THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF FINANCE AND ECONOMIC AFFAIRS

Public Financial Management Reform Programme (PFMRP)

Strategic Plan

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6.7 Acronyms

ADB	African Development Bank
ACGEN	Accountant General
AMP	Aide Management Programme
BCM	Business Change Manager
BoT	Bank of Tanzania
CAG	Controller and Auditor General
CFAA	Country Financial Accountability Assessment
CMU	Cash Management Unit
COFOG	Classification of Functions of Government
COTS	Commercial off-the-shelf
DANIDA	Danish Aid Development Agency
D by D	Decentralization by Devolution
DFID	Department for International Development
DP	Development Partner
EFD	External Finance Division
EU	European Union
GBS	General Budget Support
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GoT	The Government of Tanzania
HCMIS	Human Capital Management Information System
HIPC	Highly Indebted Poor Countries
HRD	Human Resource Department
HRM	Human Resource Management
ICT	Information and Communication Technology
IEC	Information, Education and Communication
IFM	Institute of Finance Management
IFMIS	Integrated Financial Management Information System
IFMS	Integrated Financial Management System
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IMTC	Inter-Ministerial Technical Committee
IMWG	Inter Ministerial Working Group
INTOSAI	International Organisation of Supreme Accredit Institutions
IPSAS	International Public Sector of Auditing Standards
ISA	International Standards of Auditing
IT	Information Technology
ITSD	Information Technology Service Division
JAST	Joint Assistance Strategy for Tanzania
JICA	Japanese International Cooperation Agency
JSC	Joint Steering Committee
KPI	Key Performance Indicator
LAAC	Local Authority Accounting Committee
LGAs	Local Government Authorities
LGRP	Local Government Reform Programme
LSRP	Legal Sector Reform Programme
MAT	Moving Annual Total
M&E	Monitoring and Evaluation
MDAs	Ministries, Departments and Agencies

MIS	Management Information System
MoFEA	Ministry of Finance and Economic Affairs
MPEE	Ministry of Planning and Economic Empowerment
MOST	Mission, Objectives, Strategic and Tactics
MoU	Memorandum of Understanding
MOV	Mean of Verification
MS	Microsoft
MSP	Managing Successful Programmes
MTEF	Medium Term Expenditure Framework
NACSAP	National Anti-Corruption Strategy and Action Plan
NAO	National Audit Office
NBAA	National Board of Accounts and Auditors
NGO	Non-Governmental Organisation
NSGRP	National Strategy for Growth and Reduction of Poverty (MKUKUTA)
OECD	Organisation for Economic Co-Operation and Development
OGC	Office of Government Commerce
OVI	Objectively Verifiable Indicators
PC	Planning Commission
PAC	Public Accounts Committee
PAD	Policy Analysis Division
PAF	Performance Assessment Framework
PCBs	Procurement Capacity Quality Strategy
PE	Personal Emoluments
PEFA	Public Expenditure and Financial Accountability
PEFAR	Public Expenditure and Financial Accountability Review
PER	Public Expenditure Review
PFM	Public Financial Management
PFMRP	Public Financial Management Reform Programme
PID	Project Initiation Document
PIMA	Performance Improvement Management Assessment
PMO-RALG	Prime Minister’s Office – Regional Administration and Local Government
PMS	Performance Management System
PMIS	Procurement Management Information System
PMU	Procurement Management Unit
POC	Parastatal Accounting Committee
PO-PSM	President’s Office – Public Sector Management
PPA	Public Procurement Act
PPRA	Public Procurement Regulatory Authority
PRINCE	Projects in a Controlled Environment
PSMWG	Public Sector Management Working Group
PSRP	Public Sector Reform Programme
QAT	Quality Assurance Team
RIMKU	Reporting Information on MKUKUTA
ROSC	Report on the Observance of Standards
SBAS	Strategic Budgeting Allocation System
SCMP	System for Checking and Monitoring Procurement
SMART	Specific, Measurable, Achievable, Realistic and Time bound
SP	Strategic Plans
SPBRF	Strategic Planning Budgeting Reporting Framework
SRO	Senior Responsible Owner
TAP	Tax Administration Project

TIA	Tanzania Institute of Accountancy
TIN	Taxpayer's Identification Number
TMP	Tax Management Project
TNA	Training Needs Assessment
ToR	Terms of Reference
TR	Treasury Registrar
TRA	Tanzanian Revenue Authority
TRAB	Tax Revenue Appeals Board
TRAT	Tax Revenue Appeals Tribunal
TRIM	Treasury Registrar Information Management
UNDP	United Nations Development Programme
VFM	Value for Money
WB	World Bank

1.0 Executive Summary

1.1 Overview

1.1.1 The Government has been successfully undertaking reforms in the PFM area since 1998, through a series of PFM reform programmes. This strategic review has been undertaken preliminarily to address deficiencies that have been identified in the current strategy. The identified deficiencies relate to inadequate strategic orientation, limited ownership of the current strategy and organizational and management arrangement for the programme.

1.1.2 Despite some limitations in PFMRP II, Tanzania has one of the best performing Public Financial Management systems in sub Saharan Africa. In 2004, Tanzania was assessed as one of the two top performing countries out of the 26 rated against the 16 HIPC indicators by the IMF and the World Bank (PEFA report 2006).

1.1.3 The PFMRP III Strategic Plan has been prepared using a participatory approach, through workshops and interviews to elicit as many views from key stakeholders as possible and has incorporated many findings from the plethora of studies undertaken in the PFM area in Tanzania. The PFMRP III Strategic Plan has also been guided by other Government led reform programmes, the wishes, desires and capabilities of key stakeholders and has taken into account the many lessons learned from previous reform phases.

1.1.4 It is well accepted that successful PFM is made up of three distinct elements namely; aggregate fiscal discipline (spending what you can afford), allocative efficiency (spending in priority areas); and technical efficiency and effectiveness (VFM). These logically follow a sequence, meaning one cannot get technical efficiency, and before getting allocative efficiency, and before getting aggregate fiscal discipline. The first two targets are predominantly central finance functions, whilst the final target is predominantly a function of spending agencies.

1.1.5 During PFMRP I, the concentration was on delivering aggregate fiscal discipline, which was largely achieved. This can be seen as the first platform or milestone achieved towards the long road to an ultimately successful PFM reform programme, by providing a base for aggregate PFM control.

1.1.6 PFMRP II has concentrated on the second target of PFM, that of allocative efficiency. During this second phase of the programme, success has come in terms of the introduction of ‘best practice’ tools, techniques, methods and procedures being put in place to enhance the capability of the MoFEA to achieve allocative efficiency. This second platform or milestone can be seen as the modernisation of PFM systems, giving the Government a base for PFM accountability.

1.1.7 The objective of PFMRP III is ultimately determined by whether the second PFM target, of allocative efficiency has in fact been reached or still has a long way to go before that happens. From the investigative analysis of the current situation, it is clear that there is still a lot to be done in this area, and therefore the third platform must be about achievement of this second PFM target of allocative efficiency.

1.1.8 PFMRP III is therefore about operationalising the tools, techniques, methods and procedures to achieve allocative efficiency i.e. to get them to work properly and efficiently. It will be about embedding the practices, developed under PFMRP II in the budgeting and accounting systems. At the end of PFMRP III therefore, The Government will have achieved allocative efficiency and reached a milestone that will have operationalised 'best practice', giving the Government a base for PFM delivery.

1.1.9 The objective of PFMRP III is to enhance greater predictability and availability of medium term resources to executing agencies by 2010. The MDAs and Regions need to be able to decide for themselves on how to utilise those resources to achieve their policy targets independent of the centre, but within the financial rules and regulations of the Government and the overarching strategy as contained in MKUKUTA.

1.1.10 Looking further ahead and beyond PFMRP III, the Government will move into the area of technical efficiency, which is expected to contain at least two more phases and whilst technical efficiency is not a target of phase III, some preparatory work will need to be undertaken during phase III for this transition between PFM targets to be seamless. It is therefore proposed that responsibility is taken by centre and activities commenced in terms of preparing MDAs to undertake their PFM responsibilities, probably through PFMRP units in each MDA and LGA. There will also be a need for some strategic studies to be undertaken in key strategic PFM areas in preparation for future phases.

1.1.11 The overall strategy for PFMRP III is to operationalise 'best practice' by addressing the underlying shortcomings of the last phase of the reform programme as highlighted above. The Government has therefore decided upon the following strategic approach to PFMRP III:-

- Aligning the goals and objectives of the PFMRP to those of the Parliament, MoFEA, BoT, NAO, MDAs, LGAs, PPRA, PPAA, TRAB, TRAT and NAO-Zanzibar, Ministry of Finance and Economic Affairs, Zanzibar, and the House of Representatives, Zanzibar so that PFMRP can be used as the 'vehicle' to deliver PFM Strategic Plan. As the government's banker, BoT will be an integral part of PFMRP;

- Utilising the 'Platform Approach' in PFM reform planning to ensure a long-term strategic direction, whilst identifying medium-term outputs and outcomes, following a logical sequence;
- Linking the Strategic Plan objectives with internationally recognised measures of performance outcome such as the PEFA measurement framework;

- Internalising the setting of objectives and outputs for PFMRP III, through participatory engagement with components and thus ensuring Government ownership within a framework that is capable of delivery;
- Restricting the number of objectives, both overall and by component to give a clear focus of what has to be delivered;
- Creating wider ownership and support for PFMRP, by incorporating the requirements of other reform programmes and major stakeholders, through representation as part of a PFMRP Steering Committee, which will set direction and targets and will provide full support and oversight of the reform programme for the Government;
- Incorporating PFMRP objectives and component targets into the Government MTEF system so that monitoring and evaluation of PFMRP is internalised and becomes an integral part of standard Government reporting system.
- Focusing the PFMRP Strategic Plan on broader strategic PFM issues and areas for a holistic view of PFM reforms, rather than focusing narrowly on specific funding modalities.

1.1.12 The Government believes that by taking a holistic view to PFM and embedding that within the existing Government frameworks, it will guarantee ownership and bring convergence on goals and objectives giving PFM reforms a strategic direction that can be delivered through strengthened internal capacity.

The adoption of 'best practice' approaches and methodologies will add quality to outcomes and ease the burden of delivery, whilst at the same time providing discipline to ensure progress and reduce programme implementation risk.

2.0 INTRODUCTION

2.1 Background

2.1.1 The Public Financial Management Reform Programme (PFMRP) has been in operation since 1998 and the Government has been successful in implementing it through phased series of reform activities.

Phase 1:

2.1.2 This phase started in 1998 as an initial stage of the programme focusing on minimizing the leakage of resources, strengthening financial control and enhancing accountability, by reforming budget process and introduction of a computerized Integrated Financial Management System (IFMS). This initiative is well recognised as being successful in controlling expenditure, introducing aggregate fiscal discipline and contributing to the stable macro-economic growth that has followed.

2.1.3 In July 2000, the government sought further assistance from the Swedish Government in revision of its original programme for the completion of a new project. In May 2001, the government and donors jointly carried out a Country Financial Accountability Assessment (CFAA). Despite a number of significant improvements in financial accountability, the assessment revealed a number of shortcomings including the following: issues of non-compliance, limited execution, inadequate monitoring, insufficient capacity and lack of enforcement. In addition in March 2002 the IMF issued its Report on the Observance of Standards and Codes (ROSC) – (Fiscal transparency), which also made a number of recommendations on financial management in the government.

2.1.4 In March 2003, the government decided to revise the PFMRP to take on board relevant CFAA and ROSC recommendations taking into account the recent developments including implementation of the new Public Finance and Public Procurement Acts. DFID assisted the government in taking up this process.

Phase II

2.1.5 In July 2004, the Government in consultation with its Development Partners (DPs) launched PFMRP II to bring under a common umbrella all PFMRP reform activities, regardless of their source or type of financing. PFMRP II was underpinned by a Memorandum of Understanding (MoU) which set out a framework under which the government and development partners would cooperate by channelling financial support via a PFMRP basket fund.

2.1.6 Ten components were supported during this phase, namely:

Component 1 – Policy Analysis and Development – Mandate: to strengthen the Government's fiscal forecasting and policy development; improve debt policy formulation and debt management, strengthen domestic revenue policies and related legal instruments, and strengthen the expenditure framework and its management.

Component 2 - External Resources Management - Mandate: to increase the amount of external finances recorded in the Government's budget and exchequer system; and to strengthen the Government's capacity to manage and account for external resources.

Component 3 – Budget Management – Mandate: to improve planning and budget preparation for better expenditure outcomes and to establish more effective mechanism for budget execution and monitoring, including expenditure tracking.

Component 4 – Treasury Management and Accounting – Mandate: To enhance staff capacity to the computerised IFMS, to broaden the application of the computerised IFMS, and to broaden the application of the computerised accounting system across government.

Component 5 ~~– Procurement~~– Procurement Mandate: to establish and build capacity in procurement and to improve records management.

Component 6 – Information Technology Services – Mandate: to enhance the use of information technology service as a means to improve decision making and service delivery, and to improve records management.

Component 7 – Investment Management – Mandate: to help Government maximize returns through prudent investment management and preservation of capital, transfer ownership of certain public enterprises to the private sector, and to ensure that reporting provided on Government's investment portfolio is accurate and meaningful.

Component 8 – Administrative Support Services – Mandate: to enhance the institutional and human resources capacities within the government to conduct the financial management function and to improve ethical conduct.

Component 9 – External Audit Services – Mandate: to promote good governance and accountability thereby strengthening the management of the National Audit Office (NAO); improving the quality of audits, and enhancing the NAO's independence and effectiveness.

Component 10 – Programme leadership Coordination Monitoring and Evaluation – Mandate: to ensure that overall PFMRP is effectively led, managed, publicised, monitored and evaluated.

2.1.7 Despite improved co-ordination mechanisms, PFMRP II did not live up to expectations. There was limited ownership of the programme by the various components. The external review of the PFMRP in March / April 2006 identified multiple funding sources, limited ownership, unclear strategy and poor coordination as the major challenges that needed to be improved.

2.1.8 The PFMRP remains today a mixture of project aid, programme aid, and GoT resources, to finance sets of activities most of which had been ongoing for years, each managed by a different department of the MoFEA, with weak horizontal coordination and little integration among them. However, lasting improvements in public financial management depend on improvements in the spending ministries and agencies whose own operations are critical to administrative effectiveness and service provision, and not only in the Ministry of Finance and Economic Affairs.

2.1.9 There is need therefore to improve collaboration in vertical coordination – linking PFMRP activities to those of other umbrella reform programmes in Tanzania and expanding to the MDAs and LGAs.

2.1.10 By far the most important and gestating challenge in PFM is to strengthen budget preparation and operational management in the MDAs and local government, which is essential for sustainable improvements in the efficiency and effectiveness of public services. Among the major specific challenges are procurement capacity, the quality and independence of external audit (as opposed to its timeliness), and the synergy among different MoFEA activities.

Phase III

2.1.11 Phase III is based upon a comprehensive and in depth situation analysis as well as lessons learnt from Phases II and I. The overall principles guiding the revised strategy preparation are the following:

- **The PFMRP Strategic vision:**
  To excel in and sustain financial management and accountability, fiscal control and provision of quality Treasury Services.

- **The PFMRP Mission Statement**
  To achieve and maintain sound financial management, resource mobilization and allocation, public debt management, government asset management through developing robust fiscal and monetary policies, efficient and effective provision of Treasury Services and enhancing professionalism.

2.1.12 It is widely accepted that all government public financial management systems need to achieve three basic outcomes:

- ❖ **Maintain aggregate fiscal discipline**
  This requires overall expenditure control with expenditure estimates based on realistic revenue forecasts and the capacity to set up fiscal targets and enforce them. The role of the central financial agencies (Planning, Budget and Finance) is crucial to achieving aggregate fiscal discipline.

- ❖ **Allocate resources in accordance with government priorities**
  This is known as 'allocative efficiency' and it operates at different levels within the government. Initially the centre needs to give predictability of resources in the medium-term to spending agencies in order that they plan to achieve their policy objectives over the medium-term.

The allocation of resources to priority sectors and line ministries entails appropriate arrangements at ministerial level and between ministries to formulate policies and decide upon sectoral financial envelopes.
The allocation of resources amongst programmes, projects and activities within these strategic areas requires both appropriate arrangements within line ministries for sector policy formulation and adequate technical capacities within spending agencies to select the most cost-effective programmes, projects and activities.

❖ **Promote the efficient delivery of services**

This is known as 'technical efficiency'. It mainly concerns the operational level and is dependent on arrangements to implement programmes within spending units on the basis of efficient and effective management systems.

- o It is accepted that aggregate fiscal discipline (overall expenditure control) is needed before allocative efficiency (allocation of resources in line with government resources) can be effectively achieved.
- o Similarly, effective allocation of resources precedes technical efficiency (i.e. effective service delivery by MDAs Regions and LGAs). There is therefore a logical sequence to the implementation of improvements in PFM, which entails getting the basics right first.
- o If initial effort is directed at implementing a sound set of control systems, this will then enable policy to be put into practice and, subsequently, the delivery of services in an effective and efficient manner.
- o The end goal for the PFMRP III is: Predictable future consolidated financial resources available for financially autonomous and accountable MDAs and LGAs, whereas the end goal of PFMRP is development of accountable and transparent institutional management and operational arrangements for aggregate fiscal discipline, strategic prioritisation and expenditure and improved performance during budget execution. This is likely to take a number of years to be achieved.

Methodology for designing PFMRP III

2.1.13 Is being designed on the basis of "Platform approach". A Platform Approach has been used to define the logical steps in the PFM reform programme. This approach recognises that significant progress has already been made in the area of PFM by Government, but that there is still significantly more progress to be made in the future. Previous phases of PFMRP have all contributed to the overall PFM reform programme and created Platforms, which are now being built upon for this current phase. The fundamentals of this approach are two fold;

- **First;** various components of the PFM cycle progress is a harmonized manner given their inter linkages. There is need to focus on both on strengthening the production accurate and timely accounts as well as required results. Similarly, the various other components of the PFM cycle need to be developed in a co-ordinated manner.

- The **second** basic principle of the platform approach is that there is a transition from initially focusing on bringing about fiscal disciple to improving a locative and technical efficiency. This is the core of the objectives that we wish to achieve through this revised strategic plan.

2.2 PFMRP Key Actors

2.2.1 While the MoFEA has the role and mandate of spearheading the implementation of the PFMRP, other actors are also contributing to the success of PFMRP. The programme should clearly bring out the enhanced role of the MoFEA as the custodian of government resources in respect of planning and recommending sound revenue and financing policies, allocating resources judiciously and carrying out the required monitoring and oversight functions. In addition, there are other oversight bodies such as the Parliament, NAO, PPRA, PPAA, TRAT/TRAB and the following institutions in Zanzibar: House of Representatives, Ministry of Finance and Economic Affairs and NAO, which will contribute significantly to the expected achievements of the PFMRP.

2.2.2 Apart from the MoFEA and other oversight bodies, the MDAs, Regions and LGAs will play crucial role in implementing the planned activities under PFMRP, thus contributing to the attainment of MKUKUTA and other development goals through improved management of public expenditure.

2.3 Underlying Principles to the Plan

2.3.1 The plan has been designed to address issues which have hampered successful implementation of the previous programme phases. Generally, the components of the programme have evolved on a piecemeal and "bottom-up" approach with individual components spearheaded by the heads of the departments at MoFEA as well as NAO.

2.3.2 The proposed strategic plan therefore, sets PFMRP into the framework of the Government and attempts to create synergy with existing processes, procedures and systems, together with organisation structures for developing capacity, thus leading to improved sustainability. Furthermore, while recognising past challenges, it creates greater focus on the need for reform execution by institutionalising strong and robust full time programme management.

2.3.3 The proposed plan is outcome focused, with full ownership and commitment to direction, objectives, outputs and subsequent activities by all actors. PFMRP benefits will be identified, quantified and realised through active management, and as part of this process, programme risks will be identified, managed and mitigated.

2.3.4 The PFMRP will be managed as an integrated programme, with robust, comprehensive and workable tools, methodologies and systems, rather than as a series of unrelated projects. It shall have a definite, clearly defined outcome focus, which gives simplicity to purpose and is within the capacity of the Government to deliver.

2.3.5 In keeping with the 'mainstreaming' of PFM reforms, the monitoring and evaluation of PFMRP will be undertaken using Government's existing systems, through enhancements to MTEF preparation and reporting, which will be delivered by the programme itself, with the added benefit that MTEF becomes the standard financial performance reporting tool for Government to monitor performance of MDAs and LGAs.

2.4 Purpose of the Proposed Strategic Plan

2.4.1 The plan has been prepared to assist key players to achieve the following:-

- Provision of direction by promoting the development of a coherent strategy to achieve the agreed programme goal, outcome and objectives - encouraging greater prioritisation in resource allocation;
- Promotion of institutional awareness, including for example, fostering a sense of ownership among the leaders;
- Securing increased awareness of the challenges and problems, and consensus on solutions when developed in collaboration with other actors
- Establishment of the end goal, the current status of reforms towards that goal and hence the 'next step', together with gaps and barriers which need addressing to reach the end goal; and
- Offering a basis on which the programme's implementation can be monitored and performance measured.

2.5 Scope and Coverage of PFMRP

2.5.1 For the purposes of this PFM Strategic Plan, the business area of PFMRP is defined as covering the main institutions forming part of the PFM cycle in Tanzania, including BoT, MoFEA, Line Ministries, regions and local Government Authorities, and oversight bodies such as NAO, PPRA and Parliament.

3.0 SITUATION ANALYSIS AND ISSUES

3.1 Key Attributes of the Good PFM

3.1.1 It is broadly accepted that to have a good PFM system there needs to be three core elements that must be satisfied. These are: aggregate fiscal discipline (spending within means), predictability of resource availability & allocative efficiency (spending on priority areas), and technical efficiency (effective and efficient use of resources).

3.1.2 So far, through reform efforts in PFM, there has been sufficient attention to aggregate fiscal discipline and a concerted effort put into allocative efficiency through the introduction of modern tools, techniques, methodologies and systems, which has contributed to a platform for the other two elements. There are signs that attention must still be maintained on fiscal discipline, but the concentration on allocative efficiency has been the correct emphasis. Some attempts have been made on technical efficiency.

3.1.3 Concerning allocative efficiency, the acceptance and use of a national strategy, the development of implementation of MTEF, the use of an allocative tool known as SBAS, and the preparation of budget guidelines from an inter-ministerial committee has greatly improved this element. There is stillroom for considerable improvement with the alignment of MDAs Regions and LGAs Strategic Plans to the MTEF process and for there to be improvements in alignment and clearer definitions of the SPs to the overall strategy. Issues of how to allocate PEs so as to reflect the resources for the national strategy will continue to present challenges of allocative efficiency.

3.1.4 Concerning efficient and effective use of resources, there is still some way to go, but even here, there has been progressive improvement. Through the PSRP, a series of surveys of service deliveries has helped sharpen the use of resources. There has been extensive use made of PERs on expenditure tracking surveys and the use of a monitoring system for MTEF and although as yet, far from adequate they have also contributed. Attention to procurement issues, with the setting up of the PPRA and PPPA has laid the foundation of improved practice. It also helped that there were timely Audit reports in 2005/06 and 2006/07 financial years that highlighted shortcomings in the use of funds and this has indeed led to a reinforcement of the importance of performance assessments.

3.2 Rating of Tanzania in PFM issues

3.2.1 Tanzania has one of the best performing Public Financial Management systems in Sub-Saharan Africa. In 2004 Tanzania was assessed as one of the two top performing countries out of the 26 rated against the 16 HIPC indicators by the IMF and the World Bank (PEFA report 2006).

3.2.2 Tanzania is also the only country in the World to have been continuously assessed against the Public Expenditure and Financial Accountability (PEFA) indicators for the last three years. There is a group of 28 indicators that cover the entire public financial management cycle. The latest assessment for 2006 shows that Tanzania is the best performing country in the East Africa region and its performance is better than the average for Africa and the World. It is due to this, that development partners place increasing reliance on the country's PFM systems. There is a clear shift towards budget support instead of project support, a move that is fully embraced by the Government of Tanzania.

3.3 Challenges from External Evaluation and Reviews of PFMRP II

3.3.1 Whilst these developments have helped, they will need to be incorporated into a system that will eventually assist with effective and efficient use of resources. The government is developing its Strategic Planning Budgeting Reporting Framework (SPBRF), which should assist for both allocative efficiency and better use of resources.

3.3.2 Another area of concern with the programme is that it is not seen by some of its operators as an overall programme addressing the many facet aspects of financial management, but rather as a source of financing some activity that could be construed as part of PFM. The concept of there being an overall approach to improving PFM has not been embraced even though reference is frequently made to mainstreaming PFMRP.

