



The Political Economy of Public Financial Management & Accountability Reforms and the Budget in Tanzania

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ABBREVIATIONS

BAWATA	Tanzania National Women Council
BG	Budget Guidelines
BoT	Bank of Tanzania
CAG	Controller and Auditor General
CHADEMA	Chama cha Demokrasia na Maendeleo
CSOs	Civil Society Organizations
ESRF	Economic and Social Research Foundation
IFMS	Integrated Financial Management System
IMTC	Inter-Ministerial Technical Committee
LAAC	Local Authorities Accounts Committee
MoFP	Ministry of Finance and Planning
NBS	National Bureau of Statistics
O&OD	Opportunities and Obstacles for Development
PAC	Public Accounts Committee
PBO	Parliamentary Budget Office
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PFMA	Public Financial Management & Accountability
REDET	Research and Education for Democracy in Tanzania
REPOA	Research on Poverty Alleviation Programme Limited
SAM	Social Accountability Monitoring
TANESCO	Tanzania Electric Supply Company Limited
UDOM	The University of Dodoma
UDSM	University of Dar es Salaam
UNDP	United Nations Development Programme

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1: INTRODUCTION

The budget process is the premier policy arena in which distributional tensions from society are channelled through formal institutions and regulations in recurring and predictable political interactions. This study tries to address a gap in the academic literature by evaluating the formal rules, incentives, and coalition dynamics of the key budget players involved in the design, approval, execution, and supervision of budgets. Prior research has focused on assessing the strength of the relationship between political institutions (elections, party systems) and various budgetary performance indicators (fiscal balance, debt to GDP ratio). In consequence, the current study goal necessitates a systematic analysis of the many budgeting areas and phases.

Significant agenda-setting authority rests with the executive, local governments, and organized interest groups; the national legislature represents the national and ideological aspirations of diverse constituencies; and diverse bureaucratic agencies are empowered to execute and monitor budget allocations. The economic and electoral calendars also govern these exchanges, offering regular incentives for collaboration or defection. The variable of interest is the quality of budget outcomes, a composite concept that seeks to evaluate four dimensions of budget performance: whether budget allocations are representative of the majority's interests, are sustainable over time, are allocated efficiently, and are adaptable to changing economic conditions.

The structure of the report is as follows: The first section presents a concise summary of Tanzania's economic and political history. The second section provides a political economy study of the important budgeting actors. The third section provides an overview of the political and economic issues that influence the budgeting process. Public Financial Management & Accountability (PFMA) in Tanzania is analysed in Section four. The subsequent part explains why a bad budget is tolerated in Tanzania, followed by section six, which outlines a strategy for public financial management and accountability in Tanzania, and finally, section seven, which provides conclusions and recommendations.

1.1. The Political Economy of Public Financial Management & Accountability in Tanzania

1.1.1. The purpose of the budget

Globally, budget procedures have four purposes: to assess previous performance, to mobilize and distribute resources, to ensure financial management and responsibility, and to serve as a platform for the introduction of new policies. The budget process should decide the allocation of limited resources and the beneficiaries. Therefore, the budget is intrinsically a political process determined by formal and informal political authority, with victors and losers. The formal and legal framework for budgets is the first step in any analysis of budget institutions. All budgets follow a fiscal cycle, which is typically one year (or several years if included in a planning cycle), and contain a number of stages including design, authorization,

implementation, and review. In this study, the budget, public financial management, and accountability are viewed as interdependent processes that appear at three key stages of the budgeting process: i) Budget formulation, ii) Budget execution, and iii) Evaluation and budget control. To assess these steps, it is required to identify the formal and legal players having power at each level and to characterize their roles, responsibilities, and limits. This covers the legal standards that regulate the conduct of various actors. In addition, it is necessary to understand the motives of important process participants.

However, no study of budgeting would be comprehensive if it ended at official institutions. Informal networks affect the interactions of actors. Formal rules are frequently insufficient, and budgets seldom function without a vast array of informal procedures. Globally, informal activities such as political bargaining attempts to influence the budget, perceptions of discontent, and real spending decisions impact budget procedures. In addition to political talks and negotiating procedures, budget decisions may be influenced by a multitude of personal, political, and cultural practices that operate at the margins of formal institutions, such as informal networks, family bonds, village relations, and kinship.

In this study, we investigated the interrelationships between formal and informal institutions based on the extent to which they promote or reduce transparency, ii) concentrate or deconcentrate power, and iii) incorporate or exclude civil society concerns.

1.1.2. Country economic situation

Over the past five years, Tanzania has developed a Medium-Term Expenditure Framework (MTEF). The MTEF is a conceptual instrument for budget planning and control in which budget amounts are anticipated on a rolling basis for the budget year as well as the two years following. Three spending outcomes are prioritized: aggregate fiscal discipline, the distribution of resources to reflect the country's poverty reduction development goals, and the effective utilization of budgeted resources. To attain allocative efficiency (lower poverty and enhance capacity for economic growth), the Tanzania budget must increase spending on the poor without leading to excessive spending or fiscal irresponsibility.

