feedback mechanisms. These will be an introduction of technically functional, interactive visualizations, but limited in their analysis by linking mostly to static datasets or data updated only yearly. These are useful to understand the historical trends and observe underlying correlations in performance data. An operational dashboard that is linked to routine and automatically updated data (e.g. capitation grants, water point updates, or medical stocks) and including citizen feedback mechanisms is expected to be piloted in at least one sector by June 2015.

5. To effectively use the dashboards, guidelines from the interagency working group will be required. These will be issued from time to time to help users to gain value from the dashboards. The principal challenge in ensuring sustainable at scale use of dashboards is in the management of a reform process within service providers that adopts data driven decision making and embraces citizen feedback loops and government response. To this effect, SOGDAT will also

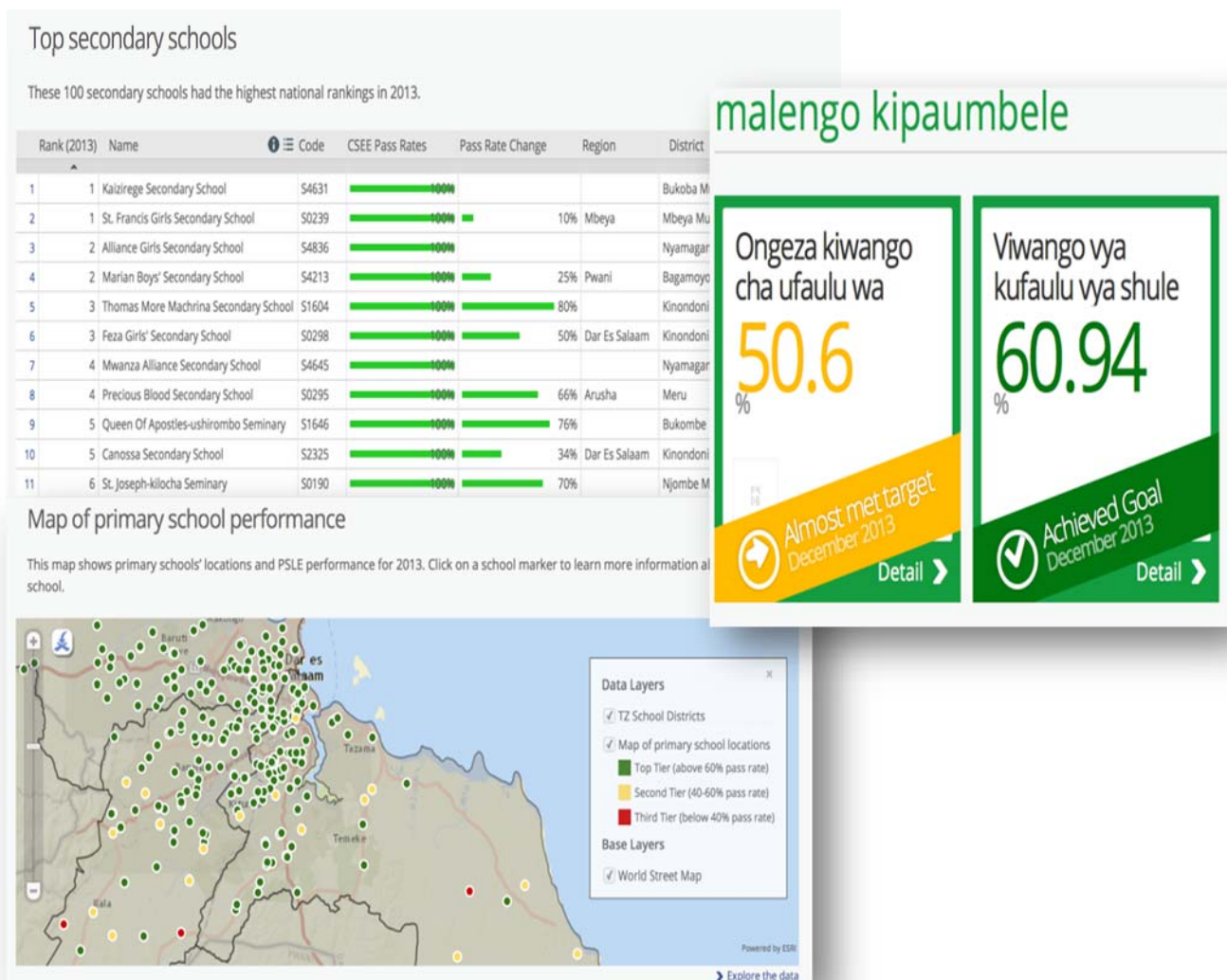
focus on the underlying discoverability, access, and reuse of open government data that support the operation of service delivery dashboards. As such, training and capacity building activities will include a focus on (i) the supply of better quality, reliable, and accessible information; and (ii) the demand for it from citizens, firms, and other “infomediary” communities including other government agencies, so that tangible reforms and measurable improvements of service delivery in the water and education sectors are evident. A series of “School of Data” training and capacity building courses targeted at government data providers will address data documentation, data structures, data cleaning, data analysis, interpretation and visuals. The program will be hands on learning-by-doing and is expected to increase the quality and quantity of open government data available as well as establish a cadre of civil servants that promote a culture of data openness and data reuse.