3.3.3 For PFMRP to be implemented effectively, there is a need for ownership across government. This means that those managing and operating in MDAs Regions and LGAs need not only to appreciate what PFMRP is meant to achieve, but to make demands for improved service delivery from MoFEA. The delivery of new tools for budgeting, accounting and reporting in MDAs, should be expected to enhance the performance of the MDAs Regions and LGAs thus realising the benefits of PFMRP.

3.3.4 PEFA assessments of progress across the PFM area is an internationally recognised methodology and one would hope that any PFM reform programme which is subjected to PEFA assessment would be actively undertaking activities to improve these assessment ratings, which unfortunately has not been the case with PFMRP II and contributed to an under performance.

3.3.5 PFMRP II has also suffered from inadequate vertical integration and co-ordination with other Government programmes. This is in part due to the fact that it has not been placed well within the overall strategic framework of the Government.

3.3.6 PFMRP II suffered from inadequate support and ownership within its components. There was limited participation in the design process itself and the programme is seen as being imposed on those responsible for delivery, consequently there is very little enthusiasm for the outputs, contributing to unsatisfactory progress.

3.4 Programme Analysis

PFMRP Management Structure and Issues

3.4.1 PFMRP has as yet not achieved the benefits of a programme approach, which should see an integration of different components and where the components are selected so as to work in conjunction with each other. This is well recognised by many of those operating within PFMRP and is seen as a problem of both the management structure of PFMRP and its design.

3.4.2 PFMRP II has particularly suffered from a lack of full-time programme management and full-time component implementation teams; instead, activities have tried to be incorporated within existing resources and within existing competing requirements, causing priority conflicts, to the detriment of programme implementation.

3.4.3 In addition, PFMRP II has suffered from not using recognised programme management methodologies and strong delivery mechanism, which has caused programme implementation to be stilted and caused problems in terms of coordination across the whole programme, particularly in MDAs.

PFMRP Management Structure Challenges

3.4.4 The main challenge for PFMRP III is to put in place a robust and workable programme management structure that is capable of being able to deliver the programme across a wide cross-section of PFM areas.

PFMRP Monitoring and Evaluation Structure and Issues

3.4.5 Whenever programmes are undertaken, there is always a need for performance monitoring and evaluation to take place to ensure that outputs and objectives are being achieved and that benefits are being realised. There are many programmes and projects within Government and across MDAs Regions and LGAs, and therefore there should already be a mechanism inside Government for this monitoring and evaluation to take place and this has to be MTEF. Whilst MTEF contains the important information required there is need to have clear performance indicators to enable an effective M& E.

3.4.5 There are several systems for reporting throughout government. There are reports on MTEF/budget execution as given in the Budget Guidelines, reports on MKUKUTA through RIMKU, reports on expenditure through IFMS, reports on performance monitoring against SPs through PIMA and reports from PMO-RALG and LGA level through PlanRep. In addition, there are reports for the various funding mechanisms such as projects, basket funds and there are also reports for GBS and PFM assessments such as PEFA. PFMRP along with other reform programmes. There is need to consider how best to effect reporting so as to provide essential information in an optimal manner. The Budget Guidelines team for Planning budgeting and reporting is working on harmonisation and streamline and enforce performance reporting

3.4.6 Most component managers have complained about the onerous reporting requirements and the subsequent delays in funding the various aspects of the programme. There has not been sufficient attention attached to the reasons for this deficiency, although it partly stems from what is seen as the need for additional reporting. Several component managers see this as a responsibility of the Programme Secretariat and not their departments/divisions. This reflects a problem throughout government on performance reporting.

3.4.7 A challenge not only in PFMRP, but also in the overall system of budgeting and reporting is that MTEF is not set up with performance indicators. This is a major step to take and presently there is need to consolidate the progress made by the MTEF process. However if there is to be a more focused approach to PFMRP, an important undertaking by the management will be to develop SMART indicators in line with MKUKUTA Indicators.

PFMRP Monitoring and Evaluation Challenges

3.4.8 One of the challenges for PFMRP monitoring and evaluation is therefore about ensuring that any new design incorporates adequate measurable and specific outcomes and outputs, not only for PFMRP, but also by individual components and that performance indicators are targeted, expressed in terms of outcomes and are not excessive in number and are incorporated into MTEF.

3.4.9 A second challenge is where possible, to ensure that the monitoring and evaluation system is part of the standard Government systems currently used for programme and project monitoring in order to ease the reporting burden and help to institutionalise PFMRP. It may well mean some changes and convergence of reporting systems, but this should benefit Government as a whole and should certainly reduce or even eliminate delays in any funding mechanisms.

PFMRP Component Analysis and Issues

As presently constituted, there are ten components for the PFMRP II. These are:-

C1 – Policy Analysis and Development

3.5.1 There has been progress on fiscal forecasting, where models have been developed and are proving successful. PAD works closely with TRA and has found that its capability on forecasting has been proven. This does not mean that there is still need for capacity building here. Much support in this area relies on external assistance.

3.5.2 Debt management has improved with successful debt relief negotiations whilst tracking HIPC relief. The Division has developed debt sustainability policies. There are four sections dealing with debt – debt policy, external debt, domestic debt and a new area to cover the debt implications from public private partnerships.

3.5.3 Work on tax reform has been successful through the work done in preparation for last two budgets. Reviews on a number of tax laws have been undertaken, but nonetheless PAD needs to continue work in this area and requires further capacity development.

3.5.4 PAD has responsibilities for Government fiscal and monetary analysis and policy formulation and as such, it has developed its analytical capabilities, but requires further capacity to improve policy formulation. It also reviews and analyses the financial sector. At present, this sector is far from efficient in providing the mobilisation of resources for the growing economy. The need for strengthening its analytical capabilities is recognised. With some of the issues relating to problems of long term finance there needs to be further development on financial institutions' ability to use legal instruments more effectively. The division therefore needs to work with LSRP on this.

3.5.5 This division has a coordinating responsibility on cash management. The Cash Management Unit is in the ACGEN's Division, but PAD has the role of bringing together the demand and supply sides for flow of funds. While some of the technical work on this may lie outside PAD, this key role is central to sound PFM. There has been regular reporting on budget execution. These reports though demonstrate the need for improved predictability and availability.

3.5.6 PAD is a good example of where some PFM reforms have been accomplished without recourse to PFMRP basket funding. While many of its activities have been accomplished, the question arises as to whether there has been sufficient integration into the PFMRP such that the benefits of the activities are fully shared across the programme. There is an understandable reluctance to use the basket fund while other funds are available which do not depend on the overall compliance with PFMRP. The Department is not planning to use PFMRP basket fund resources for another two years; however it has been passing on what appears to be a successful basket fund to the TRA for its Tax Modernisation Programme.

Challenges for PFMRP III

3.5.7 PAD has an important coordinating role to play in cash predictability. Its links with TRA and with MDAs and with the Commissioner chairing the Cash Management Committee, PAD has to develop ways of assisting modelling for cash predictability. There will be a continued need to improve fiscal forecasting as tax revenue improves but it will need to enhance projections for non-tax revenue also.

3.5.8 PAD is also a main link to the financial sector and as such needs to help balance the needs of that sector vis-à-vis that of public finance. Added to the challenge of improving capacity in handling debt policies and management, it also has to consider the implications of public private partnerships, which again relate to private sector and public financial commitments. Whilst PAD has indeed achieved some success in its areas, it must now see its pivotal position in a successful PFMRP as one of its responsibilities.

C2 – External Resources Management

3.5.9 As with the PAD component, External Resources Management component has achieved some successful outputs and outcomes, which can be construed as improving financial management. Data on external finance has been produced for reports, although with some production delays and further capacity developed in the department has taken place through training. It has assisted with incorporating much more of the DP financing within the budget and accounting system. In addition, with support from UNDP it has improved its aid coordination function.

3.5.10 Perhaps the major activity that will have a bearing on the future has been the development of Joint Assistance Strategy for Tanzania (JAST), which guides the relationship between the DPs and the Government. This document and the framework it elucidates has been a further development of the Tanzania Assistance Strategy. It adheres to the principles of the Paris declaration 2005 and it places a heavy burden on improved PFM as it seeks to use General Budget Support as the main conduit of DP assistance.

3.5.11 The division has made various monitoring visits to problem projects and programmes, but with the emphasis to switch across to GBS, this role will eventually revert more to other sections in Government. The division has also attended various forums involving DPs and recipient government institutions and will need to maintain this and find ways of implementing the various agreed recommendations as aid becomes more harmonised.

3.5.12 Funding was provided under the PFMRP basket but was not used in 2006/07 as other funding was available to cover its activities and whilst the Division has generally contributed to improved PFM, as with PAD, it has done so without recourse to PFMRP facilities. The division has a vested interest in making PFMRP successful if it is to achieve the goals set out in JAST with regard to incorporating more financial assistance from DPs into the government financial system. There is however lack of the full appreciation of PFMRP within the division.

Challenges for PFMRP III

3.5.12 The division accepts that there is work to be done to encourage some DPs to use the government systems and needs to demonstrate to some DPs who traditionally support MDAs and LGAs directly, that they can use the government financial system with confidence.

3.5.13 One of the problems the government has in predicting future cash flow concerns the area of Development Partners, covering both the commitment and release of funds to government. This area is of critical importance as it relates to the ability to predict total cash funds availability and becomes increasingly more critical with the shift of Development Partners to GBS. The objective is to predict DPs cash releases to government for a rolling three years period. The government is addressing this problem through JAST.

3.5.14 The development of JAST, while a major achievement, there is need to improve operational efficiency, which should enable the division to play its full role in resource availability and strategic direction of funding from DPs. Improvements are required in database management on aid projections, flows and reports.

C3 – Budget Management

3.5.15 The Budget Division has consistently mainstreamed the PFMRP into its operations. The division has worked with PAD, MPEE,PO-PSM and PMO-RALG to develop the SBAS, the Budget Guidelines and now the harmonisation of Strategic Planning, Budgeting and Reporting Framework. These are all critical elements for PFMRP.

3.5.16 The move to linking objectives, targets, type of activity and activities to budget has been impressive. The roll out to MDAs has been successful and there is good progress with LGAs. Whilst good efforts have been made to set up the MTEF system, it still requires further improvement in achieving the intended broad goal of strategic resource allocation including timely issuance of plan and budget guidelines and adherence to the resource ceilings in the guidelines provided.

3.5.17 It is acknowledged that good performance indicators within MTEF are yet to be developed to facilitate performance monitoring and evaluation. Further more, inadequate capacity building interventions to MDAs and LGAs are hindering effective prioritization that will reduce budget deviation within sub-votes, at vote level and improve adherence to the resource ceilings provided in the PBGs. Therefore there is need for continuous formal and informal training to MDAs Regions and LGAs as well as provision of the necessary working tools and equipments.

3.5.18 A relatively new section in the Budget Division has been established which will be responsible for expenditure tracking. There is need however to develop the necessary capacity that will facilitate performance monitoring and expenditure tracking at MDAs and LGAs levels.

3.5.19 Capacity development has been taking place with LGAs and this has been an important intervention linking with the LGRP. Measures will continue to be taken to rationalise the reform activities between PFMRP and LGRP.

3.5.20 The current GFS classification system holds the relevant codes for reporting based on economic and administrative categories. MDAs use performance codes showing agency specific objectives and targets alongside the administrative codes. Other improvements are needed to re-classify the budget and simplify strategic performance reporting in line with policy objectives as well as harmonisation of the classification with the MKUKUTA. This will add much value to the process of assessing MKUKUTA implementation and the poverty orientation of the budget. These efforts combined with the establishment of performance indicators will strengthen result monitoring for improving budget Strategic allocation and performance reporting.But there is need to build capacity for MoFEA, PMO and PMO-RALG staff to scrutinize performance reports. Equally, the line ministries need the same capacity in performance monitoring.

3.5.20 The National Strategy for Growth and Reduction of Poverty focus on higher growth and social wellbeing has necessitated higher spending on productive sectors, especially infrastructure investments, and keeping close attention to social services such as education and health and require huge amounts in capital expenditures. The need for prioritisation in the context of scenario analysis indeed becomes a real and an inevitable challenge.

3.5.20 3.5.22 The recurrent block grants are allocated to LGAs on a formula-basis but significant variations between LGAs have emerged over time. This is impeding the equity principle in the transfer of resources to Local Authorities. The underlying cause of this problem is the incorporation of a concept of 'holding harmless' in the formula used for allocating resources to LGAs. The "hold harmless" process was designed to top up any councils' grant amounts, to make sure that no council would receive a lesser amount of resources than last year regardless of the outcome of the formula. In addition to formula based resource allocation criterion, there are other several channels of funding the LGAs. The multi-channels of sending resources to LGAs need to be harmonised because currently they are undermining financial accountability and transparency at that level. There is need therefore to establish an improved system of channelling resources to LGAs .

3.5.23 Monitoring D by D Implementation: As Decentralisation by Devolution policy is implemented more responsibilities and financial resources are being transferred from Ministries to LGAs. This requires capacity building to be provided through training and retooling so as to ensure there is improved financial management at the local level including the level of Villages and "Mitaa". There is also need for analysing LGA budget trends, setting benchmarks and monitoring compliance of the Ministries with the D by D policy.

Challenges for PFMRP III

3.5.24 The Challenges for PFMRP III include

- The Budget Division assisting MDAs Regions and LGAs in developing prioritized performance indicators and adherence to the budget calendar to make the process more capable of delivering a credible MTEF.

- Assisting MDAs in ensuring that outer years are made more realistic, so as to be used for genuine forward planning.

- Assisting MDAs Regions and LGAs to take up their devolved responsibilities in budget preparation, execution and reporting.

- Enhancing transparency through simplified budget classification and presentation so as to be easily understood by the general public; and

- ❖ Reviewing, harmonizing and rationalizing the processes of channelling resources to LGAs. Currently, the multi-channels of resource flow to LGAs undermine transparency and accountability of public resources.

C4 – Treasury Management and Accounting

3.5.25 This component has also been a successful part of PFMRP not only in its initial phase, but also in the second phase as the benefits were rolled out to MDAs, Regions and LGAs. The programme has built on earlier successes and through the provision of resources and equipment for IFMS; capacity building has improved the quality of the work, in the Accountant General's Division and throughout government, in financial management.

3.5.26 IFMS is the major expenditure control tool used by Government and has proved to be invaluable in controlling excessive expenditure both for central Ministries and in MDAs. The coverage of the system across Government is incomplete and as such there is inadequate financial control in some areas not covered by the IFMS. The objective here is to continue with the roll-out of IFMS to get complete coverage across the whole Government to improve financial control and hence cash flow. IFMS has been the mainstay of all the PFMRP phases and has been very successful in controlling excessive expenditure of Government. However, it obviously does not meet all the financial business needs of Government as a number of other systems have been developed over time to 'stop-gap' areas where IFMS does not meet requirements, such as SBAS, to a certain extent MTEF, RIMKU and HCMIS.

3.5.27 The budget preparation is undertaken using SBAS and MTEF and the important incorporation into IFMS of segments in the chart of accounts, derived from the objectives and targets should lead to more useful results based reporting, though presently financial reports from IFMS are not in a form to accord with MTEF.

3.5.28 Another important development through PFMRP has been the development of both a Cash Management Committee and a Cash Management Unit (CMU). The committee is seen as critical to the need for coordination of cash management in terms of predictability. The formation of the CMU in the Accountant General's Division has now started work on cash management, which is the technical back up for this for this committee. The CMU, within the Financial Management section will need to develop its methods and tools and will need to be strengthened so as to provide critical inputs to availability and predictability of funds. The move to shift government funds from commercial bank to the central bank will also create better environment for smooth cash management and flow of funds.

3.5.29 Internal Audit will increasingly become more important within PFMRP as the emphasis of the reforms move from the MoFEA across to the MDAs and LGAs. Internal Audit suffers from a shortage of qualified accounting staff, which is hampering further development of this function. The objective here is to develop the technical skill set of the function in order that it can respond to the additional requirements that will be placed upon through PFMRP development. Currently, good progress has been made with the creation of the Central Internal Audit Unit, the operationalisation of the Internal Audit Committees in MDAs, work with LGA Audit and substantial training activities.

3.5.30 Whilst the development of Internal Audit is being nurtured, it will also need to prepare for its own essential role in PFM, that of firmness in the enforcement of financial rules and regulations, systems, processes and procedures. Considerable further development in this area is still required for a fully functional Internal Audit operation and consideration now needs to be given as to when and how this can be developed independent of the ACGEN's Division.

3.5.31 The ACGEN also houses the remnant of a Pension Scheme that did not go to the Public Sector Pension Fund. This should eventually disappear, but is still in existence for those receiving their pensions, who were and still are part of the non-contributory scheme. Whilst this scheme is still functioning, its administration needs some attention

Challenges for PFMRP III

3.5.32 It is clear that there is still some way to go with developing a truly integrated PFM system. The revenue and payroll are not yet fully integrated and other systems exist outside the IFMS as noted above and which are critical in PFM terms; this suggests a strategic review in this area. In the meantime, it is important that the current work of implementing the system in LGAs continues apace in order that basic financial control are present across the whole of the Government PFM business area.

3.5.33 If there is to be true reflection on allocative efficiency, then reporting must reflect what is in MTEF. There are still the challenges of revenue and payroll as well as the full roll out of IFMS. Issues on pension administration can also be included as a challenge at this stage as it does play its role in predictability requirements.

C5 – Procurement

3.5.34 Procurement is recognised as one of the key functional area for PFMRP, through which a significant proportion of expenditure on goods and services passes. Full decentralisation of procurement to MDAs Regions and LGAs, was achieved following the enactment of the Public Procurement Act No. 21 of 2004 (PPA 2004), which also established the Public Procurement Regulatory Authority (PPRA) and the Public Procurement Appeals Authority (PPAA). There were two main areas for achieving results under the current phase of PFMRP.

3.5.35 One of the areas relates to improved practices by complying with the PPA 2004, which may be, as yet, not perfect, but PPRA's ability to monitor procurement practices is promoting accountability that should ensure stricter adherence to public procurement rules. PPRA has also concentrated on providing advisory services to public bodies, issuing essential guidelines and standard documents for carrying out procurement activities by MDAs Regions and LGAs, and facilitating administrative resolution of procurement disputes.

3.5.36 Another area is with regard to capacity building in procurement practices throughout the country. There have been notable achievements so far. These include the development of a Procurement Capacity Building Strategy (PCBS), a System for Checking and Monitoring Procurement (SCMP), and a Procurement Management Information System (PMIS).

3.5.37 The capacity building to date has been impressive, with additional 2,500 procurement staff trained. However, this achievement is far from adequate. Many MDAs Regions and LGAs still see the procurement process as a delaying aspect for implementation of their activities and the need for procurement planning is as yet not fully appreciated. This is an aspect of not only improved accountability but also one of cash demand predictability.

Procument Challenges for PFMRP III

3.5.38 One of the principal challenges of public procurement practices is improvement of procurement planning and implementation. This can be addressed through implementation of the capacity building strategy, including training, establishing infrastructure and tools for improvement of performance of PMUs, strengthening of the regulatory function and promotion of the use of ICT in the public procurement system.

3.5.39 Procurement contract management issues, such as delays in delivery of goods or services and payments to suppliers and contractors need to be addressed. It has been observed that most cases of delay are caused by low capacity in the procuring entities. In order for procurement to play its part in predictability, the issue of institutional responsibility for development of the procurement cadre needs to be resolved.

C6 – Information Technology Services

3.5.40 The Information Technology Division is responsible for several of the IT aspects of the PFMRP. Its mandate covers all IT, networking and databases, however IFMS is being run within the Accountant General's Division. The division's present remit extends beyond the MoFEA, but nevertheless, it has ensured that the IT aspects of the programme have been covered. There are several PFM databases on which the division provides technical assistance, though some are not operated within the division. These are the external loans database, the external aid database, the stock verification database, and the investment inventory database for the Treasury Registrar.

3.5.41 Pay roll is one of the major database it operates in conjunction with PO-PSM. Integration has been achieved with the HRM database, but additional improvements are still required in terms of coverage and content to make full use of the system. The Lawson COTS package is used for payroll and is supported by a locally based Information Technology consultancy firm. Further enhancements are required to roll out to MDAs and this may entail upgrading the package. A review has been undertaken using WB funding and it has been recommended that an updated version of the package, suitable for position management, be purchased.

3.5.42 The staff situation of the IT division is fluid. IT is a technical competency where it is hard to retain staff due to private sector remuneration competition and hence there are plans to review the situation through a scheme of service and development of an IT cadre within Government, although this needs to be considered in the light of an overall Government internal IT Strategy under the ministry of Science and Technology.

3.5.43 A major issue is that of the absence of a credible government wide internal IT strategy to take advantage and make best use of this developing technology. The demand for IT solutions is rising within the MoFEA and divisions wish to use IT development to meet their business needs. This demand is replicated across government. The Computer Services Division is based in the MoFEA, but there are competing claims for dealing with IT issues within Government from Infrastructure, Science and Technology and several areas advocating e-government.

3.5.44 The PFMRP has enabled the division to train its staff in different IT related fields, but there is still greater need to train IT cadre staff as the information technology environment is changing tremendously. In addition, the programme has enabled the department to sensitise MoFEA employees in the service delivery by using different IT facilities and management of public resources.

IT Challenges for PFMRP III

3.5.45 There is a need for a strategic review of IT within Government and for a plan to be developed as to how the Government will embrace the potential advantages that this developing technology can offer in terms of both efficiency gains and assisting in delivering policy objectives, through information mobilisation.

3.5.46 This goes beyond the boundaries of PFMRP, but is strategically crucial to all Government reform programmes and will be a major framework parameter to the development of the Computer Services Division in the MoFEA. The outcome of the review should also answer the questions surrounding IT personnel and whether this function should be retained in-house, contracted out or a mixture of both. These are all crucial decisions that will shape the future direction and potential of Government for years to come.

3.5.47 In the meantime, the Computer Services Division will need to assist in the overall system development for MTEF and although not initially involved with SBAS, it needs to help direct the computing aspects of the system. The need for rollout of networks means there will be technical aspects on which it must advise and the division should also assist in digital improvements of the ministry's administration and that of PFMRP III.

3.5.48 In order to operate efficiently and effectively, the Government needs to have competent and committed staff in the field of IT, but it has been difficult to retain competent IT staff due to competition from the labour market.

3.5.49 Computer technology is an upcoming method of performing duties, but it is inhibited by culture and the related high costs of maintenance and matching with changes that are taking place in the world at a greater pace. For example, the software needs to be replaced or updated after every eighteen months.

C7 – Investment Management

3.5.50 This component falls under the Treasury Registrar (TR) and is responsible for regulating and monitoring public enterprises and public institutions. It is effectively the office for caretaking the investment interests of the Government in the management of the Parastatals irrespective of whether they are regulatory, service providers or enterprises. It has been successfully included in PFMRP II and taken advantage of its resource availabilities.

3.5.51 TR has been developing both financial and physical assets registries, for which some PFMRP funds were spent, as have resources on technical assistance for database development.

3.5.52 A major concern for this division is over the legislation concerning Parastatals and its impact and implications for reorganisations. It has therefore used PFMRP II resources for addressing this issue, including the use of technical assistance.

3.5.53 It has begun due diligence work on public enterprises. It has also been instrumental in the partial sale of government enterprises and dealing with issues of other enterprises where government involvement is of particular interest. It has also been involved with investment policies for Parastatals and helping to formulate such policies. As with other components, there has been a capacity building element; however there are shortcomings in its capacity to carry out its functions effectively.

Investment Management Challenges for PFMRP III

3.5.54 Capacity building has to be a main concern, as with a limited staff of around thirty to handle over two hundred institutions, it will need increased resources. This need is further reinforced, as it will need to play its role in improving cash availability, budget and MTEF work and in the consequent performance monitoring.

3.5.55 The review of policies, legislation and orders for Parastatals for purposes of improving resource allocation will also be important and it is also where fiscal discipline will still need attention, with follow-up on loans and guarantees. The development of the database will be instrumental in this case. The division will then need to consider the restructuring of the government investment portfolio.

C8 – Administrative Support Services

3.5.56 The Administrative Services Division is concerned with both the human resource management aspects of the ministry and the running and logistics of the ministry. Its most important aspect with regard to PFMRP is its role in human resource management and development. This includes filling vacancies, building morale to work, sponsoring students for accounting, procurement and IT. It also is required to improve personnel management practices in conjunction with the PSRP. It has been successfully recruiting for posts in the ministry and has arranged for training, although it recognises that it has fallen short of its targets.

3.5.57 One of the constrain in personnel management and development has been an ad hoc training arrangement that do not address the priority skill gaps on PFM. This should be of concern for the HRD to be addressed through a training needs assessment and a comprehensive training programme.

