

**PROGRAM INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

March 20, 2014

Report No.: AB7525

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| Operation Name | TZ: Open Government and Value for Money Credit |
| Region | AFRICA |
| Country | Tanzania |
| Sector | Public administration- Information and communications (50%); Public Financial Management (50%) |
| Operation ID | P133798 |
| Lending Instrument | Development Policy Lending |
| Borrower(s) | TANZANIA |
| Implementing Agency | Government of Tanzania |
| Date PID Prepared | February 25, 2014 |
| Estimated Date of Appraisal | September 15, 2014 |
| Estimated Date of Board Approval | November 4, 2014 |
| Corporate Review Decision | Following the corporate review, the decision was taken to proceed with the preparation of the operation. |

I. Key development issues and rationale for Bank involvement

The OGVM series supports Tanzania's implementation of the Open Government Partnership (OGP) initiative and the Public Financial Management Reform Program to improve budget credibility and execution, with a focus on Basic Education, Rural Water and Basic Health sectors. In an effort to be more responsive to citizens' growing demand for public information and accountability, Tanzania signed the OGP in 2011, and has produced an action plan based on the recognition that without good data senior managers face difficulty in assessing the performance of Government in service delivery and in informing citizens adequately on achievements in implementing policies and programs. The program aims to make information about delivery performance of basic education, rural water, and basic health services reliable and accessible in order to evaluate progress evaluation and performance of those public servants working along the service delivery chain. In 2013, Tanzania has also launched the fourth phase of the Public Financial Management Reform Program (PFMRP-IV) that aims to address PFM bottlenecks at the central as well as local government level to enhance an efficient allocation and use of public resources to provide better services.

II. Proposed Objective(s)

The objective of the proposed program is to establish open data to increase access and use of service delivery information and improve budget credibility and execution. The pillars are: (i) Support for Tanzania's participation in the Open Government Partnership; and (ii) Enhance value for money in service delivery through financial management policy reforms. The result indicators of the series are aligned with the two policy areas.

III. Preliminary Description

This operation seeks to address cross-cutting and upstream constraints to service delivery, which if successful will complement sector reform programs currently being supported by the Bank and other development partners at the central and district level. Improvements in data quality and flow of funds will place Tanzania in a better position to achieve service delivery results in human welfare that are critical for the achievement of its Vision 2025. The program is therefore organized around two main policy areas essential to enable transparency and value for money in service delivery: (i) support to implement the country commitments to the Open Government Partnership in selected sectors of Education, Water, and Health; (ii) strengthening budget credibility and execution, including public investment management, procurement, and cash management. The list of proposed prior actions of this operation and triggers for the next operations are summarized in the Table below.

Proposed Prior Actions and Triggers

| Medium-Term Objectives | OGVM 1 Prior Actions (Sept 2014) | OGVM 2 Triggers (Sept 2015) | OGVM 3 Indicative Triggers (Sept 2016) |
|--|---|---|--|
| 1. Open Government Partnership – Strengthen transparency, citizen participation, government decision making, and accountability in service delivery | | | |
| i. Freedom of Information | Government tables in Parliament a Freedom of Information bill in line with the OGP action plan, following broad consultations with stakeholders including CSOs and media. | Government approves accompanying regulations for the Freedom of Information Act. | Government establishes and implements a mechanism for monitoring Freedom of Information requests. |
| ii. Open Data on Government Budget and Sector Performance | Government issues instructions to establish an inter-agency working group to set policies, advise on standards, and coordinate implementation of open data across MDAs and LGAs. Government issues | Government issues a policy on open data applicable to all public institutions following wide stakeholder consultations. | Open Data inter-agency working group issues best practice notes on use of dashboards for establishing feedback loops with CSOs and LGA service boards to obtain evidence-based |

| Medium-Term Objectives | OGVM 1 Prior Actions (Sept 2014) | OGVM 2 Triggers (Sept 2015) | OGVM 3 Indicative Triggers (Sept 2016) |
|---|--|---|--|
| | a circular providing interim guidelines on sharing of open data to enable ministries of Education, Water, Health, Finance and the National Bureau of Statistics to publish data sets that are of high value to citizens. | | citizen feedback on education, water and health. |
| 2. Value for Money - Strengthen budget credibility and execution, including public investment management, procurement, and cash management | | | |
| i. Public Investment Management | The Government issues instructions on the use of the PIM manual in preparation and screening of investment projects. | Government approves a pipeline of strategic investment projects screened using the PIM manual and discloses it in the budget documentation presented to Parliament. | |
| ii. Procurement | MoF adopts an action plan for implementation of PPA 2011 and regulations. | MoF adopts an action plan for implementation of e-procurement. | MoF approves mandatory use of e-procurement for key service delivery sectors. For high value contracts in priority sectors, Government adopts independent |