Table 10: Dashboard Development Phases and Key Steps

Step	Activities	New Functions
1. Prototype dashboard (Delivered Fall 2014)	Requires the harmonization and cleaning of key static data on sector (such as facilities, location) with at least one performance attribute (such as exam results, or functional status of water point). Such datasets should be linked to a dashboard application site, either hosted by the ministry or national open data portal.	Allows for the interactive analysis of historical and static data. Users can look up rank and performance of specific facilities, and generate performance tables at national, regional, or district levels.
2. Live Updating (expected June 2015)	Requires the integration of routine data (such as monthly water point repairs) and automatic updates to the dashboard via the national open data portal	Dashboard is dynamically updated by the national open data portal. More monthly and quarterly data available for analysis.
3. 1 st Pilot Dashboard including Feedback Mechanism (September 2015)	At least one sector Dashboard to enable feedback forms for user comments, ratings and suggestions. Government staff to be trained and available to monitor and respond to feedback.	Users able to submit requests for new datasets, comment on existing data or comment on performance outcomes.
4. All OGP Sectors (June 2016)	Remaining sectors to enable feedback mechanisms on their dashboards.	

6. In education for example, an early dashboard was published by the National Examination Council of Tanzania (NECTA) in 2012 linking school exam results and rankings with an interactive map interface. For the first time, citizens could search for their child's school and find its district, regional, or national rank. Work is ongoing under SOGDAT to link these exam results with schools' locations from the National Bureau of Statistics (NBS) and with investment information from Basic Education Statistics (BEST) database in the Ministry of Education and Vocational Training data (MoEVT). This would constitute the prototype dashboard for Open Government Education and would allow users to not only look up schools by name, but to view individual facilities on the map together with neighboring facilities and match historic performance data with facilities data such as teacher/pupil ratios, class rooms or type of school. A live operation of the dashboard will be hosted on the national open data portal and also linked dynamically to more routine data such as with local education budget data from PMO-RALG.