Administrative Support Services Challenges for PFMRP III

3.5.58 A major undertaking should be a TNA for this next phase of PFMRP. The Administrative Support Services should spearhead this to ensure a coordinated effort to the many training needs throughout PFM. It then should draw up a well-phased training plan taking account of capacity building requirements for the different divisions, while ensuring limited disruption to their activities.

3.5.59 While administration should assist with the HRD side, it does have a role to play in improving the operations of the MoFEA and therefore a functional/organisational/operational review will need to be considered. If MoFEA is to play the key strategic role in PFMRP, it will need to have a well functioning registry and documentation centre both physical and digital.

3.5.60 HIV and AIDS affects the level of workforce and the quality of service delivery. The Government incurs costs in the process of taking care of those affected, and lastly the government suffers loss of manpower.

Component 9 - External Audit Services

3.5.61 The external audit services are provided by the National Audit Office (NAO), which has the mandate of promoting good governance, transparency and accountability. in the correction and use of public resources. This component has been effective since it received support from the beginning of 2006. It has however made considerable impact with the achievement of government audited accounts being on time for the first time in decades. This has lead to H.E. the President issuing directives to MDAs Regions and LGAs regarding their financial management compliance responsibilities to ensure that these are substantially improved.

3.5.62 The programme has provided funds for training of auditors, parliamentary accounting committees, improvement of working facilities for NAO and some regional offices. There are plans and pilots for extending audits beyond financial audits to include areas of forensic audit, Public Debt Audit, Payroll Audit, Value for Money Audit, Environmental and Mining Audit and Special investigation Audit, with the aid of technical assistance. Following the expansion of the audit scope, there is a need for capacity building in terms of adequate accommodation equipped with modern tools, adequate transport as well as appropriate training programme for effective and efficient audit functions.

3.5.63 There are issues of establishing real independence for the NAO and this is seen especially with regard to the required funding of the NAO being included as a budgeted vote, rather than as non-voted expenditure and thus subject to determination by MoFEA. In addition, the NAO officers are accommodated in the auditees' premises. Furthermore the officers of the NAO are part of the civil service and are subjected to the civil service scheme of service. This situation impairs their independency as auditors. There is obviously a need for a Public Audit Act to give the required independence to the NAO to carry out its duties effectively.

3.5.64 Currently audit reports of the public bodies are submitted to the boards of the respective bodies and the public has limited access and debate on. Publication and debating on public audit report will enhance transparency and accountability in these areas.

3.5.65 While there has been some attempt by the NAO to inform the PAC and LAAC about the audit reports, there is still a major need for further orientation of the PAC and LAAC to undertake their functions more effectively. The latest audit accounts show some glaring inadequacies and deficiencies within government accounts, but there appears little in the way of effective sanctions being applied.

NAO-ZANZIBAR

3.5.66 National Audit Office in Zanzibar has been assisted through NAO in improving its functional capacity. PFMRP III will continue to extend similar support until when an alternative framework is in place.

3.5.67 This area has made substantial progress; lead by an enthusiastic and capable CAG, but still with many more challenges to attempt. It is crucial to PFM reforms that there is a well functioning, independent NAO and CAG that is able to deliver the effective oversight role required. This will require continued capacity building, with infrastructure support and additional resources. True independence will not come without a Public Audit Act and the challenges of delivering an effective and well functioning PAC/LAAC are still to be taken on.

3.5.68 The recent piloting of Performance Auditing is progressing well. Further capacity building of the NAO in this and other areas, could provide an independent quality assurance role within the next phase of PFMRP.

3.5.69 Another challenge is to look into ways to enhance independence of NAO and NAO – Zanzibar while boosting the effectiveness and functioning taking on board PAC and LAAC . One of the options is to form a Public Audit Reform Programme (PARP) that will fully take on board PAC, LAAC and the office of Controller and Auditor General Zanzibar.

C10 – Programme Leadership, Coordination, Monitoring and Evaluation.

3.5.70 PFMRP has as yet not achieved the benefits of a programme approach, which should see an integration of different components are expected where component are selected to work in conjunction with each other. The components of the programme have evolved on a piecemeal and bottom –up approach with individual components managed and spearheaded by the heads of the department who are senior officials.

3.5.71 PFMRP II has particularly suffered from a lack of a full time programme management and full time component implementation teams. The Deputy Permanent Secretary (Policy and Resource Mobilisation) who is designated the Programme Manager has many other responsibilities and relies on the PFMRP Secretariat with officers who have no authority over component managers. The lack of full time staff to concentrate on implementation has also held back satisfactory implementation within some of the components served by existing projects.

3.5.72 A programme monitoring framework and work plan has been in place, but it would not become operational without the full cooperation of all component managers. There are challenges on performance indicators for PFMRP interventions and harmonization of reporting requirement with that of MTEF. Due to the existing management arrangements, the PFMRP Secretariat has to rely on component managers to provide information for monitoring purposes.

3.5.73 According to the structure of how the programme should operate there is intended to be an Inter-Ministerial Working Group, which in turn reports to an overarching Inter-Ministerial Technical Committee chaired by the Chief Secretary. This has not been effective in steering the PFMRP. The IMTC was intended to bring together the various reform programmes and indeed this is an important part of the vertical coordination within government to ensure effective reform.

3.5.74 The main challenge for PFMRP III is to put in place a robust and workable programme management structure that is capable of being able to deliver a diverse programme across PFM areas. This can only be achieved with full time commitment from both the leadership and those implementing the reform activities in the component areas. Thus, the arrangement has to maintain the 'mainstreaming' approach, which Government sees as crucial to both implementation success and long-term sustainability of the reforms.

3.5.75 The challenge on reporting is to ensure that the monitoring and evaluation system is part of the standard Government systems currently used for programme and project monitoring in order to ease the reporting burden and help to institutionalise PFMRP. It may well mean some changes and convergence of reporting systems, but this should benefit Government as a whole and should certainly reduce or even eliminate delays in any funding mechanisms.

3.6 Other Reform Programmes

3.6.1 Apart from the PFMRP there are three cross cutting reform programmes of the government. These are:-

- Public Sector Reform Programme (PSRP)
- Legal Sector Reform Programme (LSRP)
- Local Government Reform Programme (LGRP)

Public Service Reform Programme (PSRP)

3.6.2 The PSRP has a wide mandate. It covers restructuring, private sector participation, executive agencies (of government), Performance Management, Programme coordination and M&E, MIS and Leadership Management and Development and Coordination. Each of these touches upon aspects of PFMRP. Investment Management component of PFMRP deals with Parastatals, so there is common interest on executive agencies. Information Technology (Computer Services) deals with management information and so needs to relate to overall MIS within government.

3.6.3 The Performance Management System (PMS) has a particular impact on all MDAs including MoFEA and instituted a standardized Strategic Plan process, stakeholder assessments and performance reporting. The aim is to instil PMS in all MDAs and to promote strategic use of public financial resources through PMS and performance budgeting in all MDAs. PSRP has been developing together with central ministries the strategic framework for harmonised Planning, Budgeting, Monitoring and Evaluation, and Reporting.

3.6.4 PSRP has also been coordinating the various reform programmes. The overall structure of PFMRP shows its relationship with IMTC and with a PSMWG, consequently it requires good cooperation with PSRP, although this appears to need strengthening.

3.6.5 PSRP uses government-reporting systems for its reports and has a bi-annual joint review between government and DPs. The development of the reporting and M&E, which is being undertaken under PSRP, is critical for PFMRP both for its own programme and in terms of financial accountability.

Local Government reform Programme (LGRP)

3.6.6 A major aspect of the local government reform is concerned with the fiscal architecture of government as it affects LGAs, which requires a close liaison with PFMRP and which is now happening through the PFMRP Secretariat.

3.6.7 The LGRP reports to PMO-RALG and it is important that PMO-RALG remains an important partner of PFMRP III on all aspects of PFM. This is particularly important for matching recurrent and development expenditures.

3.6.8 Both PFMRP and LGRP need to collaborate and work jointly on issues such as expenditure tracking. This is where the interface of service delivery i.e. predictable funding by government with recipients needs has to be reported by jointly.

3.6.9 Measures have been taken to start rationalization of interventions between PFMRP and LGRP. PFM issues for LGAs will progressively be incorporated into PFM reform programmes while LGRP continues with policy and regulatory frameworks, relating to reforms in LGAs.

Legal Sector Reform Programme (LSRP)

3.6.10 Operationalization of the LSRP started recently and appropriate measures will be taken to ensure interlinkages and support from PFMRP III. One area particularly that needs interaction is with regard to improvements in court cases concerning bank defaults as this has proved a major weakness in the financial markets. This affects not only the private sector, but also reflects on the situation facing the public sector borrowing.

3.6.11 Organisational linkages between PFMRP III and LGRP, PSRP and LSRP.

The organisational linkages that will exist between the four reform Programmes are as follows.

The membership of the steering committee of PFMRP III will be composed of representatives of these major reform programmes.

The PFMRP III working group to be formed will have representation at technical level from, LGRP, PSRP and LSRP.

Some PFM outputs/targets like those related to budget management improvements, harmonization of systems and performance reports formats will be developed in collaboration with these reform programmes.

Role of MDAs Regions and LGAs in PFMRP III

3.6.12 Successful implementation of PFMRP III as a preparation for technical efficiency to be achieved in the next stage of PFM reform, requires among other things, a sound environment at MDAs and LGAs. Thus PFMRP III will strengthen the participation of MDAs Regions and LGAs in the management of the programme.

3.6.13 An MDAs Committee representing their PFM concerns will be formed. The Chair of this Committee will be a member of the Sponsoring Group/Steering Committee. This will ensure that MDAs interests will be taken on board as and when necessary.

3.6.14 Directors for Policy and Planning in MDAs and Council Planning Officers will be designated as PFM focal persons and will work together with PFMRP III Component Managers/Programme Manager to formulate capacity building interventions and provide inputs for other deliverables of the programme. Further, MDAs Regions and LGAs will be facilitated to undertake measures aimed at improving budget performance, monitoring, reporting and expenditure tracking studies. These capacity building interventions will contribute to increased efficiency and effectiveness of staff in MDAs Regions and LGAs.

3.7 Summary of Emerging Key Issues to be Addressed under PFMRP III

3.7.1 The situation analysis of PFMRP II that was carried out, reflects that despite the achievements of PFMRP previous phases, there are still PFM areas which need attention:-

I. Cash flow forecasting and predictability of the budget to improve prioritization and resource allocation.
II. Enhancement of projections and collections of non/our Revenues
III. Improvements in result based budget performance monitoring and reporting.
IV. Review, harmonisation and rationalisation of funding modalities of LGAs.
V. Improvements and further rollout of IFMS.
VI. Harmonisation of Systems and tools like SBAS, IFMS, RIMKU, Plan Rep for effective budget management and effective financial reporting.
VII. Strengthening internal Audit functions and financial control systems.
VIII. Improvements in procurement function to facilitate decentralization.
IX. Undertaking measures to facilitate decentralization of the Government Payroll.

X. Improvements in the use of IT within MoFEA to facilitate efficient and effective service delivery.
XI. Improve control of public investments for increased proceeds to government budget and enhanced public accountability.
XII. Training needs assessment that would be followed by capacity building interventions of MoFEA staff.
XIII. Capacity building in external audit for effective audit.
XIV. Expanded Scope in Audit for enhanced accountability and transparency.
XV. Improvement of independence in audit functions.
XVI. Improvement of Capacities for the relevant Standing committees of Parliament.
XVII. Capacity building for MDAs Regions and LGAs in PFM issues including budget preparation performance reporting and dissemination.
XVIII. Budget classification that facilitates simplified analysis for improved transparency and accountability.
XIX. Improved government banking arrangements and consolidation of government bank balances in the Bank of Tanzania.
XX. Improved interaction between citizens and the Government through print media, TV and radio.
XXI. Increased capacity of academic institutions providing long term and short term training in public financial management

4.0 PFMRP III STRATEGIC DIRECTION

4.1 PFMRP III Strategic Vision

To excel in and sustain financial management and accountability, fiscal control and provision of quality Treasury Services

4.2 PFMRP III Mission Statement

To achieve and maintain sound financial management ,fiscal discipline, accountability resource mobilization and allocation, public debt management, Government asset management through developing robust fiscal and monetary policies, efficient and effective provision of Treasury Services and enhancing professionalism.

4.3 PFMRP Core Values

4.3.1 The MoFEA believes in and subscribes to the following core values;

- Innovativeness
- Professionalism
- Customer focused
- Commitment to work
- Efficiency
- Participatory management
- Teamwork
- Timely service delivery
- Integrity
- Accountability
- Loyalty

4.4 PFMRP General Goal

It is widely accepted that all government public financial management systems need to achieve three basic outcomes:

Maintain aggregate fiscal discipline and accountability

4.4.1 This requires overall expenditure control with expenditure estimates based on realistic revenue. Forecasts and the capacity to set up fiscal targets and enforce them. The role of the central financial agencies (Planning, Budget and Finance) is crucial to achieving aggregate fiscal discipline.

Allocate resources in accordance with government priorities

4.4.2 This is known as 'allocative efficiency' and it operates at different levels within the government. Initially, it is the centre that needs to give predictability of resources in the medium-term to spending agencies in order that they plan to achieve their policy objectives over the medium-term.

The allocation of resources to priority sectors and line ministries entails appropriate arrangements at ministerial level and between ministries to formulate policies and decide upon sectorial financial envelopes.

The allocation of resources amongst programmes, projects and activities within these strategic areas requires both appropriate arrangements within line ministries for sector policy formulation and adequate technical capacities within spending agencies to select the most cost-effective programmes, projects and activities.

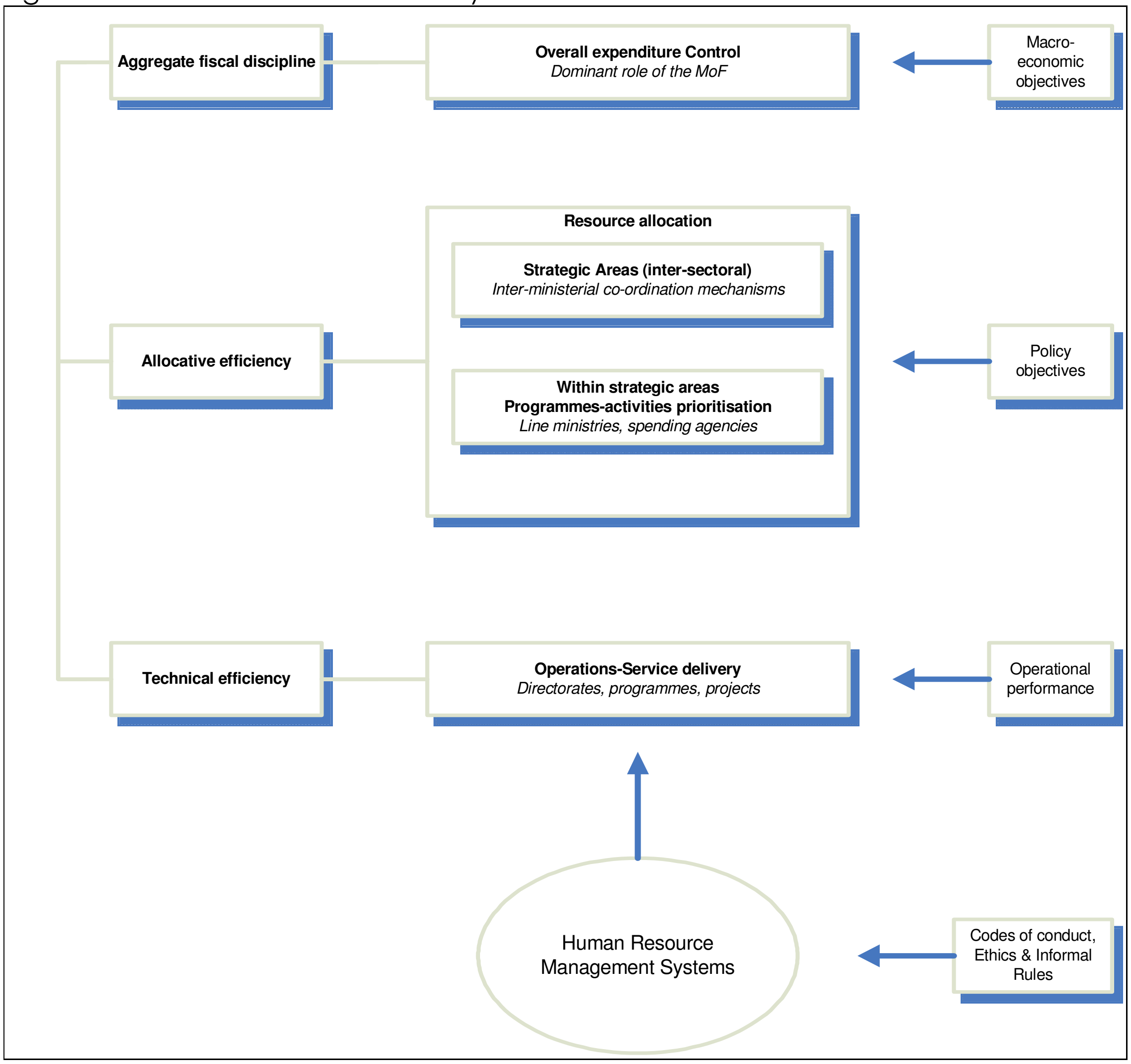
Promote the efficient delivery of services

4.4.3 This is known as 'technical efficiency'. It mainly concerns the operational level and is dependent on arrangements to implement programmes within spending units on the basis of efficient and effective management systems.

Sequence of achievement of outcomes

- It is accepted that: Aggregate fiscal discipline (overall expenditure control) is needed before allocative efficiency (allocation of resources in line with government resources) can be effectively achieved. Similarly, effective allocation of resources precedes technical efficiency (i.e. effective service delivery by MDAs Regions and LGAs).
- There is therefore a logical sequence to the implementation of improvements in PFM, which entails getting the basics right first. If initial effort is directed at implementing a sound set of control systems, this will then enable policy to be put into practice and, subsequently, the delivery of services in an effective and efficient manner.

Figure 4.1: Basic outcomes of PFM systems



The end Goal for PFMRP is therefore:-

4.4.4 Development of accountable and transparent institutional management and operational arrangements for aggregate fiscal discipline, strategic prioritisation of expenditure and improved performance during budget execution.

4.5 The Platform Approach in Government

4.5.1 This section of the Strategic Plan deals with the immediate requirements for the next phase of PFM reforms in Government, rather than the overall goals and aspirations of the whole programme. Whilst there have been a number of challenges for the Government during PFMRP II, which need to be addressed during this phase, there has also been a great deal of progress made in PFM areas.

4.5.2 In order to make this assessment, the Government has used the 'Platform Approach' to planning to establish a logical path and sequence for PFM reforms requirements.

4.5.3 In PFMRP phase I of the financial reforms the overwhelming requirement was to regain fiscal control of the economy and to ensure that the first objective of PFM reforms was achieved, namely that of aggregate fiscal discipline. Through the introduction of budgetary discipline and expenditure control via IFMS, this by and large was achieved.

4.5.4 During PFMRP II of the financial reforms, the concentration has been on the second objective of PFM reforms, namely that of allocative efficiency. This phase has introduced a number of PFM tools to assist the process, whilst expanding the scope of other existing tools. A medium term perspective to budgeting was developed through MTEF which was supported in allocating resources to achieve policy outcomes by SBAS, all guided by MKUKUTA. In the meantime IFMS was expanded to cover all MDAs and a substantial number of LGAs. By the end of PFMRP II therefore, PFM systems have been modernised to cope with the new PFM demands but unfortunately these systems are not yet as effective as they can be in supporting PFM. The reforms need to be more effectively embedded in PFM.

4.5.5 The second objective therefore of PFM reforms, that of allocative efficiency has still not yet been achieved and therefore the focus of PFMRP III, will concentrate on this achievement, before moving on to the third PFM objective of technical efficiency. This is crucial as MDAs Regionsand LGAs need to see the benefits of these tools and techniques in action through improved allocative effectiveness including predictability.

4.5.6 PFMRP III therefore will all be about operationalising best practices i.e. making the tools, techniques, methodologies and systems, developed under PFMRP II, work in Tanzania. The majority of the tools are now in place for a robust PFM structure, however in many cases there is little or no integration between these various supporting systems and procedures, causing inefficient and incomplete operational processes that are hindering further PFM reform. In addition, it is necessary for PFM capacity in Government to catch up with the latest techniques and methodologies to be able to take advantage of the facilities they offer. This Platform will therefore be reinforcing the second PFM reform objective, namely allocative efficiency.

4.5.7 In using the Platform Approach, it is possible and indeed desirable to plan under one Platform for execution in the following Platform and therefore preparation will also be made for the next Platform – that of Policy into Practice, which starts to deal with the third of the PFM objectives, namely technical efficiency and which moves the reforms into the MDAs Regions and LGAs.

4.5.8 The final Platform is about delivering performance. Here the concentration is on maximising the value for money that Government gets from its expenditure and ensuring that expenditure is only to deliver improved services by building on the substantial reforms that will take place in MDAs and LGAs in the previous Platform.

The Platforms can be summarised as follows:-

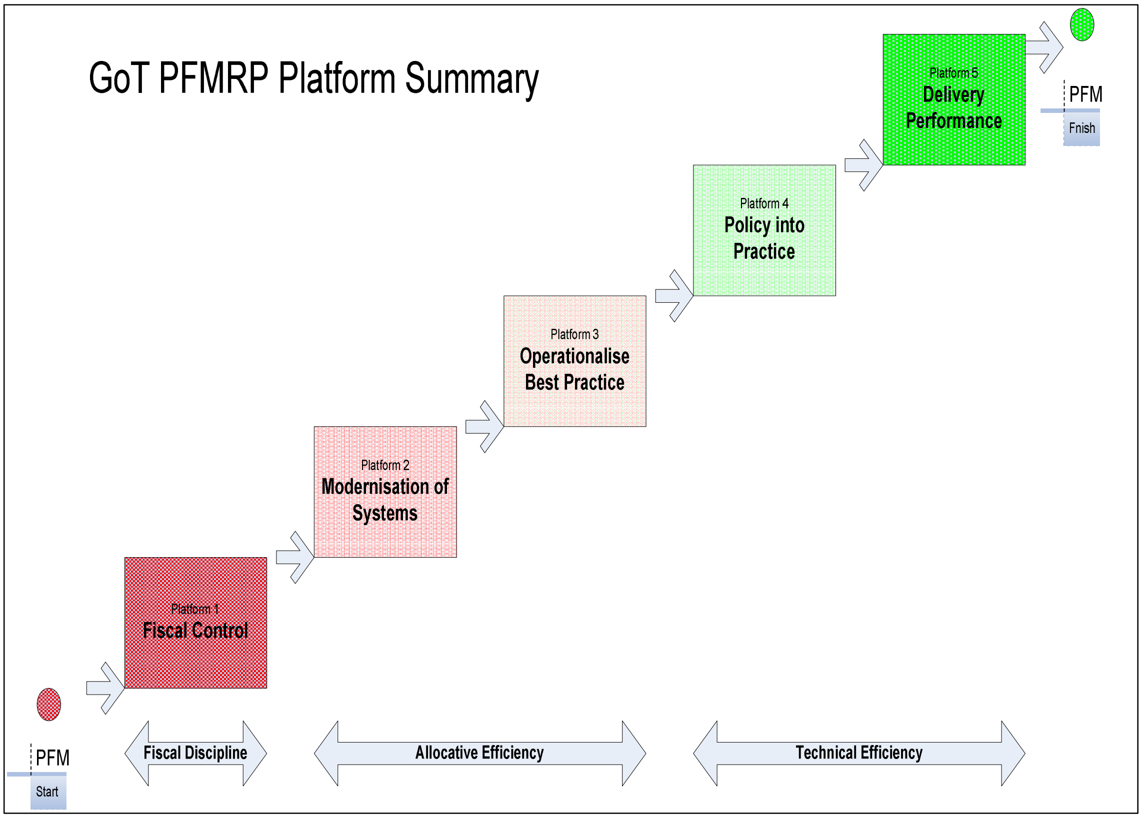


Figure 4.2 Government PFMRP Platform Summary

Platform 1 – Fiscal Control

4.5.9 This Platform was achieved from 1998-2003 under PFMRP phase I. The objective of the phase was to:-

To ensure disciplined aggregate budget setting, execution and spending across Government PFM areas by 2003. In essence, this phase was about getting control over spending and ensuring that budgets were set that were affordable, with a target outcome of:-

Aggregate budget execution discipline, with substantially reduced Government expenditures, producing improved aggregate fiscal discipline. This Platform was achieved and therefore Government had a base Platform of aggregate PFM control.

4.5.10 Platform 2 – Modernisation of Systems

This Platform was achieved from 2004-2007 under PFMRP II – the current phase. The objective of the phase was:-

To progressively modernise the processes, procedures and systems involved in PFM through the implementation and use of 'best practice' tools, techniques and methodologies to improve resource allocation for strategic priorities by 2007.