| Medium-Term Objectives | OGVM 1 Prior Actions (Sept 2014) | OGVM 2 Triggers (Sept 2015) | OGVM 3 Indicative Triggers (Sept 2016) |
|------------------------------------|---|---|--|
| | | | third party monitoring. |
| <p>iii. Cash Management</p> | <p>MoF discloses underlying assumptions of the revenue projections in the budget documents.</p> <p>Government changes the Appropriation Act to authorize Minister of Finance to only increase debt by an amount equal to the financing deficit for the fiscal year, subject to any appropriation changes authorized by Parliament in an Adjustment Appropriation Act.</p> | <p>Treasury Single Account (TSA) covers regional votes.</p> <p>MoF takes a policy decision of bringing LGA commercial bank accounts into the TSA.</p> <p>MoF fully funds (from existing balances, revenue, or borrowing) quarterly expenditure estimates of MDAs/LGAs in line with the appropriated expenditure budget for a fiscal year.</p> | <p>IFMIS consolidation architecture for budget execution data (revenue and expenditure) and related financial asset and liability data of MDAs and LGAs implemented (milestone 5.1.2 in P4).</p> |
| | <p>MoF issues instructions to commitment expenditures through IFMIS.</p> | <p>MoF implements a medium term plan to reduce stock of expenditure arrears.</p> | |
| | <p>Government pilots program based budgeting and expenditure control in Education and</p> | | <p>Government adopts a policy paper to roll-out a program based budgeting system in all</p> |

| Medium-Term Objectives | OGVM 1 Prior Actions (Sept 2014) | OGVM 2 Triggers (Sept 2015) | OGVM 3 Indicative Triggers (Sept 2016) |
|------------------------|--|-----------------------------------|---|
| | Water ministries. | | MDAs/LGAs. Government adopts and implements the principle to limit one adjustment budget to unforeseen and unavoidable expenditures. |

IV. Poverty and Social Impacts and Environment Aspects

Poverty and Social Impacts

This program is expected to contribute to the poverty reduction and inclusiveness agenda. 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 capital¹. Human capital refers to a broad range of knowledge, skills and capabilities, needed for life and work, including those related to capability in successful living, engendered through quality education and improved labor productivity. Government investment in human capital in terms of education, water, and health are important to reduce inequality of access and welfare.

Increased investments in public service delivery in Tanzania have shown marginal impact on poverty due to their poor quality. Studies of private returns to education investments in Tanzania in the 2000s show “the benefits of primary schooling have been more limited in the Tanzanian case than might have been expected from the international research data” leading to a conclusion that “The quality of education has been so poor that many of the potential benefits of education have not been realized” (HakiElimu 2005). This is not surprising given that the focus has been on expansion of infrastructure and enrollment rather than on quality. There is thus a significant relationship between improvement in quality public services delivery and reduction in poverty.

Environment Aspects

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

¹ Hedgwood, R. “Education and Poverty Reduction in Tanzania,” Haki Elimu working paper 9, 2005.

natural resources. The risk of unanticipated adverse effects to the environment and natural resources is negligible.

V. Tentative financing

| Source: | (\$m.) |
|---|------------|
| BORROWER/RECIPIENT | 0 |
| International Development Association (IDA) | 50,000,000 |
| Borrower/Recipient | |
| IBRD | |
| Others (specify) | |
| Total | 50,000,000 |

VI. Contact point

World Bank

Contact: Chiara Bronchi

Title: Lead Public Sector Specialist

Tel: 5355+3252

Fax:

Email: cbronchi@worldbank.org

Location: Dar Es Salaam, Tanzania (IBRD)

Borrower

Contact:

Title:

Tel:

Email:

VII. For more information contact:

The InfoShop

The World Bank

1818 H Street, NW

Washington, D.C. 20433

Telephone: (202) 458-4500

Fax: (202) 522-1500

Web: <http://www.worldbank.org/infoshop>