Figure 4: Public facing dashboards enable citizens and others to see high level goals, create visualizations and explore the data



ANNEX 6: MIXED RESULTS IN SOCIAL SERVICE DELIVERY

1. Tanzania has made strong progress in expanding access to basic education, but quality has been declining. Tanzania has increased its primary net enrollment ratio from 49 percent in 1999 to 95 in 2011 and added more students in the primary education system than any of its eight neighboring countries. However, quality has been declining rapidly. Recently, there has been a national outcry about declining examination results and poor learning outcomes. In 2012, only 30.7 percent of those who sat for the Primary School Leaving Examination (PSLE) exams passed, down from 58.3 percent in 2011. At the secondary level the pass rate of the Certificate of Secondary Education Examination (CSEE) has also declined in the last few years. Results from the latest round of Uwezo student assessments (2011) covering over 128,000 children show very low student competencies in terms of reading and numeracy skills: at the primary level for grade three students - only 3 in 10 could read a basic Kiswahili language story, only 1 in 10 could read a basic English language story, and only 3 in 10 could add, subtract, and multiply. In late 2012, the Minister of Education signed an Education Reform Compact with the World Bank and other development partners that emphasizes the need for reforms in three priority areas: teacher capability, assessment, and accountability. The objectives of the reform have also been endorsed by the BRN and are supported by the new Bank-supported Program-for-Results operation on education.

2. Scaling up access to water, sanitation, and hygiene services is a government priority. A 2011 report highlights upstream progress in policy and institutional reforms as well as finance, but key concerns remain with limited capacity in planning, low budget, and poor monitoring. The Government, the Bank and other development partners have invested large sums in the sector over the past ten years but access to water, particularly in rural areas, remains elusive. Out of a population of 44.9 million people only 23 million (53%) have access to clean and safe water. Surveys suggest that access to improved sanitation is lagging behind that of water supply where by only 10% of the population use improved latrines. Moreover, access to improved water sources and sanitation facilities varies greatly between rural and urban Tanzania. While the majority of the population (74% or 33 million people) lives in rural areas, only 44 per cent of the rural population has access to improved water sources, compared to 79 percent of the population in urban areas. Sustainability of water infrastructure remains a major challenge in expanding access to water in rural areas with recent data indicating that about 40 percent of water points are not functioning in rural areas. To address these problems the government has adopted the Water Sector Development Program (WSDP) that aims to increase access to clean water in rural areas. The WSDP has adopted nationwide the water point mapping system (WPMS) that includes a GIS web-based database for all water points in rural areas of Tanzania that will provide an updateable baseline as a basis for better service delivery. So far, 90% of the water point data (~67,000 water points) have already been uploaded into the system. WPMS will enable the monitoring of the distribution and status of water points and will be used to report on progress in the sector and to inform planning of investments to improve well targeted water supply coverage.

3. Access and quality of basic health services also remains a significant challenge. The Health Sector Strategic Plan III “Partnership for Delivering the Health MDGs” (HSSP III) is the principal GoT policy document for the health sector. The achievement of the health MDGs is a central focus of the HSSP III. The GoT additionally prioritizes access to quality primary health care through MMAM (Primary Health Sector Development Program) that puts emphasis on

improving Human Resources for Health. Over the last decade Tanzania has achieved a significant decline in infant and under five mortality rates. However, the situation of maternal health is entirely different and it is unlikely that Tanzania will achieve its maternal health or neonatal HSSP III targets or MDG 5. Moreover, population growth, shortage of qualified health workers, lack of equipment and medical supplies, and increasing health burdens from chronic and emerging diseases, have overwhelmed the capacity of the health system. The healthcare budget's share has declined from 11 percent to 8.5 percent since 2006/07 while per capita spending has increased by 25 percent over the same period. At the same time the wage bill has increased at the expense of spending on essential drugs and supplies. Only 60 percent of urban health facilities in Tanzania have access to electricity, water, and sanitation, and this figure is close to zero for rural areas. Stock-outs of essential drugs are common with about one quarter of the main drugs being out of stock at the moment of the survey. Absenteeism is widespread - while one third of the health workers were not in the urban clinics during a random spot check, the ratio in rural clinics were significantly higher; and clinicians in Tanzania reach the correct diagnosis in only 57 percent of cases. Finally, geographically there is significant variation, and often absence, in health inputs (health financing, professional staff, drugs etc.) among and within LGAs.

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