In essence this phase was about modernising the tools, techniques, methodologies and systems used in best practice PFM to achieve the following outcome:-

Robust and comprehensive PFM practices and systems produce strategically prioritised resource allocations
This Platform was achieved and therefore Government has a base Platform of PFM accountability.

Platform 3 – Operationalise Best Practice

4.5.11 This Platform is scheduled to last from 2008 - 2010 under PFMRP III – the next phase. The objective of the phase is :-

To ensure greater predictability and availability of medium term resources to executing agencies utilising operationalised 'best practice' PFM systems, which demand delegated financial autonomy and accountability in MDAs and LGAs by 2010.
In essence this phase is about getting the tools, techniques, methodologies and systems that were introduced in the previous phase to work efficiently and effectively with each other in an integrated manner to achieve the following outcome:-

Predictable future consolidated financial resources available for financially autonomous and accountable MDAs and LGAs
This Platform, when achieved will give Government a base Platform of PFM delivery.

Platform 4 – Policy into Practice

4.5.12 This Platform is scheduled to last from 2010-2017 under PFMRP phase IV. The objective of the phase is to:-

To ensure MDAs Regions and LGAs budget and execute wholly, exclusively and necessarily to support their MKUKUTA objectives and that robust control mechanisms and accountability exist in MDAs Regions and LGAs to ensure expected MKUKUTA outcomes are achieved on time and within planned financial resources, delivering pro poor improvements by 2017

In essence, this phase will be about getting spending agencies to only spend to justify delivery of policy objectives in a controlled and accountable financial environment, to achieve the following outcome:-

MDA's Regions and LGAs MKUKUTA targets are achieved within time and financial resource limits

This Platform will require adequate time to be carried out as it embraces all of Government in active development, but when achieved will give Government the sound base Platform of delivered required outcomes by MDAs and LGAs.

Platform 5 – Delivery Performance

4.5.13 This Platform is scheduled to last from 2018-2022 under PFMRP phase V. The objective of the phase is to:-

To ensure progressively improving and demonstrable efficient, effective service delivery by MDAs and LGAs by 2022

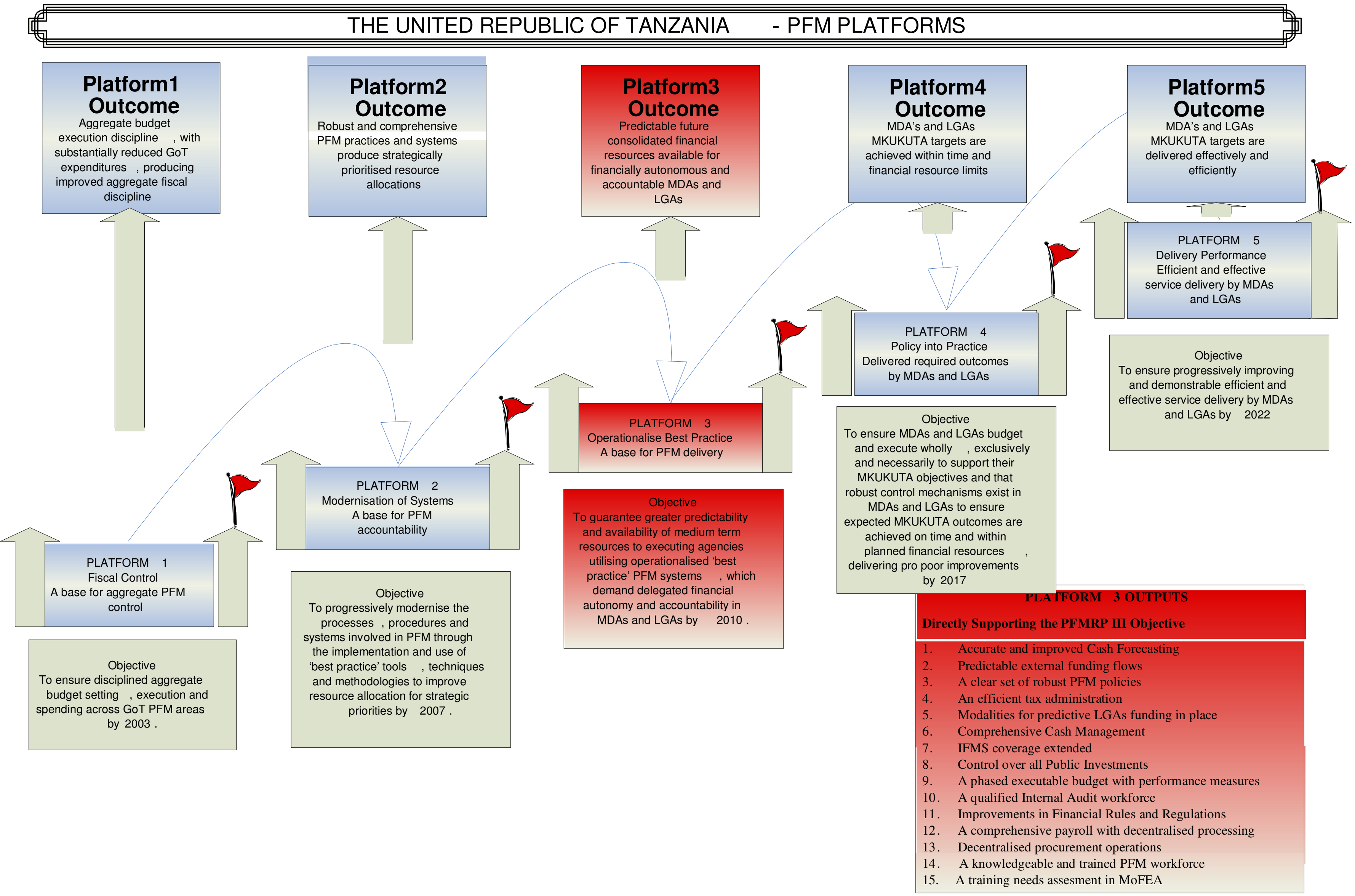
In essence this phase will be about getting spending agencies to improve the value for money that they get when spending on delivering policy objects, to achieve an outcome of:-

MDA's Regions and LGAs MKUKUTA targets are delivered effectively, efficiently and in enhanced accountability manner.

This Platform, when achieved will give Government a base Platform of efficient and effective service delivery by MDAs Regions and LGAs.

4.6 The PFMRP Detailed Platform Diagram

The diagram below shows all the Platforms for PFM in Government. Platform 3 is highlighted and this is the Platform that Government will be addressing immediately.


THE UNITED REPUBLIC OF TANZANIA - PFM PLATFORMS
Platform1 Outcome
Aggregate budget execution discipline, with substantially reduced GoT expenditures, producing improved aggregate fiscal discipline
Platform2 Outcome
Robust and comprehensive PFM practices and systems produce strategically prioritised resource allocations
Platform3 Outcome
Predictable future consolidated financial resources available for financially autonomous and accountable MDAs and LGAs
Platform4 Outcome
MDA's and LGAs MKUKUTA targets are achieved within time and financial resource limits
Platform5 Outcome
MDA's and LGAs MKUKUTA targets are delivered effectively and efficiently
PLATFORM 5
Delivery Performance
Efficient and effective service delivery by MDAs and LGAs
Objective
To ensure progressively improving and demonstrable efficient and effective service delivery by MDAs and LGAs by 2022
PLATFORM 4
Policy into Practice
Delivered required outcomes by MDAs and LGAs
Objective
To ensure MDAs and LGAs budget and execute wholly, exclusively and necessarily to support their MKUKUTA objectives and that robust control mechanisms exist in MDAs and LGAs to ensure expected MKUKUTA outcomes are achieved on time and within planned financial resources, delivering pro poor improvements by 2017
PLATFORM 3
Operationalise Best Practice
A base for PFM delivery
Objective
To guarantee greater predictability and availability of medium term resources to executing agencies utilising operationalised 'best practice' PFM systems, which demand delegated financial autonomy and accountability in MDAs and LGAs by 2010.
PLATFORM 2
Modernisation of Systems
A base for PFM accountability
Objective
To progressively modernise the processes, procedures and systems involved in PFM through the implementation and use of 'best practice' tools, techniques and methodologies to improve resource allocation for strategic priorities by 2007.
PLATFORM 1
Fiscal Control
A base for aggregate PFM control
Objective
To ensure disciplined aggregate budget setting, execution and spending across GoT PFM areas by 2003.
PLATFORM 3 OUTPUTS
Directly Supporting the PFMRP III Objective
1. Accurate and improved Cash Forecasting
2. Predictable external funding flows
3. A clear set of robust PFM policies
4. An efficient tax administration
5. Modalities for predictive LGAs funding in place
6. Comprehensive Cash Management
7. IFMS coverage extended
8. Control over all Public Investments
9. A phased executable budget with performance measures
10. A qualified Internal Audit workforce
11. Improvements in Financial Rules and Regulations
12. A comprehensive payroll with decentralised processing
13. Decentralised procurement operations
14. A knowledgeable and trained PFM workforce
15. A training needs assesment in MoFEA

4.7 PFMRP III Goal

Platform 3 is concerned with the second PFM objective of allocative efficiency and therefore the goal may be considered to be:-

Improvement in the efficiency and effectiveness of the allocation of resources, to achieve more equitable and improved public service delivery.

Objective of PFMRP III

4.7.1 In order to solve complex problems such as PFM, it is always necessary to break them down into smaller more manageable chunks, which then makes them easier to solve, as is the case in the 'Platform Approach'. At the same time, it is also important to ensure that there is clarity of vision about what it is that needs to be solved and the more focused the vision, the more chance of successfully achieving it.

- Government has attempted throughout this document to ensure that there is clarity of vision of its requirements for PFM and to give a specific focus to the outcomes of the reform programme. It has therefore attempted, whenever possible, to only have one objective of achievement to retain that focus, both for the PFMRP III as a whole and for each of the functional areas that constitute this phase.

- This does not preclude there being benefits beyond allocative efficiency and indeed there will be need to benefit from ensuring best practice from all systems and tools so far introduced. The idea of the Platform approach is to provide focus on concentration on the objective of the Platform.

4.7.2 As defined in the Platform Approach, the objective of PFMRP III is:-

- To ensure greater predictability and availability of medium term resources to executing agencies utilising operationalised 'best practice' PFM systems, which demand delegated financial autonomy and accountability in MDAs Region and LGAs by 2010.

- PFMRP III seeks to operationalise PFM tools, techniques, methodologies and systems to effectively make them work. One of the major issues affecting the ability of MDAs and LGAs to deliver their policy objectives is the availability and the predictability of funds from the centre. It is more than often the case that annual budgets are never fully funded or that there are delays in releases and that although MTEF provides a medium term perspective on available funds, they rarely materialise as predicted. This makes the requirements placed upon MDAs and LGAs almost impossible to carry out with any certainty and increases risk of failure in policy achievement.

- Through improving the operations at the centre, by ensuring that PFM tools are used as designed, it is expected that both predictability and availability of funds will substantially improve and MDAs and LGAs will experience the benefits from use of the tools, techniques, methodologies and systems.

- To achieve predictability of funds will require substantial improvement and management of total cash flow forecasting, particularly external funding and this must cover the medium term perspective on a rolling basis. It will impact on all areas of Government fiscal, macroeconomic and debt policies, and will require focus in the operational areas of TRA. It will also require that the modalities for predictable funding for LGAs are agreed upon and operated.

- To achieve greater availability of funds will require substantial operational and management improvements in the Government banking, payments and cash collection arrangements to improve control over cash, extension to the coverage of IFMS, together with improved controls over the Government's investment portfolio, to bring in extra funds to the system. It will also impact in TRA perhaps requiring a broadening of the tax base.

- In substantially improving both the predictability and availability of cash funds to MDAs Regions and LGAs, the MoFEA will then be in a position to undertake and improve upon its oversight role and to enforce the accountability and responsibility that MDAs Regions and LGAs assume with delegated authority.

- Delegated financial autonomy to MDAs Regions and LGAs will need updating, together with processes and procedures in order that the necessary controls are put in place to ensure potential system losses are eliminated. As a consequence of delegated financial autonomy, there will be a need to improve both the quality and the scope of the Internal Audit functions within MDAs and LGAs and to give their work greater authority, to ensure that the updated financial rules and regulations, processes and procedures are being applied rigorously by MDAs and LGAs.

- In order to be able to undertake all these activities to achieve the PFMRP III objective, it will be necessary to undertake substantial capacity building within the PFMRP components across all functional areas identified. It is indented that this will be undertaken through a mixture of formal and informal training. This will require a full Training Needs Assessment, which will then be used for a comprehensive PFMRP training plan focussing on PFM reform.

- It will also require skills transfer from technical assistance inputs, specialising in PFM, in order to provide consistency of PFM advice to Government.

Outcome of PFMRP III

4.7.3 The outcome of PFMRP III will be-

Predictable future consolidated financial resources available for financially autonomous and accountable MDAs Regions and LGAs

Outputs of PFMRP III

4.7.4 The outputs for Platform 3 cover a wide area of PFM, but each output contributes to the overall objective of Platform 3 and must exist for the objective to be achieved.

The planned outputs that are directly supporting the PFMRP III objective are:-

1) Accurate and improved Cash Forecasting
2) Predictable external funding flows
3) Improved predictability of resources availability to LGAs.
4) Comprehensive Cash Management and improved government banking arrangements
5) Strengthen accounting system through IFMS improvement, including improving the linkage between the Epicor system of GoT and the Oracle system of BoT, and improved debt management.
6) Enhanced control over all Public Investments
7) Improved credibility of MTEF.
8) Internal audit control system in MDAs, Region/LGAs strengthened
9) Increase in compliance to improved Financial Laws and its Regulations
10) Decentralised payroll processing and pension administration improved
11) Improved procurement operations in MDAs Regions and LGAs
12) Government budget structure reviewed and simplified for reporting.
13) Improved linkages between policies priorities versus resource allocation
14) Tracking, Monitoring and value for money auditing of public expenditure improved.
15) Improved linkages between SBAS, IFMs, Plan Rep to facilitate planning, budgeting and Reporting for MDAs and LGAs
16) Improved capacity of MDAs Regions and LGAs in budget performance monitoring, accountability and transparency.

17) Strengthened functional capacity of External Audit Services,

18) Improve capacity of parliamentary oversight committees and commissions including Public Accounts Committee, Local Authorities Accounts Committee, Parastatals Accounts Committee and through establishing a policy review unit in the Parliament. .

19) Zanzibar: Support for the National Audit Office of Zanzibar, Ministry of Finance and Economic Affairs and the House of Representatives;

20) Effective media program that improved interaction between citizens and key accountability institutions across government. This includes Parliament, Central Government, Regions Government, and Local Government Authorities, and covers print media, TV and radio.

21) Enhanced Capacity of PFM Training Institutions: Support for the primary training institutions in the country delivering PFM training, including NBAA, IFM, Institute of Accountancy Arusha,TIA and others;

22) Enhanced capacity in coordinating implementation of Public Financial Management programme, Monitoring &Evaluation and Reporting

4.8 Rationale/Allocation of Outputs

4.8.1 Accurate and improved Cash Forecasting

- This output is at the core of PFMRP III in conjunction with an efficient tax administration in place.

- This output will improve the forecasting of total cash funds for Government on a monthly, annual and three-year rolling basis in order for MoFEA to be able to ensure MDAs and LGAs predictability of budget resources for the medium term for them to execute policy implementation without constraint.

- Since TRA is responsible for the collection of all Tax revenue on behalf of Government, it is vital that these collections are comprehensive, inclusive, efficient and timely as this will have a great effect upon the cash flow performance of Government and hence its ability to fund policy targets. This is also an area where the expansion of the tax base offers scope for additional revenues streams, which are yet un-tapped. The immediate objective is to become more efficient in collecting existing taxes, but there could be scope for additional funds flow and therefore the existing Tax Modernisation Programme directs outputs here.

- The key players in this output include the Accountant General's Division in collaboration with Policy Analysis and Development division and the Bank of Tanzania.

The key performance indicators for this output will include reduction on variance to within 10% of actual cash vs. cash budgeted on monthly basis by 2010 and percentage of annual increase on domestic revenue. The major activities to achieve the set target will include;

- Review and develop a system to manage and prepare weekly and monthly cash flow forecast reports;
- Review and develop tools for forecasting and sensitivity analysis, and
- Training of officers on revenue forecasting techniques.

4.8.2 Predictable external funding flow

The challenge the Government has in predicting future cash flows concerns the area of commitment and actual disbursement of funds from development partners. Due to relatively high composition of external funds in the Government Budget, this area is of critical importance in terms of being able to predict total cash fund availability. The objective is to ensure predictability of cash inflows from development partners to finance medium term Government budget.

This output will be delivered by the External Finance Division of the MoFEA. The key performance indicators include; increase of DPs' contribution through GBS to total external resources by 2010, disbursement by Development Partners conform with an agreed schedule by 100% in terms of timing and amount by 2010, and project funds disbursed increased to at least 70% of commitments compared to the current rate 60 by 2010.

- The main activities to achieve the output as per indicator targets will include:
  - Implement JAST action plan,
  - Facilitate GBS and PAF process to ensure compliance and
  - Train EFD staff on the AMP information system.

4.8.3 Improved predictability of resources availability to LGAs.

- The funding for LGAs accounts for almost twenty percent of the total budgetary allocation, but which is ultimately determined by an agreed pre-determined funding allocation. Further, there are other funding channels for LGAs from other sources. What need to be done is reviewing, rationalizing and putting in place a modality of flow of funds to the LGAs, timely and within the overall context of Government cash flow control. The objective is to ensure a comprehensive medium term predictability of cash releases to LGAs to allow them to plan for medium term deliverables.

- This output will be delivered by the Governments Budget Division of the MoFEA, who will work closely with the PMO-RALG and LGRP.

- The key performance indicators includes: reduction of variance between cash transferred to LGAs and monthly budgeted amounts to within 1 % by 2010; Equitable distribution of transfers to LGA by 2010 and reduction of funding channels to LGAs. The major activities to achieve the output will include:

  - To review, merge, harmonize and consolidate all transfers to LGAs (Recurrent and Development) by sector including block grants using formula based allocation system.

  - To review Local Government Capital Development Grant system (LGCDGS) Sector Development and harmonize development funding to LGAs.

  - To develop and implement a strategy for the new harmonized funding modalities to LGAs and improve predictability on flow of funds.

4.8.4 Comprehensive Cash Management and Improved Government Banking Arrangements.

- This output is at the core of PFMRP III. Forecasting of future cash flows is one thing, actively managing funds to ensure the maximum amount of cash is available, as soon as possible requires a different skills set. This output is concerned with the systems and the processes that are used within Government and cash tied up through the banking system to fund MDA Regional and LGA expenditures. The objective here is to introduce an active cash management system that will ensure maximum availability of liquid funds, elimination of idle cash.

- This output will be delivered by the Accountant General in collaboration with Budget and Policy divisions Analysis of the MoFEA and the Bank of Tanzania.

- The key performance indicators include; reduction in days the balance of Government cash is held by commercial banks on transit to BOT, revamping of government banking arrangements and improve cash management between Government, BoT and Commercial Banks.

- The major activities to achieve this output includes;

- To conduct weekly monitoring of MDAs, Regions and LGAs Bank accounts and Cash flow,

- To conduct a review of MDAs, Regions /LGAs existing bank accounts and propose measures for rationalization,

- The government and BOT are working on the best options to shift the operations of Government operations from Commercial Banks to the Central Bank (BOT); and

- To train Cash Management Unit staff.

4.8.5 Strengthen accounting system through IFMS improvement

- IFMS is the major expenditure control tool used by Government and has proved to be invaluable in controlling excessive expenditure both for central Ministries, Regions and LGAs. The objective here is to continue with the roll-out of IFMS to get complete coverage across the whole Government to improve financial control and hence cash flow.

- This output will be delivered by the Accountant General's Division of the MoFEA, in conjunction with the Information Technology division of the MoFEA. The major key performance indicators includes; IFMS Post implementation (evaluation) report in place by 2010, Number of new LGAs implementing IFMs and Number of professional staff and IFMS end users trained on revised IFMS.

- The main activities to achieve this output will includes:

  - To undertake IFMS performance evaluation and end users satisfaction,

  - Improve linkage between the Epicor system of MOFEA and the Oracle system of BoT.

  - Better bank reconciliation between MOFEA and BoT

  - Continue roll out of IFMS to LGAs and

  - Train professional IT and IFMS end users for Central and Local Government.

4.8.6 Increased compliance to improved Financial laws and its Regulations

- In preparation for the next Platform, which will provide more delegated financial autonomy to MDAs Regions and LGAs, there is a need to review and update the financial rules and regulations, processes and procedures relating to MDAs and LGAs to ensure that the financial controls are in place to allow for that financial delegation to take place without concerns that systems may become open to abuse. In this sense, it is a critical part of this Platform in ensuring PFM systems and tools are operational. The objective is to ensure that adequate controls are exercised through the financial rules and regulations, processes and procedures to cover MDAs Regions and LGAs.

- This output will be delivered by the Accountant General's Division in collaboration with the division of Legal Services. It is anticipated that there will be a requirement for close collaboration with stock verification unit, oversight bodies (TRAT/TRAB) as well as the LSRP to achieve this output fully.

- The key performance indicators includes; existence of Operational Financial Management Manual for MDAs Regions and LGAs by 2010, number of financial laws and regulations revised and updated, and number of Tax Appeals and Applications registered and determined.

- The major activities to achieve this output will include;

  - To review the financial Laws, rules and regulations and

  - To conduct sensitization training on Tax Appeals.

4.8.7 Enhanced Control over all Public Investments

- The Government has substantial investments in various public corporations and companies. These investments tie up cash where there is insufficient economic return on investment and can actually be a cash draw when additional funding is required through continuing under performance and loss making activities. The objective here is to rationalise the portfolio where possible and to exercise greater financial and management control over those remaining in order to improve the fiduciary risk to the Government.

- This output will be delivered by the Treasury Registrar of the MoFEA. The key performance indicators include; Percentage increase of Government returns on Public investments, Increased public access to financial reports on public investments and about 75% of TR staff trained in TRIM and related skills.

- The major activities will include;

  - To review Policies, Acts, Regulations, and orders, for Public Enterprises and Government Institutions,

  - Ensure that the transition from PSRC to CHC is smooth and that there is adequate capacity within CHC to handle the additional responsibilities;

  - Establish a computerized TR database;

  - Have system in place for due diligence on public enterprises;

  - To facilitate capacity building to members of Public Enterprises; Committee and MPs, and

  - To train staff on MIS and database management system.

4.8.8 Improved credibility of MTEF.

- The Government uses an MTEF system to record its medium term budgetary plans, which is undertaken both centrally and within MDAs. The challenge is to improve predictability of funds availability for MDAs within the fiscal year as well as the outer years of MTEF.

- MTEF is set in the context of the government's strategic framework for planning and budgeting, which is now being finalised in conjunction with the PO-PSM and the Planning Commission and in which Budget Division – MoFEA plays a key role. This is one of the crucial junctures between PFMRP and PSRP.

- The current MTEF contains objectives and targets but does not have performance indicators, which would be useful for monitoring budget performance and reporting. The objective here is to improve predictability of the in years and outer year budget as well as improvement of reporting.

- This output will be delivered by the Government Budget Division of the MoFEA. The key performance indicators; The variance of actual cash allocated versus the annual budget is not greater than one percent for any single MDA, Region or LGA, existence MTEF reports based on Key Performance Indicators for MDAs Regions/LGAs and reduced deviation from ceilings indicated in Plan and Budget Guidelines (PBG) to 5%.

- To achieve this the major activities will include to the following:
  - Development of system to analyze and consolidate MDAs, Regions and LGAs annual cash flow requirements;
  - Training of officers from MDAs, Regions and LGAs on reviewed and harmonised key Performance Indicators for monitoring and reporting;
  - Training of the Budget Committees and Planners on the budget process, prioritization and projection; and
  - Timely communication of consolidated consilidated budget priorities and resource ceilings to MDAs, Regions and LGAs.

4.8.9 Internal audit control system in MDAs/LGAs strengthened

- Internal Audit will increasingly become more important within PFMRP as the emphasis of the reforms move from the MoFEA across to the MDAs and LGAs. Internal Audit suffers from a shortage of qualified accounting staff, which is hampering further development of this function. The objective here is to develop the technical skill set of the function in order that it can respond to the additional requirements that will be placed upon through PFMRP development.

- This output will be delivered by the Accountant General's Division of the MoFEA. The key performance indicators include; existence of a new internal audit manual by 2010 and number of trained internal auditors by 2010.

- The major activities to achieve this output include;

  - To review and develop new Internal audit manual;

  - Training of internal auditors for all MDAs and LGAs and ;

  - To develop and install software for Internal Audit function.

4.8.10 Decentralised payroll processing and pension administration improved

- The government payroll system is to be decentralised to enhance coverage and timely processing of the necessary amendments thus to improve efficiency and reduce potential loss. Payroll is a substantial part of expenditure and therefore these measures can be seen as not only helping in cash availability terms, but also a part of a risk reduction strategy. The objective here is to widen the payroll coverage and improve processing efficiency.

- The strategy and plan for Pension Administration improvement is one of the MoFEA's strategic objectives and is a substantial cost to Government in much the same way as payroll. Efficient operations in this area will contribute to increased positive cash flows. The objective here is to facilitate implementation of an agreed improvement strategy of administration of pension payments and benefits.

- This output will be delivered by the Information Technology Division and Accountant General in collaboration with Budget division. The key performance indicators includes: existence of an upgraded LAWSON payroll system by 2010, Number of MDAs operating payroll system by 2010, comprehensive pensioners data transferred to their respective pension funds by 2010 and A functional government wage bill management system by 2010.

- The major activities to achieve this output includes;

  - To acquire and install the upgraded LAWSON software;

  - To roll out payroll Systems to 20 MDAs ;

  - Training of MDAs on management of payroll system;

  - To consolidate pensioners data for transfer to their respective pension funds, and;

  - To carry out expenditure tracking of personnel emoluments for government employees (wage bill).

4.8.11 Improved procurement operations in MDAs and LGAs

- Procurement is recognised as being a key functional area for PFMRP as it is estimated that about seventy percent of Government budget is used for procurement of goods and services. Work has already commenced on the decentralisation process and a regulatory authority created. The work required for this output is to enhance the decentralisation process in order to embed the processes and controls in MDAs, so that procurement time is reduced. Through competitive tendering, with local knowledge, improved value for money can be attained, thus improving cash flow.

- This output will be delivered by the Public Procurement Regulatory Authority and the Public Procurement Appeal Authority. The key performance indicators for this output includes; Existence of Procurement training policy framework, tools and resources by 2010, number of Procurement staff trained annually and percentage of MDAs, Regions and LGAs complying with public procurement acts, rules and regulations by 2010.

- The main activities to achieve this output will include;

  - Develop and publish a Policy Framework, Manuals and Tools for Procurement Training and Assessment.

  - Facilitate training of procurement staff in MDAs and LGAs,

  - Provide necessary facilities, tools and guidelines for staffing and enhancing PMUs performance in MDAs and LGAs; and

  - Rolling out ICT based Procurement MIS for Procuring entities.

4.8.12 Government budget structure reviewed and simplified for reporting.

- The current budget structure and classification system holds the relevant codes for reporting based on economic and administrative categories. MDAs use performance codes showing agency specific objectives and targets alongside the administrative codes. These reports require further simplification to be user-friendly to the public at large. Therefore, improvements are needed to re-classify the budget and simplify strategic performance reporting in line with policy objectives as well as harmonisation of the classification with the MKUKUTA clusters. This will add much value to the process of assessing MKUKUTA implementation and the poverty orientation of the budget. These efforts combined with the establishment of performance indicators will strengthen participatory result monitoring for improving budget Strategic allocation and performance reporting.

- This output will be delivered by the Budget division in collaboration with the National Planning and Budget Guideline committee. The key performance indicators for this output include existence of a summary of annual Government Budget linked to MKUKUTA goals and objectives by 2010 and Government budget compliance with GFS 2001 by 2010 and Comprehensive and simplified MTEF Document.

- The major activities to achieve this output will include to;

  - To undertake review and reclassification of the Government Budget (Economic Classification, Functional Classification and Program Classification).

  - To carry out training on reclassification of the budget in all MDAs, Regions and LGAs, and

  - To consolidate, print and disseminate a comprehensive MTEF document for the government.

4.8.13 Improved linkages between policies priorities versus resource allocation.

- Policy analysis and setting will create the framework within which the predictability of funds flow will operate. The policies will cover fiscal, macroeconomic, debt and monetary and will guide and assist in the cash flow forecasting areas. Changes in these policy areas could have a major effect on the flow of funds into Government and hence the ability of MoFEA to fund MDAs Regions and LGAs service delivery programmes. The objective is to ensure that PFM policies encourage funds inflow.

- This output will be delivered by the Policy and Analysis Division in collaboration with Budget Division of the MoFEA. The key performance indicators for this output include; predictable Medium Term resource inflows into the government budget by 2010, Scenario Analysis modality for funding government budget operational and functional in place by 2010, number of consultative review reports on planning, budgeting and public expenditures and Debt Strategy updated and Implemented by 2010.

- The major activities to achieve this output will includes;

  - To further, develop Scenario Analysis Modality for funding government budget;

  - To carry out PER Clusters/GBS/MKUKUTA review meetings on the performance of Government Budget.

  - To prepare Debt Sustainability Analysis and debtoff targets biannually as inputs for resource envelope anchor for budget, and

  - To study and recommend ways to improve effective use plan and of budget guidelines and MTEF in MDAs.

4.8.14 Improved Tracking, Monitoring and Value for Money auditing of public expenditure .

- The expenditure tracking and monitoring is to provide inputs for further improvement on MTEF system. Adequate capacity needs to be built at the centre, MDAs Regions and LGAs for effective monitoring of budget performance in order to achieve the intended budget expenditure goals and priorities.

- The key performance indicators for this output includes; Number of officers trained, existence of annual reports on expenditure tracking surveys and physical inspection of development projects, existence of periodical impact studies on expenditure and existence of periodical technical audit reports.

- The major activities to achieve this output will include;

  - To establish sound Database for expenditure tracking and monitoring implementation of the government budget;

  - To carry out evaluation studies on specific issues related to implementation of the government budget.

  - Carry out value for money audit; and

  - Training on analytical skills, result based performance monitoring and reporting.

4.8.15 Improved linkages between SBAS, IFMs, and Plan Rep to facilitate planning, budgeting and Reporting for MDAs and LGAs

There are several systems for reporting throughout government. There are reports on MTEF/budget execution as given in the Budget Guidelines, reports on MKUKUTA through RIMKU, reports on expenditure through IFMS, reports on performance monitoring against SPs through PIMA and reports from PMO-RALG and LGA level through PlanRep. In addition, there are reports for the various funding mechanisms such as projects, basket funds and there are reports for GBS and PFM assessments such as PEFA. PFMRP along with other reform programmes does need to consider how best to effect reporting to provide essential information in an optimal manner. The Plan and Budget Guidelines Committee is working on planning, budgeting and reporting in order to streamline and enforce reporting.

The objective here is to ensure that the inputs and output of these tools can be used interchangeably for monitoring and reporting as part of the standard Government systems in order to ease the reporting burden and help to institutionalise PFMRP. The key performance indicators includes; integration at output level among planning and reporting tools /systems in place by 2010 and number of budget officers from MDAs, Regions and LGAs trained on the harmonized tools and computerized systems.

- The major activities to achieve this output include;

  - To update further SBAS software, train users and carry out resource allocation using the software,

  - To review and harmonize tools and computerized systems used for planning, budgeting and performance monitoring, and

  - To train the Central Ministries PMO, MoFEA, PC, PO-PSM and PMO-RALG), MDAs and LGAs on performance monitoring, evaluation and reporting.

4.8.16 Improved capacity of MDAs Regions and LGAs in budget performance monitoring, accountability and transparency.

Effective implementation of PFMRP III and as a preparation for platform number four that is about technical efficiency, there is need for capacity building to MDAs and LGAs so that they can more effectively deliver pubic services.

As Decentralisation by Devolution policy is being implemented, more responsibilities and financial resources are being transferred from Ministries to LGAs. This requires capacity building to be provided through training and retooling to ensure there is improved financial management at the local level including the level of villages and mitaa. There is also need for analysing LGA budget trends, setting benchmarks and monitoring Ministries compliance with the D by D policy .

The Budget Division in collaboration with the National Planning and Budget Guideline Committee will deliver this output. The key performance indicators include; Number of PFM focal persons trained by 2010, Number of MDAs/LGAs offices equipped with modern tools and timely and accessible financial management report for accountability in MDAs/LGAs.

The major activities will include:

- Training of PFM focal persons;

- Supply of modern office tools and

- Provision of short-term training and field attachments to Budget Officers on budget analysis, performance monitoring, evaluation and reporting and public expenditure tracking techniques.

4.8.17 Strengthened functional capacity of External Audit Services.

Expansion of the audit scope aims at strengthening good governance and accountability in public financial management. Apart from conducting financial audit, the NAO is increasingly required to cover and strengthen audit in the areas of forensic audit, Public Debt Audit, Payroll Audit, Value for Money Audit, Environmental Audit and Procurement Audit.

Following the expansion of the audit scope, there is a need for capacity building in terms of adequate accommodation equipped with modern tools, adequate transport as well as appropriate training programmes for effective and efficient audit functions.

There is an increasing need to enhance independence of external auditors. The independence of external auditors is vital for their core function and best practices. This calls for an establishment of a Public Audit Act that will provide and enhance independence in terms of staff recruitment, budget allocation and audit of NAO accounts. The draft Audit Act is expected to be presented to Parliament by April 2008 and to be in force before the end of FY 2008. Further, measures will be undertaken to enhance CAG reports on public bodies. The NAO is expected to produce its first report on the performance of parastatals in April 2008 for FY 06/07. This report will be presented to the newly formed Parliamentary Committee on Parastatals.

Currently audit reports of the public bodies are submitted to the board of the respective institutions and the public has limited access and debate on them. Publication and debating on Public audit report will enhance transparency and accountability on these areas. In compliance with the resolution of the INTOSAI meeting in Mexico in November 2007, NAO will be responsible for monitoring of Budget Indicators for the Government.

The key performance indicators for this output include; increase on number of new auditable areas, existence of a Training Needs Assessment report to guide training programme by 2010 and existence of Public Audit Act by 2010.

The main activities to achieve this output includes;

- To conduct Research on the Expansion of Audit Scope to include Forensic, Environment, Mining and Procurement Audits;
- To conduct Training Need; Assessment and developing a training Plan for NAO staff and
- To develop Information, Education and Communication for effective public relation with stakeholders.

4.8.18 Improve the oversight function of Parliament, including strengthening of the Public Accounts Committee, Local Government Accounts Committee and the newly established Parastatals Accounts Committee.

A key intervention of PFMRP will be to support and strengthen the role of Parliamentary standing committees demanding increased accountability from public institutions. The newly formulated Parliament Strategic Plan and approved by the Parliamentary Service Commission, provides opportunity of enhancing execution of its mandate as far as separation of powers is concerned.

A key area of intervention will be provision of support for the accountability committees of Parliament including the PAC, LAAC and the newly constituted Parastatals Accounts Committee. Under the new Standing Orders of Parliament, that come into force in 2008, in line with global best practices, these three accountability Committees will be headed by Members of Parliament from the Opposition. PFMRP will provide support for the effective functioning of these three Committees.

- The main interventions under this task will be the following:

  - Support for the accountability of the committees of Parliament,

  - Support for Tanzania Parliament to finalize its Corporate Business Plan in line with international best practices.

4.8.19 Improved capacity in auditing and accountability on public financial management for Zanzibar through support to the National Audit Office, Ministry of Finance and Economic Affairs and the House of Representatives;

Under the existing resource sharing arrangement between the mainland and Zanzibar, 4.5% of PFMRP funds are allocated to Zanzibar. Given the reduced size of PFMRP funding last year, these funds were allocated exclusively to supporting NAO Zanzibar.

NAO Zanzibar will continue to be supported during 2008/09. PFMRP funds will be used for improving the functional capacity of external audit services to enhance transparency and accountability on public financial management. The key performance indicators include; at least by the year 2009, 60% of the audit staff apply IFMS and IFRS, ISA and IPSA in the audit exercise; Audit report for fiscal year 2011 based on full scope financial, compliance, value for money and system audits, is in accordance with INTOSAI best practices; and deliver audit reports by 31st March of every year as prescribed by the Act.

Considering the increase in funding available for PFMRP, in addition to NAO Zanzibar, the Ministry of Finance and Economic Affairs and the House of Representatives will also be supported during 2008/09.

The main activities for which support will be available include the following:

For NAO-Zanzibar;

- To conduct training for audit staff to improve their skills in Value for Money and Computerized Systems Audit.

- Provide training on International Standards i.e. IFRS, ISA,IPSA& INTOSAI and

- To conduct workshop on VFM and IFMS audit.

For MOFEA:

- Support for the roll out of IFMS; improvement in budget preparation, classification, cash management and reporting;
- For House of Representatives:
- Support for the Accountability Committee.

4.8.20 Improved communication between accountability institutions and citizens and vice versa.

Communication is at the very centre of any change management programme such as PFMRP. For all the reform interventions proposed herein, there is need for an effective communication plan to ensure that the affected groups are aware of what is being planned, and to be in the loop for all interventions that are being made. Resistance to change can be overcome to a significant degree through improved communications.

In order to build support for the reform programme, there is need for establishing a media unit that covers the print media, TV and radio. The media unit will be the primary vehicles for disseminating information regarding PFM reforms and be the vehicle for improved interaction between the key drivers in the accountability institutions and their target audiences.

The main activities to be delivered under this component will be the following:

- Preparation of an overall media strategic plan to address the communication needs of PFMRP;
- Support the publication of PFM issues through the communication unit of MoFEA and or by establishing of a media unit to ensure that the media program is implemented in an efficient and timely manner.

4.8.21 Enhanced capacity of PFM Training Institutions.

Over the last few years, a large proportion of PFMRP funds have been used for training purposes. The initial proposals for 2008/09 are being prepared along the same line with multiple requests for short term courses, either delivered in- house by the main institutions covered by PFMRP or by a large number of training units within and outside government.

There is need to re-look at the entire gamut of training across GoT, and fit it into a broader matrix of increased professionalization of the PFM workforce and to assess the quality of training delivered.

Starting from 2008/09, all support to training requests PFMRP funding will be provided based on the following criteria: (i) if it is part of the training needs assessment of the institution, (ii) if it provides increased work based skills, (iii) nationally or internally recognised.

This component will be used for financing a wide range of training meeting the above criteria. Funding from PFMRP will also be used for improving the quality of training and infrastructure at the primary PFM training institutions professional bodies in Tanzania, including – NBAA, ESAMI, IFM, Institute of Accountancy Arusha, University of Dar es Salaam, Mzumbe University, Institute of Internal Auditors, etc.

These training providers will be co-opted to design appropriate results -based training programmes, which will then be funded by PFMRP to deliver results in PFM training.

The primary outputs expected to be delivered under this component will be the following:

- Training needs assessment of the MDAs supported through PFMRP;
- Involvement of the main training providers to design work based solutions that fit the MDAs training needs assessment.
- Delivery of training, all of which will result in an examination process along with the requisite quality assurance;
- Monitoring and feedback regarding the impact of training in the workplace; and
- Training needs assessment and infrastructure requirements of institutions.

4.8.22 Enhanced capacity in coordinating implementation of Public Financial Management programme, Monitoring & Evaluation and Reporting.

Coordination, monitoring and evaluation of PFMRP III across government will require having competent leadership team at MoFEA, MDAs and LGAs. It is, therefore, necessary to have focused training programme that will guide the training intervention. Thus, Training Needs Assessment will be an important exercise in this area. This activity is to be undertaken very early in PFMRP III in order that the results can be incorporated into the individual functional plans of PFMRP III.

PFMRP III is concerned with perfection of PFM tools, techniques, methodologies and systems to ensure that they will work or even be used by MDAs and LGAs, and the realisation of the benefits. These require training and preparation of MDAs and LGAs for what is to come and to institutionalise PFMRP change management operations. There is actually a need to identify and appoint PFMRP Change Managers from within each MDA and LGA who will be responsible for ensuring that PFMRP reforms are embedded and fully utilised in the MDAs and LGAs. The objective of this work is to ensure that MDAs and LGAs make full use of the improved PFM systems delivered by MoFEA by changing the way they plan and manage delivery of their policy objectives from a financial management perspective.

Furthermore, PFM reforms are all about change and it is important that various staff are aware of the need for change and are fully involved in shaping and developing the future. In order to be able to deliver the new products and utilise best practice techniques across Government, requires substantial capacity building of human resources. This will be undertaken in PFMRP III through both formal and on the job training and supported by considerable skills transfer from technical assistance inputs. The objective is to raise the operational and technical standards of all staff across the PFMRP III functional areas.

Programme performance monitoring and evaluation is required to ensure that outputs and objectives are being achieved and that benefits are being realised. The object here then is to use MTEF as the standard government reporting mechanism for budget performance, monitoring, evaluation and reporting.

This output will be delivered by the programme office in collaboration or by drawing the relevant technical experts from respective departments. It is anticipated that there will be a requirement for some technical support to achieve this output fully.

The key performance indicators for this output include; existence of a training needs assessment that forms the basis for a comprehensive training programme by 2009; number of equipped MDAs/LGAs offices; number of managers trained in change management for Public Financial Management; existence of a sound MIS for monitoring and evaluation of PFM reforms by 2010; and percentage on overall programme achievement on annual planned targets.

The major activities to achieve this output includes;

- To undertake TNA, prepare and implement training programme;
- To facilitate change management and M&E training to Managers and programme Officers;
- To establish sound MIS for monitoring and evaluation of PFM reforms; and;
- To facilitate production and dissemination of various publications on PFM reforms to stakeholders.

4.9 Programme Risks of PFMRP III

The management of risk is the responsibility of the PFMRP III Programme Manager and a Risk Management Strategy and Plan need to be prepared for the PFMRP Programme Implementation Plan document, which will be prepared from this PFMRP Strategic Plan. The management of risk is a crucial part of programme management and the Risk Management Plan will require constant monitoring and updating as well as positive actions taken in risk mitigation.

4.10 Business Case and Benefits Management Strategies of PFMRP III

The Public Financial Management Reform Program (PFMRP) Business Case will be prepared by the Deputy Permanent Secretary (DPS – PFM) and submit to the PFMRP Sponsoring Group for comment and approval, prior to them giving the programme its mandate.

Each PFMRP Business Change Manager is responsible for preparing their own Benefits Management Strategy and these documents then feed and inform the overall Business Case for PFMRP III.

Both of these requirements need to be prepared for the PFMRP Programme Implementation Plan document, which will be prepared from this PFMRP Strategic Plan.

4.11 Links of PFMRP to Strategic Objectives of Implementing Institutions

PFMRP is instrumental to facilitate address of PFM issues that are consistent with the strategic plans and objectives of key stakeholders like MoFEA, BoT, NAO, PPRA and Central Ministries.

5.0 Managing the Programme

5.1 Organization Set Up

Current Programme Structure

5.1.1 The existing programme management arrangements for PFMRP II were put in place following the last strategic plan update in 2004. The concept behind the structure was to 'mainstream' the reforms in the MoFEA, by allocating responsibilities for reform directly to managers in the component areas as part of their normal duties and responsibilities. A PFMRP Secretariat provides coordination of the programme (rather than management). The Deputy PS – Policy and Financial Resources is the PFMRP Manager, but this is additional to his many other duties. There is no full time management or staff for the reforms.

5.1.2 Under these management arrangements, the programme has not really flourished and not measured up to expectations. Observed problems include consistent underperformance in programme spending and programme physical achievements, as well as lack of strategic orientation in programme planning and implementation progress reporting.

5.1.3 The perceived problems with the existing management arrangements are-

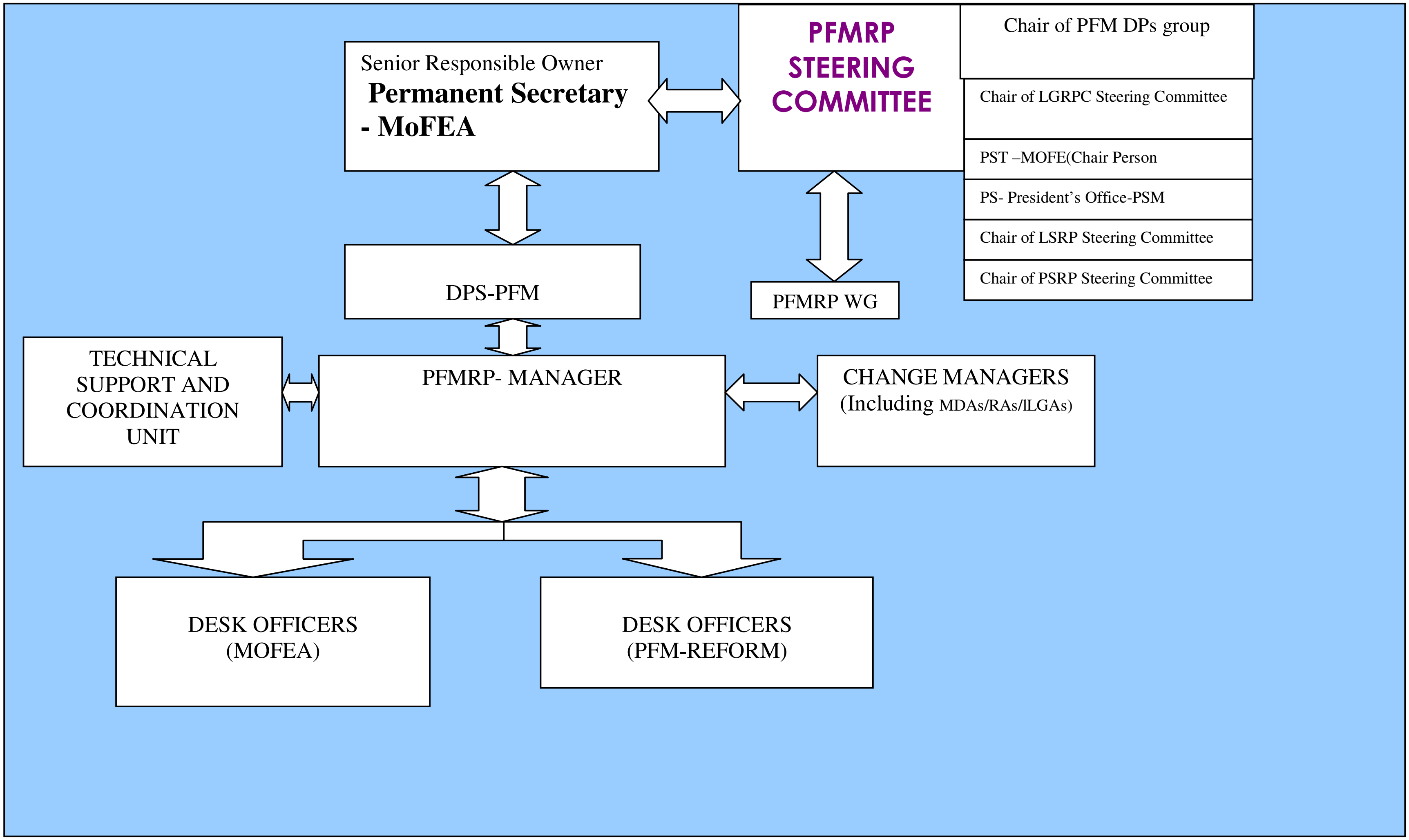
- The absence of full time programme management;
- The absence of full time component programme implementation staff;
- The lack of a mechanism to give real high level Government support for the programme;
- Conflicting priorities within components and management of the programme between the PFMRP activities and day-to-day duties and responsibilities;
- Time constraints restricting adequate planning and delivery of programme objectives; and
- Long time spent chasing up reports.

5.1.4 The present management arrangements are seen by Government as one of the major factors inhibiting the successful delivery of the programme and following a review that was carried but, it has been decided to adopt a new strategy, although still maintaining the 'mainstreaming' approach, which Government sees as crucial to both implementation success and long-term sustainability of the reforms.

5.2 The Proposed Programme Structure – Overview

5.2.1 The following is a generic overview of the steps has undertaken to deliver business change in PFMRP III, by using the proposed PFMRP organisation structure figure 1 below. This generic structure allows the Change Manager to be located in any part of the PFM area, but the output delivery mechanism to remain constant, giving continuity, consistency and quality to the supply of outputs.

Figure 1: PFMRP III Organizational Structure



5.3 The Steering Committee

5.3.1 PFMRP III needs clear Government support at all levels if it is to be successful. It also needs to ensure that it is in line with overall government strategic objectives and policies and that it is in synergy with other programme initiatives inside government. These requirements will be met through the creation of a PFMRP III Steering Committee.

5.3.2 Whilst this Steering Committee is considered an important modified approach to this reform programme, it will not be too difficult to fit it into the overall steering committee approach to the Government's reform agenda. It is accepted that there has to be close vertical integration with the other form programmes. The members of the PFMRIII Steering Committee is as indicated below;

PFMRP III Steering Committee	
Title	**Role**
The Permanent Secretary – MoFEA	Senior Responsible Owner
The Chair of the PSRP Committee	Representing Cross-Cutting Reform interests
The Chair of the LGRP Committee	Representing Cross-Cutting Reform interests
The Chair of the LSRP Committee	Representing Cross-Cutting Reform interests
The Permanent Secretary - President's Office and Cabinet Secretariat	Representing the Executive interests
The Chair of the PFMRP Donors Group	Representing Donor Partners interests

Responsibilities of the PFMRP III Steering Committee:-

5.3.3 The PFMRP III Steering Committee will represent those senior stakeholders who are responsible for the PFMRP III going ahead, defining the direction of PFMRP III and establishing management frameworks to achieve the desired objective.

The specific responsibilities of the PFMRP III Steering Committee will include-

5.3.4 Providing the PFMRP III with a Programme Mandate

Endorsing, advising and supporting the Permanent Secretary Treasury
Approving the progress of the programme against the strategic objectives
Confirming successful delivery and sign-off at the closure of the programme.

The PFMRP III Steering Committee will meet quarterly. The Steering Committee will form a technical working group, which will meet prior to the PFMRP III Steering Committee meetings.

5.4 The Permanent Secretary to the Treasury.

5.4.1 The Permanent Secretary Treasury will have the overall accountability for the programme, together with personal responsibility for ensuring that it meets its objective and realises the expected benefits. The Senior Owner will be the Permanent Secretary – MoFEA and will be empowered by the PFMRP III Steering Committee to direct the programme and take high-level strategic decisions. The term Senior Responsible Owner may appear unusual, but it is useful in that it clearly states the function of the role.

5.5 The Deputy Permanent Secretary-PFM

5.5.1 A PFMRP III Deputy Permanent Secretary-Reform will be appointed by the Government to manage the programme on a day to day basis and to ensure personally that the programme is delivered on time, to the required quality and within budgeted resources on behalf of the Permanent Secretary Treasury. The person appointed will be at Deputy Secretary level within government in order to have the required power and authority to undertake the decisions and management activities required for successful delivery of the programme;

5.5.2 Throughout the programme, the PFMRP III Deputy Permanent Secretary-Reform will provide the ongoing 'health check' of the programme by reassessing whether the projects continue to meet the programme's objectives and continue to use available funds and resources efficiently. This will require the timely management of exceptions, slippage and conflicting priorities;

Responsibilities of the PFMRP III Deputy Permanent Secretary-Reform

5.5.4 The PFMRP III Deputy Permanent Secretary-Reform will be accountable for the success of the programme and will be responsible for enabling the MoFEA and the MDAs and LGAs to meet the new business needs, deliver new levels of performance, and benefit service delivery and value. This role in PFMRP III must be on a full-time basis in order to be able to fulfil the responsibilities outlined below;-

- Owning the vision for the programme and being its 'champion', providing clear leadership and direction throughout its life;
- Securing the investment required to set up and run the programme, and fund the transition activities so that the desired benefits are realised;
- Providing overall direction and leadership for the delivery and implementation of the programme, with personal accountability for its outcome;
- Being accountable for the programme's governance arrangements by ensuring the programme is established and managed according to appropriate requirements and quality;

- Managing the interface with key senior stakeholders and ensuring that interfaces and communications with all stakeholders are effective ;
- Managing the key strategic risks facing the programme;
- Maintaining the alignment of the programme to the MoFEA's strategic direction;
- Ensuring that the MoFEA staff are managed carefully through the process of change, that the results are reviewed and assessed objectively, and that adjustments are made as necessary;
- Managing and supporting the PFMRP III Programme Manager; and
- Managing and supporting the PFMRP III Change Managers.
- The individuals appointed to each role must be able to work in close partnership to ensure that the right capabilities are delivered and that they are put to best use.

5.6 The PFMRP III Programme Manager

5.6.1 The role of PFMRP III Programme Manager is to be responsible for leading and managing the setting up of the programme through to delivery of the new capabilities and realisation of benefits. The PFMRP III Programme Manager's role involves proactive interventions and decision-making to ensure that the programme stays on track. Successful delivery will depend on the effective management of issues, conflicts, priorities, communications and personnel.

5.6.2 It is proposed that the PFMRP III Programme Manager's role will be full time as the role is crucial for creating and maintaining enthusiasm and the post is extremely demanding, both in time and in mental agility. It is proposed that the role of PFMRP III Programme Manager within PFMRP III will be undertaken by the Head of the Planning Division – MoFEA.

Responsibilities of the PFMRP III Programme Manager

5.6.3 The PFMRP III Programme Manager will be responsible, on behalf of the Deputy Permanent Secretary- PFMRP for successful delivery of the new capability. The role requires the effective co-ordination of the projects and their interdependencies, and any risks and other issues that may arise

5.6.4 As the programme is implemented, changes to policy, strategy, or infrastructure may have an impact right across the programme. The PFMRP III Programme Manager will be responsible for the overall integrity and coherence of the programme, and will develop and maintain the programme environment to support each individual project within it through the PFMRP III Programme Office function.

5.6.5 The responsibilities of the PFMRP III Programme Manager will also include the following:

- Planning and designing the programme and proactively monitoring its overall progress, resolving issues and initiating corrective action as appropriate

- Ensuring the integrity of the programme – focusing inwardly on the internal consistency of the programme; and outwardly on its interfaces with other programmes and technical and specialist standards. This last aspect will be allocated to a separate dedicated role and will be undertaken by the current PFMRP II Secretariat, which will be renamed as the PFMRP III Technical Support and Coordination unit and will be staffed (not necessarily full time) by experts in this role.
- Managing the programme's budget on behalf of the Deputy Permanent Secretary-PFM, monitoring the expenditures and costs against benefits that are realised as the programme progresses
- Facilitating the appointment of individuals to the project delivery teams
- Ensuring that the delivery of new products or services from the projects meets requirements and are to the appropriate quality, on time and within budget, in accordance with the Programme Plan.
- Ensuring maximum efficiency in the allocation of resources and skills within the Project Portfolio (defined as all projects and activities combining together to deliver the programme objectives and goals)
- Managing third-party contributions to the programme through the PFMRP Technical Support and Coordination unit
- Managing the communications with stakeholders through the PFMRP IEC Unit
- Managing the dependencies and interfaces between projects
- Managing risks to the programme's successful outcome
- Initiating extra activities and other management interventions wherever gaps in the programme are identified or issues arise
- Reporting progress of the programme at regular intervals to the PFMRP III Deputy Permanent Secretary- PFM
- Once projects become established, the role of PFMRP III Programme Manager will focus on monitoring interdependencies between projects and changes within the Project Portfolio. The designated PFMRP III Project Teams will carry out the day-to-day management and delivery of the projects.

5.7 The Programme Office

5.7.1 Programmes are major undertakings, often affecting large numbers of people and organisations and generating a substantial volume of information. The nerve centre and information hub of a programme is the Programme Office. All information, communication, monitoring, evaluation and control activities for the programme are co-ordinated through the Programme Office.

5.7.2 For PFMRP III, the Programme Office will be attached to the MoFEA Planning Unit. It will be given the responsibility of coordinating PFMRP issues while continuing to undertake its existing work for the MoFEA. In order to be able to cope with the additional burden of supporting PFMRP III, the unit will be strengthened with additional full-time qualified staff to undertake the functions, duties and responsibilities and volume of activities generated through PFMRP III. It is the intension that the PFMRP Programme Office will become the 'centre of excellence' for PFM reforms and it will be staffed accordingly.

5.7.3 The core function of the PFMRP Programme Office (Desk Officers) will be to provide an information hub for the programme. This will involve the following:-

1. Tracking and reporting:
   - Tracking measurements
   - Reporting progress

2. Information management including managing the website:
   - Holding master copies of all programme information
   - Generating all necessary quality management documentation
   - Maintaining, controlling and updating programme documentation
   - Establishing and maintaining the index to an electronic library of programme information.

3. Financial accounting:
   - Assisting the PFMRP III Programme Manager with budget control for the programme
   - Maintaining status reports on all projects in the programme.

4. Risk and issue tracking:
   - Analysing interfaces and critical dependencies between projects and recommending appropriate actions to the PFMRP III Programme Manager
   - Maintaining the list of stakeholders and their interests

5. Quality control:

   - Establishing consistent practices and standards
   - Adhering to the programme management arrangements, including; Project planning, Reporting, Change control, Risk analysis and Maintaining and updating the Risk Register for the programme.

6. Change control:
   - Registering changes for subsequent investigation and resolution;
   - Monitoring items identified as requiring action;
   - Prompting timely actions;
   - Reporting on whether required actions have been carried out and
   - Dealing with programme/project problem escalation procedures.

5.8 Technical Support and Coordination unit.

5.8.1 The PFMRP III Technical Support and Coordination unit will be responsible for providing additional expertise across the programme. This Technical Support and Coordination Unit will consist of the following; Programme Coordinator, Programme Management Expert, M&E Specialist, Procurement Specialist, Financial administrator and media Specialist. Specifically, this unit will be responsible for:-

- Providing a strategic overview of all programmes and interdependencies, and reporting upward to senior management.

- Providing consultancy-style support to project delivery teams at initiation and throughout the lifecycle of the programme; ensuring a common approach is adopted and sharing good practice;
- Carrying out health checks and advising on solutions during the lifetime of the programme and individual projects; such as, facilitating workshops involving project teams, stakeholders and members of the programme team;
- Managing short term consultancy;
- Providing capacity building to change managers programme management in controlled environment (Component Managers).
- Monitoring and evaluating of the programme;
- Making communications truly two-way by actively encouraging stakeholders to provide feedback and ensuring they are informed about the use of their feedback to influence the PFMRP programme.
- Ensuring all stakeholders have a common understanding of the PFM issues;
- Managing, organize and update PFMRP financial data from the accounting system, and
- Following up on implementation process according to agreed standards and take necessary action to communicate and advice /assist according to performance level.

5.9 The Component Managers of PFMRP

5.9.1 The various component Managers of PFMRP are the one who are ultimately responsible for delivering on the program. They are the critical Change Managers on whose shoulders the entire success of this program rests.

5.9.2 PFMRP III Change Manager(s) are responsible for realising the resultant benefits of PFM reforms by embedding that capability into business operations.

The Change Managers

5.9.3 The delivery of change to produce benefits through a programme will not happen on its own. The outputs from projects need to be defined and targeted, based on the contribution they will make to realising benefits and achieving outcomes, through change. The PFMRP III Change Managers will have responsibility for benefits definition, management and realisation throughout the programme.

5.9.4 The PFMRP III Change Manager's role is key to providing the 'bridge' between the programme/projects (Delivering the capability) and the business operations (Embedding the Change) since the individual will be an integral part of the business operations. The role represents interest of the Permanent Secretary to the Treasury in the final outcome of the programme, in terms of measurable improvements in business performance.

5.9.5 The PFMRP III Change Managers will need to have appropriate responsibility and authority within the business areas within which change will take effect and benefits will be realised and therefore for PFMRP III, each PFMRP III Component Manager will undertake the Change Manager's role as and when a business change is required in a component. There will therefore be a number of PFMRP III Business Change Mangers, who will report to the Deputy Permanent Secretary-Reform on all matters related to the programme and will have a close working relationship with the PFMRP Programme Manager.

5.9.6 Following the achievement of PFMRP III, there will be a requirement for the reforms to be expanded into the business areas of MDAs and LGAs to turn policy into practice. In anticipation of that occurring, during PFMRP III, Change Managers for each MDA and LGA will be identified, appointed and trained and the PFMRP organisation structure within each MDA and LGA agreed and established. The Business Change Manager will therefore change from PFMRP III Component Managers to a new full time role in each of the MDAs Regions and LGAs.

The PFMRP III Change Manager role has to be a senior responsible officer in each MDA and LGA in order to have sufficient authority to make change happen and for it to become embedded in the MDA and LGA to deliver benefits.

Responsibilities of the PFMRP III Change Managers

5.9.7 The PFMRP III Change Managers are primarily focused on benefits and outcomes and is responsible, on behalf of the Deputy Permanent Secretary-PFMRP, for defining the benefits, assessing progress towards realisation, and achieving measured improvements, in addition to the following responsibilities:-

- Working with the PFMRP III Programme Manager to ensure that the work of the programme, including the scoping of each project, covers the necessary aspects required to deliver the products or services that will lead to operational benefits;
- Working with the PFMRP III Programme Manager to identify projects that will contribute to realising benefits and achieving outcomes;
- Identifying, defining and tracking the benefits and outcomes required of the programme;
- Identifying and implementing the maximum improvements in business operations as projects deliver their products or services into operational use;
- Establishing and implementing the mechanisms by which benefits can be realised and measured;
- Taking the lead on transition management; ensuring that 'business as usual' is maintained during the transition and the changes are effectively integrated into the business;
- Preparing the business areas for the transition to new ways of working; potentially implementing new business processes; and
- Optimising the timing of the release of project deliverables into business operations;

5.10 Audit and Assurance

5.10.1 The PFMRP III Programme Office will provide some aspects of assurance; however, it is important to have an independent assurance function in addition to any internal assurance. This function will be undertaken through the NAO in order to satisfy independently that scarce programme resources are importing the objectivities of PFMRP not being utilised unnecessarily and than only are PFMRP III.

6.0 MONITORING AND EVALUATION

6.1 Government M&E System.

6.1.1 Government has developed an M&E system as part of its Strategic Framework for Planning and Budgeting. In the manual prepared for supporting this framework, it proposes that M&E is seen as the means of providing the material for performance reports. The institutions of Government are required to produce three reports, namely; quarterly progress reports, annual performance reports and three yearly outcome reports.

6.1.2 The reports are intended to assess progress under both MKUKUTA and MTEF to inform MoFEA, as well as informing the institutions as to their progress in fulfilling their own SPs and which will be monitored by PO-PSM. PFMRP III has therefore a clear need to work very closely with PO-PSM and fulfil the reporting requirements. The other reporting systems, as originally set out in the PFMRP II documentation and which are outside of the government systems will therefore not be required as the government's own system is more than comprehensive enough to satisfy the needs of PFMRP III, when it is properly and fully undertaken. The government will assess the requirements and where necessary provide feedback into the system of performance monitoring.

6.1.3 Inevitably, there will need to be a programme of training and sensitisation for using this performance reporting system. Together with the PSRP and LGRP, the PFMRP III will need to include support for this activity.

6.2 PFMRP III M&E Reporting.

6.2.1 There will be three quarterly reports, the second of which will provide information and explanations of budget variations. It will be the management of PFMRP III, which will be required to collate material from each of the component reporting under the MoFEA quarterly reports to compile a quarterly report for PFMRP III itself.

6.2.2 The Quarterly Progress Reports provide an overview of implementation progress on a cumulative basis against an institution has set targets and budget and therefore there should be sufficient material to inform government and DPs of progress within the PFMRP.

6.2.3 There is no need to report on an activity basis in such quarterly reports; however, each component for its own management purposes will monitor its activity progress. The incentive for doing so will come from the component managers' need to be aware of progress toward the targets expressed in MTEF. It is planned that for PFMRP III components, this will be done thoroughly and this will constitute part of the programme management processes. These activity reports will be used internally within each component, but will also be made available to the PFMRP III programme management.

6.2.4 The proposed internal activity format will provide information on milestones, on activities, on particular issues and on what proposed actions are being taken to deal with them.

6.2.5 The half year report will give the budget variations with pertinent explanations and there will be tables for financial and MTEF target monitoring. This will prove to be a major development, which will require support from the strategic group to MDAs and through the PMO-RALG to the LGAs.

6.3 PEFA Monitoring.

6.3.1 The Government PEFA assessment scores are detailed in Annex B and PFMRP III will use the PEFA format as the basis for an annual self-assessment for internal progress monitoring on outcomes and general PFM progression, which will then be included in the annual performance report.

6.3.2 The latest PFM outturns within PEFA shows that attention still needs to be given to fiscal discipline, and that the measures relating to allocative efficiency, whilst showing some improvement during PFMRP II are still far from adequate. The internationally recognised PFM assessment measure will therefore be a very useful guide as to progress made under PFMRP III and its overall performance.

6.4 Logical Framework Monitoring.

6.4.1 Logical Frameworks have been prepared for the major components of PFMRP III and by using the internal activity monitoring, the component MTEF targets and financial performance monitoring reports; will automatically allow monitoring against the activities, outputs and outcomes within each LogFrame. The PFMRP III Component Change Managers will provide their quarterly reports for the MoFEA to the PFMRP III Programme Manager, who will be responsible for compiling reports.

6.5 Computerised Reporting Systems.

6.5.1 At the present time, there are both overlapping and gaps in the computerised planning and reporting systems in government. There are systems for reporting on MKUKUTA in MPEE, namely RIMKU, another for SPs called PIMA in the PO-PSM, whilst for strategic allocation of the budget there is SBAS: however the actual budget is produced through IFMS. PFM therefore uses both IFMS and SBAS. The PFM at LGA level uses another system called PlanRep, whilst target adjustments in MDAs and currently part of the budget preparation process are done using Excel spreadsheets.

6.5.2 What is clearly required is an overall planning, budgeting and actual financial reporting system, which can satisfy the needs for initial planning and hence requires flexibility, but is then finalised in the budgetary process and is then capable of reporting against budget, MTEF, MKUKUTA and SP targets.

6.5.3 This has a bearing on MTEF reporting as the principal requirement for PFM monitoring. It will be part of the government strategy relating to MKUKUTA, MTEF and SPs, to clarify and harmonise these systems to produce the reporting for M&E for all of these requirements. The present RIMKU system has been developed to report on MKUKUTA while the PIMA has been developed to report on SPs. These are planned to be combined, but these do not cover MTEF.

6.5.4 At an early stage during PFMRP III, it is essential to plan for technical input to integrate outputs of these systems. The options are to make the present IFMS and or SBAS to be more open to MTEF reporting requirements. Irrespective of the outcome of deliberations regarding this, MTEF will still be used as the main performance-reporting source for PFMRP III, as well as for the rest of Government.

6.6 M&E Diagnostic Studies

The management of risk is the responsibility of the programme management and it requires constant critical assessment of arising challenges for informed decisions and appropriate actions to mitigate risk of poor performance. The diagnostic study will aim at addressing development constraints in the course of PFM reform implementation. This is good practice to provide incentives for leadership, commitment and ownership among key players being exposed to alternative options for success. A number of methodology, tools and technical experts may be involved according to the nature of PFM issues to be investigated. The diagnostic reports will facilitate elaboration and adjustment of implementation plans in result based performance framework providing input to medium and long-term strategic plans.

7.0 IMPLEMENTATION PLAN AND BUDGET

The revised PFMRP Strategic Plan has given thrust to enhancement of strategic orientation, commitment and ownership for effective and efficient programme performance. The implementation arrangement provides for full time management with capacity to coordinate and monitor PFM reform activities.

The implementation plan focuses at operationalizing PFM tools, techniques, methodologies and systems to effectively work for MDAs and LGAs to improve public service delivery, transparency and accountability. It further seek to strengthen oversight bodies. The financing requirement is set on annual basis, analysed by outputs. The total funding requirement over the two years period is Tsh 82.2 billion (Equivalent to USD 63.3 million) being contribution from the Government, Development Partners through Basket Funding and bilateral project arrangements. The budget is tentative and subject for revision, to reflect arising challenges during the course of programme implementation. The budget estimate by outputs, for the two years of PFMRP III implementation is as presented in table 7.1 below.

Table 7.1: PFMRP III IMPLEMENTATION PLAN AND BUDGET ESTIMATES FOR TWO YEARS BY OUTPUT 2008/09 - 2009/10

SNo.	OUTPUT/TARGET	ESTIMATE FY 2008/09	ESTIMATE FY 2009/10	TOTAL
1	Improved accuracy in cash forecasting	2,494,629,500	2,619,360,000	**5,113.898,500**
2	Improved predictability of external resources funding flows	1,135000,000	1,191,750,000	**2,326,750,000**
3	Improved predictability of resources availability to LGAs.	247,000,000	259,350,000	**506,350,000**
4	Comprehensive cash management system	1,133,420,000	1,190,091,000	**2,323,511,000**
5	Strengthened accounting system through IFMS improvement	3,545,955,000	3,723,253,000	**7,269,208,000**
6	Enhanced Control over all Public Investments	1,725,900,000	1,812,195,000	**3,538,095,000**
7	Improved credibility of MTEF	746,400,000	783,930,000	**1,530,530,000**
8	Strengthened Internal audit control system in MDAs/LGAs by 2010	1,043,500,000	1,095,675,000	**2,139,175,000**
9	Increased compliance to Financial laws and its Regulations	43,900,000	1,095,675,000	**89,995,000**
10	Decentralised payroll processing and pension administration improved	2,199,894,000	46,095,000	**4,509,782,000**

11	Improved procurement operations and procedures in MDAs and LGAs.	600,000,000	2,309,888,000	**4,230,000,000**
12	Government budget structure reviewed and simplified for reporting.	1,322,000,000	3,630,000,000	**2,010,100,000**
13	Improved linkages between policies priorities versus resource allocation	1,477,190,000	688,100,000	**2,128,240,000**
14	Improved tracking, Monitoring and value for money auditing of public expenditure.	796,000,000	651,050,000	**1,631,800,000**
15	Improved linkages between Strategic Plans, Plan Rep, SBAS, IFMS, RIMKU and MKUKUTA priorities by 2010/11	488,000,000	835,800,000	**1,000,400,000**
16	Improved capacity in budget monitoring for accountability and transparency in MDAs and LGAs	3,147,750,000	512,400,000	**6,452,8887,000**
17	Strengthened functional capacity of NAO	6,186,703,400	3,305,137,000	**12,682,741,400**
18	Improved capacity of parliamentary committees (PAC/LAAC) in public financial management	1,340,000,500	6,496,038,000	**2,747,000,500**
19	Enhanced PFM in Zanzibar through support to NAO and House of Representatives	820,000,000	1,407,000,000	**1,681,000,000**
20	Improved Communication between public institutions and citizens and vice versa	650,000,000	861,000,000	**1,332,500,000**
21	Enhanced capacity of PFM Training Institutions	5,941,550,000	4,776,915,000	**10,718,465,000**
22	Enhanced capacity in coordinating implementation of Public Financial Management Reform Programme, Monitoring &Evaluation and reporting	3,064,950,000	3,218,197,000	**6,283,147,000**
GRAND TOTAL		**40,149,942,400**	**42,095,724,000**	**82,245,666,400**

The scope of PFMRP III implementation has expanded to cover selected MDAs, PFM training Institutes (under MoFEA), oversight bodies of both the Parliament and the House of Representatives of Revolution Government of Zanzibar. The Programme activities in FY 2008/09 can be grouped into the following PFM core areas; Treasury and accounting management, Budget management, Public Procurement, External and Internal Audit Services and Function of Oversight bodies (PAC/LAAC/POC).

Budget estimate by funding source especially for year one is TShs.18.2 billion from basket funds, abut 18.0 billions from government and about Tshs.3.9 billions from bilateral project arrangement. Table 7.2 below, presents a summary budget estimates FY 2008/09 by component.

Table 7.2 PFMRP III Components Budget Estimates FY 2008/09 by Source.

S/No.	COMPONENT/DEPARTMENT/UNIT	GOT	BASKET	PROJECT	TOTAL
1	POLICY ANALYSIS AND DEVELOPMENT	0	845,650	1,058,129,000	1,058,974,650
2	EXTERNAL RESOURCE MANAGEMENT	0	567,500,000	567,500,000	1,135,000,000
3	BUDGET MANAGEMENT	2,500,000,000	700,000,000	4,000,000,000	7,200,000,000
4	TREASURY MANAGEMENT AND ACCOUNTS	4,550,000,000	0	1,572,469,000	6,122,469,000
5	PROCURMENT-PPRA	600,000,000	0	0	600,000,000
6	INFORMATION TECHNOLOGY SERVICES	0	55,500,000	1,342,200,000	1,397,700,000
7	INVESTMENT MANAGEMENT	975,000,000	0	1,075,900,000	2,050,900,000
8	ADMINISTRATIVE SUPPORT SERVICES & F/ACCNT	1,300,000,000	0	5,004,400,000	6,304,400,000
9	PLANNING	100,000,000	141,500,000	350,400,000	591,900,000
10	EXTERNAL AUDIT SERVICES & PARLIAMENTARY COMMITTEES (PAC/LAAC/POC/FINANCE)	2,800,000,000	1,601,212,900	2,800,000,000	7,201,212,900
11	TECHNICAL SUPPORT AND COORDINATION UNIT	1,695,000,000	0	200,000,000	1,895,000,000
12	COMMUNICATION UNIT	650,000,000	0	0	650,000,000
13	MINISTRY OF NATURAL RESOURCE AND TOURISM	455,000,000	0	40,081,500	495,081,500
14	PMO-RALG	1,300,000,000	0	0	1,300,000,000
15	MINISTRY OF LANDS, HOUSING AND URBAN SETTLEMENTS	455,000,000	0	27,500,000	482,500,000
TOTAL		**17,380,000,000**	**3,911,362,900**	**18,038,579,500**	**39,329,942,400**
Zanzibar 4.5%		**820,000,000**			**820,000,000**
GRAND TOTAL		**18,200,000,000**	**3,911,362,900**	**18,038,579,500**	**40,149,942,400**

Annex A – Terms of Reference

Terms of Reference for revising the Public Financial Management Reform Programme (PFMRP) Strategic Plan and Its Implementation:-

Background

Since the mid 1990s, the Government of Tanzania has taken steps to reform its Public Financial Management (PFM) Systems. While significant reform progress has been recorded; particularly in expenditure control, budget management and revenue mobilisation, reform implementation has remained fragmented, mainly because reforms have been funded by development partners through stand-alone projects.

In July 2004, the Government in consultation with its Development Partners (DPs) who support the PFMRP launched PFMRP Phase II to bring under a common umbrella all PFMRP reform activities regardless of their source or type of financing. PFMRP Phase II is underpinned by a Memorandum of Understanding (MoU) which sets out a framework under which the government and development partners, channelling financial support via the PFMRP basket or project funds, will cooperate. Despite the improvements afforded by the common umbrella for steering the PFMRP, reform performance since Phase II was launched has not measured up to expectations. Observed problems include consistent underperformance in programme spending and programme physical achievements, as well as lack of strategic orientation in programme planning and implementation progress reporting.

The first external review of the PFMRP, which was carried out in March/April 2006, identified lack of strong organisational arrangements for robust coordination as a key design shortcoming of the PFMRP Phase II. In August 2006, the Government hired a consultant, Professor S. Wangwe, to integrate findings of the external review with the PFMRP Strategic Plan (SP) and to re-write the Strategic Plan, taking into account whatever adjustments are necessary to ensure improvement in the overall performance and effectiveness of the PFMRP. To enable him to accomplish his task Prof. Wangwe probed deeper to gain rich insights into the source of the problems, through interviews with PFMRP components and other key PFMRP stakeholders. Professor Wangwe found lack of commitment and ownership on the part of most of the PFMRP implementing components as the most significant factor in PFMRP Phase II implementation.

In light of the above mentioned findings and observed shortcomings in PFMRP Phase II implementation, the Government and its development partners decided at the Joint Steering Committee (JSC) meeting held on Thursday 7 December, 2006, to hire a consultant to assist the government in undertaking a comprehensive revision of the PFMRP Strategic Plan and to recommend how the revised Strategic Plan should best be implemented.

Objectives and Scope of the Task

The primary objective of this task is to assist the Government in preparing a revised PFMRP Strategic Plan (SP), establishing criteria for checking that the SP is properly designed, and to recommend modalities for implementation of the SP. To this end, the consultant's task will cover three elements:

(1) Assist the Government in preparing a revised PFMRP Strategic Plan;

(2) Review organizational arrangements for robust management and coordination of the PFMRP; and

(3) Provide a rational basis for the design of an effective PFMRP monitoring and evaluation system. In view of the findings under 1.3 above, ensuring ownership of the SP and its implementation modalities will be of utmost importance.

This assignment should also take into account the important consideration that the PFMRP is not a Ministry of Finance and Economic Affairs (MoFEA) programme, but a much broader one. More and more, the primary beneficiaries of the PFMRP should be the sector ministries and local authorities - not the MoFEA. Such a consideration should be critical in the way the new SP and the management / coordination of the programme is being defined.

Revised PFMRP Strategic Plan

In facilitating revision of Strategic Plan, the consultant will:

- Conduct interviews with top management of the MoFEA and affiliated independent institutions like National Audit Office (NAO) to tease out what the government wants to achieve in PFM by the year 2010, in contributing to the overall national goal(s). Commitment and ownership of a clear reform vision at the top level is a pre-requisite for successful reforms.

- Engage and facilitate translation of the top level vision of the Ministry in PFM into practical goals, based on the inputs of the various PFMRP Component Managers and the Public Expenditure and Financial Accountability (PEFA) scores.

- Harmonise PFM goals with diagnostic studies such as the (Public Expenditure and Financial Accountability Review (PEFAR) findings;

- Facilitate the sequencing of PFMRP priorities taking into account necessary components' interdependencies (horizontal coordination) in contributing to optimal and systemic PFM interventions;

- Assist in clarifying components' intermediate objectives and reform activities;

- Facilitate effective participation of all components in the refinement of goals, intermediate outcomes with Specific, Measurable, Achievable, Reliable and Time bound (SMART) performance indicators and activities with a view to ensuring ownership of the revised Strategic Plan;

- Facilitate vertical coordination through consultation with key players in the other core reforms - Public Service Reform Programme; Local Government Reform Programme and the Legal Sector Reform Programme.

PFMRP Organizational arrangements for robust management and coordination

- On the basis of existing analysis, summarize the main reasons for PFMRP success/limitations to-date and present potential remedies to improve performance;

- Identify and propose means to improve coordination at different strata of components' functions and operating tasks (horizontal coordination);

- Identify and propose means to improve coordination at different levels of hierarchies (vertical coordination);

- Review the role, responsibility and capacity of the Planning Unit of the Ministry of Finance and Economic Affairs as the PFMRP coordinator;

- Recommend to the government implementation strategies and the necessary structures and mechanisms to improve management and coordination

PFMRP Monitoring and Evaluation (M&E)

Advise on M&E tools and methodology to capture and report on the results and impact of PFMRP interventions, based on the inputs of Component Managers and aligning as much as possible with the PEFA indicators;

Advise on harmonization of Medium Term Expenditure Framework (MTEF) and PFMRP reporting requirements; aligning the reporting as much as possible with the government's own reporting system. This includes identifying and bringing up activities financed under recurrent budget which are reform in nature to be included in progress reporting;

Assist in developing a Result-Oriented Logical Framework (LFA) and M&E Matrix.

Provide a rational basis for the design of an effective PFMRP performance management information system that will enable the Planning Unit of the MoFEA to access components' performance data on-line;

Assist in the assessment of M&E training needs and development of an appropriate training programme;

Review and advice on effective mechanism for M&E information sharing among components and between components, Ministry, Department and Agency (MDA), Regional Secretariat and Local Government Authorities (LGAs).

Methodology

The methodology for accomplishing the assignment will include:

Thorough reading and understanding of the following:-

- Key PFMRP documents, including but not restricted to the PFMRP MoU,

- PFMRP external review report (March/April 2006),
- Professor Wangwe's key messages and the way forward (December, 2006),
- the PFMRP annual report for fiscal year 2005/06 and
- the PEFAR reports 2005 and 2006;

Regular interaction with the PFMRP Manager who will be the key contact person for the consultant;

The modality of working should be agreed between the Consultant and the PFMRP Manager in an initial meeting to ensure that there are no issues with communication or facilitation that is required to complete the Consultancy effectively and in a timely manner. If the Consultant is experiencing problems of any nature during the term of the Consultancy, they should be immediately discussed with the PFMRP Manager.

Regular interaction with representatives of the programme's key stakeholders, including the PFMRP Component Managers, who will be nominated by the PFMRP Manager in consultation with the Chair of the Development Partners (DPs). The nominated stakeholders will constitute a Reference Group (RG) that will plan how they will ensure that the SP revision is properly managed;

Briefings organised by the PFMRP Manager for the consultant to facilitate production of quality work.

Qualifications

The consultant will mobilize a team of experts, all of who should hold at least a Masters degree or equivalent in Economics, Business Administration, or Public Administration, with at least 7 years experience in the area of Public Financial Management.

The consultant is free to put his team together but is advised to make available expertise that will allow the team to cover each of the 10 components (see Appendix A to this Section 6). The team leader should have a proven track record in the design or implementation of Public Financial Management Programmes, their management structures and monitoring and evaluation systems. Knowledge of the Tanzanian PFM system would be an asset.

The consultant will be facilitated by head of Planning Unit on entry, contacts within MoFEA and the broader government structure and Planning Unit will help the consultant understand context and realities within these institutions.

Duration of the assignment and specific outputs

The assignment is for duration of eight weeks, to begin as soon as possible following contract signing. The consultancy is of a high priority to the Government and the DP, therefore the Consultant would be expected to do everything to ensure that the Consultancy could commence within the shortest possible time frame. During this period, the output of the consultant will include:

Strategic Plan Expected outputs

Prepare by end of the first week a short (5-10 pages) note on the key issues impeding the effective implementation of the current SP and the main lessons to be taken into consideration for the preparation of a new SP;

Present, discuss and review the note at an internal workshop with the PFMRP Manager and the RG by the first half of the second week.

Present and discuss the revised note at a special meeting of the Joint Steering Committee of the PFMRP (to be held by end third week);

Prepare a draft SP and circulate to stakeholders for comment by the sixth week;

Conduct a stakeholders' workshop to discuss the draft SP;

Finalise the revised SP, incorporating feedback;

Present the revised SP document at the JSC at the end of week eight;

Prepare a 10 page note on follow-up implementation steps for the JSC.

Management and Coordination Expected Outputs

Prepare by second week a short note (5-10 pages) on different management and coordination options for the PFMRP in the context of the broadening of the programme to MDAs and LGAs. That note should also identify possible mechanisms/structures to ensure better links between PFMRP and other reform programmes:-

Present, discuss and review the note at an internal workshop with the PFMRP Manager and the RG by the first half of the second week.

Present and discuss the revised note at a special meeting of the Joint Steering Committee of the PFMRP (to be held by third week);

Prepare a draft report on management and coordination arrangements and circulate it to stakeholders;

Present for discussion the draft report on management and coordination arrangements at the stakeholders' workshop (see 5.1 above);

Prepare a final report on management and coordination arrangements;

Present the final report on management and coordination arrangements as part of the revised SP for presentation at the JSC of April 2007;

Prepare a five page note on follow-up implementation steps for the JSC.

Monitoring and Evaluation Expected Outputs

Consistent with the revised SP the consultant will:

- Prepare key notes on important terms and concepts underlying M&E in a PFMRP results framework;
- Prepare a note on strengths and weaknesses in the existing PFMRP M&E arrangements;
- Prepare a note on PFMRP targets and performance indicators;
- Advise on the design of M&E system for PFMRP;
- Assist in preparing M&E training needs assessment;
- Assist in the design of M&E training modules;
- Document recommendations on harmonized PFMRP reporting;
- Provide recommendations on information management/data recording requirements;
- Recommend steps toward having in place a computerized PFMRP performance management information system.

Reporting arrangements

The consultant will report to the Chairman of the JSC of the PFMRP at the occasions of the JSCs' meetings.

On an ongoing basis, the consultant should report to the PFMRP Manager. Upon commencement of the consultancy, it should be agreed on the weekly frequency and time(s) when brief update meetings will be held between the consultant and the PFMRP Manager.

The final report should be submitted in five hard copies and electronically in Microsoft Office to the PFMRP Manager and Chairman of the JSC.

Annex B - Government of Tanzania – PEFA Scores for FY 04-07

The table below presents a brief medium term summary of the results of the PEFA exercise. It should be used with caution, in particular the scoring from the 2004 pilot, as there have been some subtle changes in the wording of some of the indicators and also in the way that the analysis has been undertaken. However, despite the cautionary note it can be helpful to get an overview of the broad direction of change.

No.	Indicators	Scoring				Comments
		07	04	05	06	
A	**PFM OUT-TURNS: Credibility of the budget**					**Some improvement**
1	Aggregate expenditure out-turn compared to original approved budget	B	B	A	A	In 05/06 12% deviation. 06/07 3%. GBS shortfalls
2	Composition of expenditure out-turn compared to original approved budget	C	B	D	D	Contingency and new recruitment problems in 04/05 – now planned at MDA level
3	Aggregate revenue out-turn compared to original approved budget	A	A	A	A	Low as % of GDP but consistently exceeding targets
4	Stock & monitoring of expenditure payment areas	C+	A	A	A	No info on consolidated stock of arrears. Previously generously scored.
B	**KEY CROSS-CUTTING FEATURES: Comprehensiveness and Transparency**					**Some improvement**
5	Classification of the budget	C	C	C	C	No COFOG. Stagnated
6	Comprehensiveness of information included in budget documentation	A	B	A	A	No MTEF. No change
7	Extent of unreported government operations	B	C	B	B	Data only for aid projects (24% of aid off budget)
8	Transparency of inter-governmental fiscal relations	C+		C+	C+	Development of formula – improvement but still problems. Weak communication from CG to LG
9	Oversight of aggregate fiscal risk from other public sector and entities	C	C	C	C	No data consolidation for SN G, AGAs and PEs. Laws are an obstacle. Due diligence and central dbase developing during 07/08
10	Public access to key fiscal information	B	C	B	B	Improvement of websites and publication of releases. Need improvement of presentation
C	**BUDGET CYCLE**					
	C (i) Policy-Based Budgeting					**Worse**
11	Orderliness and participation in the annual budget process	C	C	B	B	Stagnation / worse
12	Multi-year perspective and fiscal planning, expenditure policy & budgeting	C+	B-	B	B	Stagnation. Investment in SBAS but not linked to MTEF. Capturing of PEs at MDA level improvement
	C (ii) Predictability and Control in Budget Execution					**Mixed. Some improvement, some efforts underway, some stagnation**

No.	Indicators	Scoring				Comments
		07	04	05	06	
13	Transparency of tax-payer obligations & liabilities	B+		B	B	Improvement esp. VAT and income tax laws but still long way to go – e.g. taxation procedures court. Good education programme ▲
14	Effectiveness of measures for tax-payer registration & tax assessment	C+		C	C	Despite ITAX and TIN still isolated systems. Penalties not specially defined. LTD good audit but DRD weak
15	Effectiveness in collection of tax payments	D+		D+	C	Debt collection ratio improved – written off bad debts. Weak reconciliation
16	Predictability and the availability of funds for commitment for expenditures	C+	C	C+	C+	Stagnation. Cash budget system so MDA requests not always met. Budget adjustments quite frequent
17	Recording and management of cash balances debt and guarantees	B		B	B	Big improvement 2000-2002 but little change since then
18	Effectiveness of payroll control	C	B	C+	C+	Reconciliation not monthly as required but at least every 6 months by MDAs. Computerisation delayed
19	Competition, value for money and control in procurement	B	C-	D+	D+	Improvement – PPA 2004, PPRA 2005. Need to monitor and justify use of less competitive methods
20	Effectiveness of internal controls for non-salary expenditure	B+	C	C+	C+	IFMS roll out continuing. Unclear controls without IFMS
21	Effectiveness of internal audit	C	C	C	C	Efforts to improve (CIA unit) but will take time to see improvement. Still very limited capacity▲
	C(iii) Accounting, Recording and Reporting					**No change**
22	Timeliness and regularity of accounts reconciliation	C+	B	B	C	Treasury accounts – not all of G
23	Availability of information on resources received by service delivering units	C		C	C	Lack of info – PETS tracking shown low % of funds received.
24	Quality and timeliness of in-year budget reports	C+	C	C+	C+	Flash reports contain a lot of information, however accuracy problems which are not highlighted
25	Quality and timeliness of annual financial statements	B+		B+	B+	No change
	C(iv) External Scrutiny and Audit					**Problems remain**
26	Scope, nature and follow up of external audit	C+	D	D+	C	Still weak but efforts to improve follow up.
27	Legislative scrutiny of annual budget law	C+		C+	C+	Weak capacity
28	Legislative scrutiny of external audit reports	C	B-	C+	C+	Serious delays and not evidence of efforts to improve

No.	Indicators	Scoring				Comments
		07	04	05	06	
D	**DONOR PRACTICES**					**Limited improvement re GBS**
1	Predictability of direct budget support	C+	C all aid	C	C	Improvement of GBS predictability. Still problems with project funds and worsening for basket funds
2	Financial information provided by donors for budgeting & reporting on aid	C		C	C	Still challenges
3	Proportion of aid that is managed by use of national procedures	C	D	C	C	No update

Annex C - PFMRP III – Draft LogFrame

Narrative Summary	Objective Verifiable Indicators (OVIs)	Means of Verification (MoV)	Important Assumption/Risks
PLATFORM GOAL Improvement in the efficiency and effectiveness of the allocation of resources to achieve more equitable and improved public service delivery	The Gross Per Capita Income measure increases by 0.5% per annum over and above the 2006 achievement in the period 2007 - 2010 Reduction of 10% in the level of poverty as measured by MDGs over the term 2007-10 A movement of 10% in the proportionate allocation of total budget towards the priorities as set out in MKUKUTA from 2007-10 i.e. as a proportion of total budgetary spend	National statistics and economic digest Examination of MDG assessment reports. Annual Budget statement, development plan and quarterly performance reports.	
PURPOSE/OBJECTIVE To ensure greater predictability and availability of medium term resources to executing agencies utilising operationalised 'best practice' PFM systems, which demand delegated financial autonomy and accountability in MDAs and LGAs by 2010.	MTEF 3rd Year budgeted resource ceilings for each MDA and LGA are within 1% of a guaranteed resource based on a low growth scenario when the ceiling is actually allocated by 2010 The variance of cash allocated to that budgeted on a MAT basis not greater than 1% for any single MDA or LGA. The aggregate budget for each year 2008-10 exceeds 2007 base by FY 03-07 annual average budget increase by a	Examination of historical and current reports Examination of monthly cash allocation and quarterly performance reports Examination and calculation	There is political will at MDA and LGA level to allocate resources effectively and efficiency The MDA and LGA policy objectives are designed to achieve MKUKUTA There is political will and action to reallocate resources on the basis of pro poor impact at sector
	Minimum of a further 5% of the average by 2010. The aggregate number and value of virements in 2010 is half of those for baseline 2007. The submitted annual budget for each MDA and LGA is inside the resource ceiling issued by MoFEA by 2010. The number of financial and performance reporting systems are harmonised into one by 2010. Each MDA and LGA has an effective Budget Execution Management Committee or equivalent meeting monthly and producing performance action plans and posted to their own web site quarterly by 2010. MoFEA and PO-RALG accept the annual budget as initially submitted by MDAs and LGAs without amendment by 2010.	of historical and current reports Examination of virements register or report from IFMS Examination of submitted annual budgets from MDAs and LGAs Examination of standard Government performance reports Review of web site by MDA and LGA Examination of original budget submissions with budgets on computer system	level over the medium term There are no natural disasters requiring emergency funds during PFMRP III.
OUTPUTS 1. Accuracy on cash forecasting	1.1 The variance of actual cash vs. cash budgeted is within 10% On a monthly basis by 2010. 1.2 Percentage of annual increase on	Monthly cash performance report Quarterly and annual MTEF	High level of commitment among Members of Cash Management unit

improved.	Domestic revenue. 1.3 The actual cash allocated is at least 100% of cash budgeted on an aggregate 3 year basis.	progress report. Government budget books Three year MTEF outcome report	Full political support for the PFMRP III programme Consistency of officers in their respective positions throughout PFMRP III The technical PFM support framework is put in place.
2. Predictable external resources funding flows.	2. 1 The contribution through GBS from DPs is at least 40% of total DP commitments by 2010. 2.2 100% disbursement by Development Partners conforms to schedule in terms of timing and amount by 2010. 2. 3. 70 Percent of project funds disbursed against commitments by 2010	Government budget books. GBS annual reports MTEF quarterly, semi-annual and annual reports Annual Audit reports	
3. Improved predictability of resources availability to LGAs.	2. 4. At least 85 Percent of basket funds disbursed against commitments by 2010 2.5. Aid management platform maintained by 2011 3.1 The variance between cash transferred to LGAs and monthly budgeted amounts within each MDAs budget is within 1 % by 2010 3.2 Equitable transfer to LGA by 2010. 3.3 Reduction of funding channel to LGAs by 2010. 3.4 Increased Domestic revenue as percentage of GDP	Consultative meeting reports Monthly, Quarterly and annual progress report. Plan and Budget Guidelines GBS annual report.	Political support.
4. Comprehensive cash management and improved government banking arrangement	4.1 Reduction in days the balances of Government cash are held by commercial banks on transit to BOT from …..To....by xx% by 2010. 4.2 The aggregate number of banks accounts operated by MDAs and LGAs reduced by 80%. 4.3 Cash management reports issued on daily basis by 2009 4.3 Number of staff trained by 2010	M&E reports Daily, weekly and monthly IFMS reports	There is complete and consistent ownership of the PFMRP III programme within the MDAs/LGAs and amongst officers
5. Strengthened accounting system through IFMS improvement.	5.1 IFMS Post implementation report in place by 2010. 5.2 No of new LGAs implementing IFMs. 5.3 Number of staff trained on revised IFMS. No of acts and regulations reviewed and or formulated to provide supportive legal framework to IFMS and linkage to oracle system of BOT. Timely bank reconciliations between MoFEA and BoT	Daily, weekly and monthly IFMS reports M&E reports	Low staff turnover. Software developer corporative.

6. Enhanced Control over all Public Investments.	6.1. The aggregate government net cash flow to public investments per annum by 2010 6.2 --x% increase of Government returns on Public investments 6.3 Increase public access to financial reports. 6.4. Compliance on TR regulations and guidelines improved. 75% of staff trained in TRIM and related skills Corporate Holding Company capacity in place. System for due diligence in place	Annual physical and Financial reports Proceedings of respective board meeting minutes CAG reports Government budget books M&E reports	
7. Improved credibility of MTEF.	7.1 The variance of actual cash allocated versus the planned budget on a MAT basis not greater than one percent for any single MDA, Region or LGA. 7.2 MTEF reports based on Key Performance Indicators in MDAs/LGAs. 7.3 Quarterly MTEF review meetings reports between MOFEA and MDA/Region/ LGA. %age deviation from ceilings indicated in Plan and Budget Guidelines (PBG). 7.5 Aligned MDAs/LGAs strategic objectives with MTEF SMART objectives and target by 2010.	MTEF quarterly, annual reports CAG reports GBS annual review report Government budget books PEFAR report	The full support of the DP community for MTEF as a standard government tool for planning, budgeting, monitoring and reporting Low staff turnover
8. Internal audit control system in MDAs/LGAs strengthened by 2010	8.1 A new Internal audit manual in place by 2010 8.2 Number of internal auditors trained by 2010 8.3 xx% increase in number of qualified accountants in internal audit by 2010.	CAG report GBS review report PEFAR reports CAG report	Political support to enforce compliance to PFA and PPA Low staff turnover Low staff turnover
9. Increase in compliance to improved Financial laws and its Regulations	9.1 Operational Financial Management Manual for MDAs and LGAs in place by 2010 9.2 %age compliance to financial laws and regulations increased by 2010. 9:3 Number of financial laws and regulations revised and updated 9:4 Number of Tax Appeals and Applications registered and determined 9:5 Government Asset Management System in place by 2010. 9.6 Number of lawyers and staff trained on public and financial laws	PEFAR report GBS review report Quarterly, annual progress report M&E reports Annual reports from PPAA, PPRA, TRAT, and TRAB.	

10. Decentralised payroll processing and pension administration improved	10.1 Upgraded LAWSON payroll system in place by 2010. 10.2 Number of MDAs' payroll officers trained and operating payroll system by 2010 10.3 Monthly payroll reports produced by 13th date. 10.5 Variance Reduce to 5% between Actual Wage bill and the Personnel Emoluments approved budget 10.6 A functional government wage bill management system.	CAG report PEFAR report GBS review report	Political support
11. Improved procurement operations and procedures in MDAs and LGAs.	11.1 Procurement training policy framework, tools and resources in place by 2010 11.2 1000 Procurement staff trained annually 11.3 Improved working environment for performance of PMU set up by 2010 11.4 All MDAs and LGAs effectively using new procurement rules and regulations by 2010	CAG report PEFAR report GBS review report PPRA reports	Effectively established procurement cadre in the government system.
12. Government budget structure reviewed and simplified for reporting.	11:5 Numbers of staff and board members trained on Public Procurement and Dispute resolution by 2010. 12.1 A Summary of Government Budget linked to MKUKUTA goals and objectives in place by 2010. 12.2 Government Budget compliance with GFS 2001 by 2010 12.3 Comprehensive and simplified MTEF Document. 12.4 Number of staff trained	M&E reports GBS review report PEFAR reports Political support Planning and Budget Guideline	
13. Improved linkages between policies priorities versus resource allocation	13.1 Predictable Medium Term resources Inflows into the government budget by 2010. 13.2 Scenario Analysis Modality for funding government budget operational and functional. 13.3 Number of consultative review reports on planning, budgeting and public expenditures. 13.4 Gender mainstreaming tools for MDA/LGAs in place by 2010. 13.5 Annual reports on Policy consultative process in place.	Quarterly and annual reports GBS/PER reports PEFAR review MKUKUTA Cluster working Group Reports	The full support of the DP community for MTEF as a standard government tool for planning, budgeting, monitoring and reporting Political support
14. Tracking, Monitoring and value for money auditing of public expenditure improved.	14.1 Reports on expenditure tracking surveys and physical inspection of development projects in place annually. 14.2 Impact studies report on expenditure in place by 2010. 14.3 Technical audit reports in place annually. 14.4 Number of officers trained on expenditure tracking and M&E skills by 2010.	M&E reports Quarterly and annual reports Technical follow-up reports	Political support Political support

15 Improved linkages between strategic Plans, Plan Rep, SBAS, IFMS, RIMKU and MKUKUTA priorities by 2010/11	15.1 Integrations at output level among planning and reporting tools /systems in place by 2010. 15.2 Number of budget officers from MDAs, Regions and LGAs trained on the harmonized tools and computerized systems by 2010. 15.2 A consolidated Report on Government Budget Out-turn versus the approved budget in place annually.	CAG reports Quarterly and annual report GBS report PEFAR report CAG reports M&E reports	Low staff turnover
16. Improved capacity of MDAs and LGAs in budget performance monitoring, accountability and transparency	16.1 Number of PFM Focal Persons trained by 2010. 16.2 Number of MDAs/LGAs offices equipped with modern tools by 2010 16.3 Number of MDAs/LGAs Budget officers trained by 2010. 16.4- Number of periodical expenditure tracking reports from MDAs/LGAs 16. 5 Reduced number of qualified audit certificates in all MDAs and LGAs by 2010. 16.6 Increased timely publications of financial reports for transparency and accountability in MDAs/LGAs by 2010. 16.7 Government asset register for MDAs/LGAs in place by June 2010	GBS/PER reports M&E reports PEFAR reports	The manpower at MDAs/LGAs is sufficient to adapt to the new demands of programme management The MDAs and LGAs management motivated to take championship within their organizations to make use of the solutions provided
17. Strengthened functional capacity of External Audit Services.	17.1 Number of new auditable areas by 2010 17.2 Needs Assessment report, Training plan documents in place by 2010. 17.3 x % of staff trained by 2010 17.4 NAO M&E system in place by 2009 17.5 Guideline manual in place to facilitate Internal control system by 2010. 17.6 Public Audit Act in place by 2010 17.7 Increased NAO outreach to public through IEC materials by 2010. 7.8 Number of government and parastatals' performance monitoring reports	Quarterly and Annual NAO report M&E report GBS / PER reports Public Audit Act document PEFAR report	
18. Improved capacity of parliamentary committees (PAC/LAAC) in accountability function on public financial management	18.1 Number and type of capacity building exposure training attended by PAC/LAAC members 18.2 Increased credibility and participation on parliamentary debates by members of PAC/LAAC on budget and expenditure reports by 2010. 18.3 Improved Quality and Ability of PAC members.	Proceeding of Parliamentary Committee meeting minutes GBS/PER report CAG report. PEFAR report M&E reports	The oversight bodies have the political will to enforce accountable and transparency on PFM performance Low staff turnover

19. ZANZIBAR : Support NAO, MOFEAEA and House of Representatives	19.1. The number of Audit staff trained in VFM audit and system audit by the year 2009. 19.2. 60% of the audit staff can apply IFMS and IFRS, ISA and IPSA in the audit exercise By the year 2009. 19.3. Audit report for fiscal year 2011 based on full scope financial, compliance, value for money and system audits in accordance with INTOSAI best practices. 19.3. Deliver audit reports by 31st March of every year as prescribed by the Act. 19.4. Quality and comprehensiveness of audits improved by the year 2011. 19.5. Public Audit Act in Place and Functional by 2010. 19.6. Reduced number of qualified audit opinion by the year 2010. 19.7. Improved capacity members of House Representative to scrutinize audit reports.	Proceeding of House of representatives Committee meeting minutes GBS/PER report CAG report. PEFAR report M&E reports	
20. Improved communication between public institutions and citizens and vice versa	20.1 Number and type of media programmes aired through TV, Radio and in website 20.2 Frequencies of progress report publications 20.3 Number of Publications 20.4 Number of publicity meetings	Quarterly and Annual report M&E report GBS / PER reports Awareness survey reports	Information unit capacity enhanced
21. Enhanced capacity in coordinating implementation of Public Financial Management Reform Programme, Monitoring & Evaluation and reporting	21.1 Number of MDAs/LGAs offices equipped with essential working tools by 2010. 21.2 Percentage and means of outreach to stakeholders and public at large by 2010. 21.3 Percentage on overall programme achievement on annual planned targets.	Quarterly and annual reports M&E report Proceedings of JSC Meetings Minutes. GBS/PER report PEFAR report.	The new programme management structure is implemented as proposed. The manpower at MDAs/LGAs is sufficient to adapt to the new demands of programme management The Change Managers motivated to take championship within their functional to make use of the solutions provided
22 Enhanced capacity of PFM Training Institutions	22.1 Training Need Assessment report in place 22.2 Enrolment capacity of training institution increased 22.3 Number of staff trained	Quarterly and annual reports M&E report Proceedings of Institution board Meetings Minutes. GBS/PER report	Commitment to support PFM training

Annex D – PFMRP Key Issues

Listed below are the key issues, which have been identified during the investigation phase through direct interview with key MoFEA senior management, document research of PFMRP and other reports and through key stakeholder workshops.

Government of Tanzania – PFMRP Key Issues – August 2007				
Strategic				
Key Issue	**Source**	**Effect on Programme**	**Impact Rating**	**Potential Solution Options**
The existing PFMRP plan lacks synergy with PEFA objectives	Documentation/ PEFAR report – June 06	The external judgement criteria for a successful PFMRP (PEFA) may not be met and Donor partners could lose confidence It may mean that the PFMRP programme is missing some strategic objectives or that some outputs are not contributing to the overall goal and are therefore not required	A	The redesigned PFMRP programme needs to have PEFA objectives at its core to transparently demonstrate to external bodies that the programme is a success
The PFMRP strategy is not at the heart or directing the MoFEA strategy	Documentation	If the MoFEA strategy is followed, then PFMRP is marginalised instead of being mainstreamed in the MoFEA	A	The MoFEA strategy needs to be reviewed to ensure that the revised PFMRP strategy is guiding direction. An organisational review may also have to be undertaken to ensure that structures are in place to deliver objectives rather than existing for historical reasons
Lack of strategic framework	GBS Annual Review – 2006	See items above	A	See items above
The 'basket' fund appears to be used for items not included under PFMRP e.g. Tax Administration, TAU etc	MTEF	Resources are being channelled to areas that may not be contributing to PFMRP goals. Resources for Components inside PFMRP are reduced/lost	A	The revised PFMRP SP needs to include all major areas that contribute to PFM Strategic objectives, outputs & KPIs need to be set for these new areas
TRA is not included as a Component under PFMRP	Observation	This omission could severely affect the overall outcomes of PFMRP as this area of the organisation is fundamental to one of the Strategic Goals of PFMRP	A	The Component needs to be included in a redesign of PFMRP, irrespective of any funding mechanism which may be used

There appears to be little practical linkage between policy, planning, MTEF, resources ceilings, annual budget preparation, cash forecasting, cash releases and hence budget execution	MDAs Workshop	These disconnects between the main components of the budget preparation and execution leaves MDAs struggling to implement any of their medium to longer term objectives because of unpredictable release of funds, leading to short term 'fixes' with any available resources and lack of longer term development	A	Predictability of budget funding is the key to making MDAs accountable for their expenditure in delivering objectives and targets. The operation of the budget preparation and execution process needs to be examined as the current system is disjointed, inefficient and ineffective. The outcome must be a predictable budget in the medium term that is executable through available funding
Little participation by Component Managers in identifying Component objectives during SP creation	Discussion/Workshops	Activities and outputs in Components do not achieve objects Given limited resources within Components the tendency is to undertake day to day work rather than PFMRP activities	A	The revised PFMRP SP needs to have SMART objectives set by Component Managers. The objectives set by the Component Managers must be validated against the overall PFMRP objectives
PFMRP is not sufficiently owned by the Components	Wangwe – 2006 Discussion/ToRs	Programme Milestones are missed or delayed Alternative objectives may not deliver PFMRP objectives	A	The revised PFMRP SP needs to have SMART objectives set by Component Managers. Regular coordination and PFMRP performance meetings
Under performance in programme spending	PFMRP Review – 2006 Discussion/ToRs	Outputs are not achieved or achieved late	B	The funds release mechanism within the 'basket' funds need to be reviewed
Under performance in physical achievements	PFMRP Review – 2006 Discussion/ToRs	See above	A	See above
The operation of the MTEF in determining resource ceilings (and budget) for current and future years appears not to be working in practice	Discussions/Workshop	The MDAs do not have predictability of resources to be able to undertake and deliver upon longer term objectives due to uncertainty of funding	A	MTEF needs to become operationalised over time through increased capacity building and the introduction of self-assessment performance criteria

There does not appear to be much vertical integration and co-operation between PFMRP and other broader Government reform programmes	Wangwe - 2006	The overall reform programmes of Government may diverge and consequently full benefits will not be realised	A	Cross-cutting areas from other Government reform programmes such as PSRP, LGRP etc will be included as objectives in the revised PFMRP
The current IFMS is not comprehensive and integrated – Defence & State House are stand alone – sub-treasuries, Regional Administrative Secretariat, Parliament & Ministries in Dodoma are not connected to server	PEFAR report – June 06	Delays and/or errors in the preparation of budget execution, appropriation accounts and final accounts	A	IFMIS needs to be made comprehensive and integrated and should be one of the core activities with PFMRP A strategic review will be required to define the precise business requirements of IFMIS across the whole of Government

Government of Tanzania – PFMRP Key Issues – August 2007				
Organisational				
Key Issue	**Source**	**Effect on Programme**	**Impact Rating**	**Potential Solution Options**
Lack of a full time Programme Implementation Manager for PFMRP with requisite authority	Observation/Experience	The programme suffers a lack of focus and day to day leadership Accountability of Component Managers is Spartan	A	Appoint a full time Programme Implementation Manager
Lack of full time PFMRP implementers in Components.	Observation/Experience	The programme priorities often conflict with day to day responsibilities	A	Appoint full time PFMRP implementation staff in Components
Lack of knowledge and application of international standard programme implementation methodologies and programme delivery structures.	Research/Observation/Experience	Programme targets and deadlines drift, outputs are 'fuzzy' and unclear, resources are wasted on unnecessary activities, objectives are not met	A	Apply international best practice, through the use of standard programme management methodologies, tailored to meet local needs Comprehensive training in the application of programme management methodologies for the PFMRP Implementation team. Training in Project Management methodologies for the Component Teams
Weak coordination mechanisms	GBS Annual Review – 2006 PFMRP Review - 2006	See above	A	See above
Limited knowledge and (to date) limited participation by MDAs in the PFMRP programme	Workshops	Ultimate PFMRP programme beneficiaries are not delivering the benefits of the programme	B	Create a beneficiaries forum for reform agenda setting in relation to PFMRP to allow MDAs to commence ownership and encourage leadership and ultimately accountability in PFMRP

Government of Tanzania – PFMRP Key Issues – August 2007				
Monitoring and Evaluation				
Key Issue	**Source**	**Effect on Programme**	**Impact Rating**	**Potential Solution Options**
The PFMRP programme as a whole appears to lack specific and measurable outputs and outcomes	Documentation/ Discussions/ Workshops	The claimed benefits of PFMRP are unclear and unproven The PFMRP programme may be delivering non-beneficial outputs	A	The PFMRP needs to be redesigned using the MOST (Mission, Objective, Strategic, Tactical) planning technique to integrate individual Components in a coherent and manageable programme
Each PFMRP does not appear to have specific measurable outputs and outcomes	Discussions/ Workshops	See above and The management and implementation of Components becomes more difficult and time consuming	A	Each Component needs to have a specific set of SMART objectives (contributing to the overall PFMRP objectives), which are broken down into outputs, further broken down into activities and contained in a time bound measurable plan (GANTT Chart) with priorities and dependencies set and inter-linkages between activities
PFMRP Performance indicators need rationalising	GBS Annual Review 2006	See above	A	See Above
The PFMRP progress reporting system seems to be over elaborate, yet at the same time 'woolly' on actionable information	Discussions/ Workshops	Time and resources are wasted on preparation of irrelevant information.	C	Reporting should be based on exception rather than full disclosure and geared to milestone and achievement rather than general progress
The PFMRP reporting system appears to be outside of the Government normal reporting mechanisms	Discussions/ Workshops	Time and resources are wasted on preparation of duplicate information.	C	PFMRP reporting needs to be incorporated into the Government standard reporting system if possible
PFMRP Programme reporting by Components appears sporadic and usually late as does reporting to the JSC	Discussions/ Workshops	Release of funds from the 'basket' fund is delayed causing delays in programme execution The Donors become reticent about using the 'basket' funding method leading to other funding mechanisms outside the system	B	The JSC needs to examine the reporting arrangements from the PFMRP to see whether its needs can be met from existing Government reporting mechanisms The current use of the 'basket' funding mechanism needs to be examined as its effectiveness is limited whilst other funding methods of PFMRP exist in parallel

Government of Tanzania – PFMRP Key Issues – August 2007				
Monitoring and Evaluation				
Key Issue	**Source**	**Effect on Programme**	**Impact Rating**	**Potential Solution Options**
The grouping of all Components together for reporting purposes causes delays in the release of funds for compliant Components	Workshops	A Component that is compliant and on time in all respects is being severely hindered by the weakest Component. The system can only work as fast as the slowest Component	B	Since budgets are know for each Component, there is no need to group all Component releases together and individual Component releases could take place The 'basket' is used as a control mechanism and if continued needs to be a true funding mechanism

Annex E – Stakeholder Management

Managing Stakeholders

The PFMRP III Programme Office, through the auspices of the PFMRP III IEC Unit will be responsible for stakeholder management within PFMRP III. They will use a number of methodologies including influence, lobby, cajole, manipulate, co-opt, flatter and apply pressure to stakeholders in order to maintain momentum and keep the programme on track.

The PFMRP III IEC Unit will use the following checklist to help focus on ensuring the overall approach to managing the programme's stakeholders is robust:
Is there a common and shared understanding of what is meant by 'stakeholder'?
Is there a detailed set of stakeholder groups and are they being targeted in practice?
Are targets or goals set for each group or set of groups?
Is there a clear Communications Plan for achieving these targets or goals?
Are the relevant members of the Programme Management Team strongly motivated to achieve these targets or goals?
Do key stakeholder groups feel sufficiently engaged in the programme, and do they understand the programme's objectives and constraints?
Is feedback from stakeholders measured and acted upon?

As the PFMRP III will involve changes to working practices, it will need the support and commitment of those who will be operating them. Generating the confidence and buy-in of those involved will be the responsibility of the PFMRP III Business Change Managers.

Stakeholder Matrix

		Low	**High**
Influence			
		Inform	**Involve**
High	Interest	Business Community Parastatals Government Institutions Academic/Research Institutions MoFEA Employees Public Taxpayers Public Servants Regional Integration Bodies Pensioners Civil Society Organisations Press	MoFEA Development Partners Politicians Controller and Auditor General MDAs/LGAs Chairs of other reform programmes
		Pass Over	Satisfy
Low	Interest		Parliament Cabinet

Stakeholder Map - Stakeholder Group 1
High Influence – High Interest
Interest Area

Stakeholders	Strategic Direction (a)	Financial Costs (b)	Operational Changes (c)	Interface with Customers/Public (d)	Benefits Realisation (e)	Organisational Change (f)
MoFEA	•	•	•	•	•	•
Development Partners	•	•	•		•	•
Politicians	•			•	•	
Controller and Auditor General	•	•	•		•	•
MDAs/LGAs	•		•		•	•
Chairs of other reform programmes	•					

Stakeholder Management/Communications Plan – Stakeholder Group 1

Category (a)

Creation of a comprehensive and time-bound strategic plan for reform through a series of workshops
Individual sensitisation briefings to interested Politicians
Briefing (say 15 minutes maximum) to the members of Parliament
Creation and appointment to a PFM Sponsoring Group to provide support and direction to the reforms meeting quarterly
A series of workshops/seminars to disseminate key features of the PFM strategy
Quarterly PFMRP III performance reporting against plan
Annual PFMRP III strategic review to ensure that reforms are still valid and benefits still achievable

Category (b)

A project portfolio plan with detailed, prioritised and linked activities and milestones with resource costs (people & goods/services) in GANTT format and agreed through mini workshops and reviewed annually
Quarterly PFMRP III performance reporting against plan including costs

Category (c)

The appointment of a Business Change Manager(s) for the Programme responsible for business change implementation and benefit realisation

The appointment of a Programme Manager(s) with full delegated responsibility for managing and delivering the programme
The creation of a Programme Office to co-ordinate and report upon programme outputs and outcomes
A project portfolio plan with detailed, prioritised and linked activities and milestones with resource costs (people & goods/services) in GANTT format and agreed through mini workshops and reviewed annually
A Benefits Management and Realisation Plan for each area of business change agreed through a series of interactive workshops
A series of workshops to identify and agree operational changes in each functional area in line with overall PFMRP objectives and specific functional area objectives
A quarterly newsletter/circular informing of forthcoming operational changes
Formal and informal training in new operating procedures and processes
Creation of a PFMRP web site informing on forthcoming planned changes

Category (d)

Creation of a PFMRP web site informing on forthcoming planned changes
The provision of notice boards in Government offices visited by the public informing on PFMRP progress and forthcoming developments
The use of localised and specific key performance indicators (KPIs) on notice boards in Government offices visited by the public showing actual performance versus budgeted performance

Quarterly press briefings on PFMRP progress
PFMRP objectives and performance specifically mentioned in the Budget speech
A short FAQ leaflet is made available in Government offices visited by the public
An annual Government 'Open Day' where the public are invited to see 'How Government Works' in the PFM area
Ad hoc presentations to Civil Society groups with feed back sessions into the PFMRP process

Category (e)

The appointment of a Business Change Manager(s) for the Programme responsible for business change implementation and benefit realisation
A Benefits Management and Realisation Plan for each area of business change agreed through a series of interactive workshops
Quarterly PFMRP performance reporting against plan including an assessment of whether benefits will be achieved

Category (f)

The appointment of a Senior Responsible Owner from the Sponsoring Group to be ultimately responsible for delivering the PFMRP on behalf of the Sponsoring Group
A series of workshops to identify and agree organisational changes that are required to deliver functional area benefits in line with overall PFMRP objectives
Stakeholder Map - Stakeholder Group 2
Low Influence – High Interest
Interest Area

Stakeholders	Strategic Direction (a)	Financial Costs (b)	Operational Changes (c)	Interface with Customers/ Public (d)	Benefits Realisation (e)	Organisational Change (f)
Business Community	•			•	•	
Parastatals	•		•			•
Government Institutions	•		•			•
Academic/Research Institutions	•	•			•	
MoFEA Employees			•		•	•
Public	•			•		
Taxpayers	•			•		
Public Servants			•			•
Regional Integration Bodies	•					
Pensioners				•		
Civil Society Organisations	•			•		
Press	•	•		•		

Stakeholder Management/Communications Plan – Stakeholder Group 2

Category (a)

Creation of a PFMRP web site informing on forthcoming planned changes
The PFMRP plan is posted to the web site
The PFMRP plan is printed and distributed internally with Government

Category (b)

A project portfolio plan with detailed, prioritised and linked activities and milestones with resource costs (people & goods/services) in GANTT format and agreed through mini workshops and reviewed annually
Quarterly PFMRP performance reporting against plan including costs

Category (c)

A series of briefings by the Programme Office on operational changes in each functional area in line with overall PFMRP objectives and specific functional area objectives

A quarterly newsletter/circular informing of forthcoming operational changes
Formal and informal training in new operating procedures and processes

Category (d)

Creation of a PFMRP web site informing on forthcoming planned changes
The provision of notice boards in Government offices visited by the public informing on PFMRP progress and forthcoming developments
The use of localised and specific key performance indicators (KPIs) on notice boards in Government offices visited by the public showing actual performance versus budgeted performance

Quarterly press briefings on PFMRP progress

PFMRP objectives and performance specifically mentioned the Budget speech
A short FAQ leaflet is made available in Government offices visited by the public
An annual Government 'Open Day' where the public are invited to see 'How Government Works' in the PFM area
Ad hoc presentations to Civil Society groups with feed back sessions into the PFMRP process

Category (e)

Quarterly PFMRP performance reporting against plan including an assessment of whether benefits will be achieved

Category (f)

A series of briefings by the Programme Office on organisational changes that are required to deliver functional area benefits in line with overall PFMRP objectives

Stakeholder Map - Stakeholder Group 3
High Influence – Low Interest
Interest Area

Stakeholders	Strategic Direction	Financial Costs	Operational Changes	Interface with Customers/Public	Benefits Realisation	Organisational Change
Parliament	●			●		●
Cabinet	●	●			●	

Stakeholder Management/Communications Plan – Stakeholder Group 3

Category (a)
Creation and appointment to a PFMRP Sponsoring Group to provide support and direction to the reforms meeting quarterly.

Annual PFMRP performance reporting against plan

Category (c)
A quarterly newsletter/circular informing of forthcoming operational changes

Category (d)

Creation of a PFMRP web site informing on forthcoming planned changes
Briefing note on how the PFMRP will interact with Customers/Public over the course of the programme

Category (e)

A half-yearly briefing note on progression of the Benefits Management and Realisation Plan for each area of business change

Category (f)

Involvement in a series of workshops to identify and agree organisational changes that are required to deliver functional area benefits in line with overall PFMRP objectives

Annex F – Programme Management Examples

The following is an example of how PFMRP III programme management would work in practice using a real situation in the Budget functional area, for one of the key outputs of this programme.

If we consider that one of the important deliverables for PFMRP III is the production of credible, SMART Key Performance Indicators (KPIs) this can be used as a good illustration of how the system would work. We can also set it against how it would probably work without the proposed management structure.

We can assume that the Commissioner of Budget is asked by the Group for Strategic Framework on Planning and Budgeting to produce a series of KPIs.
What would probably happen without the management as proposed would be something like the following in Example 1, Example 2 shows how it will work under the new arrangements.

Example 1 – Using the existing structure and methods

Step 1

The Commissioner asks someone in the division to draft a communication which is sent.

Step 2

In conjunction with other interested parties, this person develops what they consider to be required for KPIs. This is may be done with or without a time frame.

Step 3

The request is then sent by the Commissioner or higher authority on their behalf to MDAs. It asks for SMART KPIs by date X which may or may not be reasonable.

Step 4

By date X, the situation is likely to be some KPIs are received which are reasonable, some need modification, some are unusable and some not received. The Commissioner asks the for analysis of KPIs within the division, hopefully by the person who generated the request, but not necessarily if they are involved with something else.

Step 5

A second request generated with date Y as deadline.

Step 6

By date Y the situation improved over X but still not as required. Further review of what has been received.

Step 7

Although not really as required the Commissioner then decides to set out a training session for using the KPIs. This is organized by the division probably with involvement of other parties which itself has to be arranged.

Step 8

Some of the shortcomings become apparent and some modifications need to be made.
This may or may not delay training.

Step 9

Training takes place probably behind the desirable date for using the KPIs within MTEF.
There will certainly be some benefit from the effort made to obtain KPIs but it will most likely fall short of what would really make a good monitoring base for MTEF.

In this scenario, the BCM although knowing what is wanted, is involved with trying to manage the process of developing KPIs at the same time as producing routine work. What has happened is that there will be some delivery but it will not be within the time specified. There may not have been sufficient attention to the time requirement for the delivery. It is also likely to be less than the perfect product and will need modification as it is actually being implemented. There will be some frustration between MoFEA and MDAs.

Example 2 – Using the new programme management structure and methods

Step 1

The Commissioner of Budget (Business Change Manager) requires KPIs to be included in MTEF in order to improve the reporting capabilities

Step 2

The BCM, the Programme Manager and the Programme Director develop a specification of requirements and a project plan (including when the solution is required, the types of KPIs, how many to include, an indicative report format etc).

Step 3

The BCM seconds an officer from the Budget Division, who is appointed as the full-time Project Manager to work under Programme Manager to develop this MTEF solution (The BCM may also appoint other officers from Budget Division as part of the support team)

Step 4

The Budget Project Manager and Team (if necessary), under the Programme Manager, develop the solution on time that meets the requirements using project management techniques (the team may include other officers if say changes to computer systems are required).

Step 5

The Budget Project Manager & Team deliver the solution to the Commissioner of Budget, who has already prepared an implementation and training plan and quality control system to ensure that KPIs reported are accurate. The Commissioner of Budget has also prepared a benefits management plan to ensure the KPIs reported are acted upon.

Step 6

The Commissioner of Budget, the Budget Project Manager and Team implement the solution in the required PFM business areas, which start delivering benefits to GoT