In the past decade, Tanzania's real GDP at constant 2015 prices have increased by an average of 6.4% each year. In 2018, the growth rate was seven percent at constant prices from 2015, compared to 6.8 percent in 2017. In addition, the real GDP increased by 6.9% during the first half of 2019 (January to June) compared to 6.8% during the same time in 2018. The growth was due to increased public investment, particularly in the construction of infrastructure such as roads, railways, and airports; stability in power supply; improved transport services; an increase in the production of minerals, especially gold and coal; and an increase in agricultural output due to favourable weather conditions. The economic sectors with the greatest increase were construction (16.5%), mining and quarrying (13.7%), information and communication (10.7%), water (9.1%), and transportation and storage (9.0% (United Republic of Tanzania, 2019). The current emphasis of the government is on implementing ongoing flagship projects that have a significant influence on economic growth, job creation, and poverty alleviation. Construction of the Julius Nyerere Hydro Power Plant; construction of a new Central Standard

Gauge Railway (SGR); revival of the National Air Carrier; mass training on rare and specialized skills for industrial and human development; and construction of a crude oil pipeline from Uganda to Tanzania are among the projects. In addition, the government strives to bolster the agricultural sector by increasing the availability of seeds and inputs and by constructing and rehabilitating irrigation systems, warehouses, and market facilities.

1.1.3. Fiscal and budgetary trends

The fiscal year 2022/23 is the second year of the 3rd Tanzania Five-Year Development Plan (FYDP III) 2021/22 – 2025/26, whose objective is "Building a Competitive and Industrial Economy for Human Development." The current budget (2022/23) was developed in light of projected GDP growth rates of 4.7% in 2022 and 5.3% in 2023. Consequently, the budget's priorities lie on the productive sectors, including agriculture, livestock, fisheries, energy, investment, and commerce. The budget framework for 2022/23 indicates that 41,48 trillion Kenyan shillings would be mobilized and expended in the next fiscal year. The expected domestic revenue of 28,02 trillion shillings represents 67.5 percent of the overall budget. In which TRA revenue collections are anticipated to be 23,65 trillion shillings and non-tax income (collected by Ministries, Departments, Institutions, and Local Government Authorities) are estimated to be 4,37 trillion shillings. On the other hand, it is expected that grants and concessional loans from development partners amount to 4,6 trillion shillings, or 11,2 percent of the entire budget. This forecast implies that economic activity will return to normal, macroeconomic policies will be properly implemented, and tax collection will increase as anticipated (Deloitte Tanzania, 2022).

1.1.4. Legal and regulatory arrangements for Public Financial Management (PFM)

Constitution of the United Republic of Tanzania of 1977 is the first legal instrument for budget control (as amended from time to time). The provisions relating the finances of the United Republic of Tanzania are outlined in Chapter 7. The second instrument is the Public Finance Act of 2001, which establishes the budget system's legislative structure in terms of revenue, expenditure management, and accountability. The third document is the Appropriations Act for each fiscal year. This statute grants the Minister of Finance the authority to withdraw funds from the Consolidated Fund and assign them to the various votes. It also grants the ability to reallocate monies between votes. The fourth instrument is the Annual Finance Act, which allows the Minister of Finance the authority to raise cash to finance the budget by imposing taxes. The final instrument is the Budget Act of 2015, which regulates and oversees the national budget process in an efficient and transparent manner. The budgetary control framework is governed by four fundamental principles: no tax shall be imposed and no money shall be spent without the authority of the National Assembly; expenditure shall be made only for purposes authorized by Parliament; there shall be a single fund known as the Consolidated Fund for receiving and recording all revenues and expenditures, unless otherwise directed by Parliament; and the final principle is that all moneys spent from the Consolidated Fund shall be repaid to the Consolidated Fund unless otherwise directed by Parliament.

Table 1: Legal & regulatory arrangements for PFM in Tanzania

PFM Area	Relevant legislation & Regulations
Statutory arrangements	<ul style="list-style-type: none"> - The Constitution of United Republic of Tanzania, 1997, Cap.2 - Standing Orders of the National Assembly, revised 2016
Budget preparation, execution, reporting accounting.	<ul style="list-style-type: none"> - The Budget Act, 2015, Cap 439 - Public Finance Act, 2001, amended 2004 & 2011, Cap. 348 - Accounting Procedures Manual 2016
Tax Administration	<ul style="list-style-type: none"> - Tax Administration Act, 2015, Cap. 438; Regulation, 2016 - Value Added Tax Act, 2014, Cap. 148; Regulations 2015 - Income Tax Act, 2006, revised 2008, Cap. 332; Regulation 2014 - Electronic Fiscal Device Regulation 2012 - Excise Management and Tax Act 2006, revised 2008, regulations 2013 - Motor Vehicle (Tax Registration & Transfer) Act, 2006, Cap.124 - Tanzania Revenue Authority Act, 2006, Cap. 399 - Tax Revenue Appeals Act, 2006, Cap. 408 - Other acts and regulations for specific taxes.
Public sector entities	<ul style="list-style-type: none"> - Treasury Registrar (Powers & Functions) Act, 1959, amended 2010, Cap. 370 - Public Corporations Act, 1992, amended 2002, Cap. 257
Public Procurement	<ul style="list-style-type: none"> - The Public Procurement Act, 2011, amended 2016, Cap. 410.
Public Debt	<ul style="list-style-type: none"> - Government Loans, Guarantees & Grants Act, 1974), amended 2004 and 2017, Cap. 134
Development partners	<ul style="list-style-type: none"> - National framework for managing Development Cooperation
PPP- Public Private Partnerships	<ul style="list-style-type: none"> - Public Private Partnership Act 2010, Cap.103; and regulation 2011
Parastatals	<ul style="list-style-type: none"> - Treasury Registrar (Powers & Functions) Act, 1959, amended 2010, Cap. 370. - Multiple Parastatal Acts
Local Government Finances	<ul style="list-style-type: none"> - Local Government Finance Act 1982, amended 2016, Cap.290
Internal Audit	<ul style="list-style-type: none"> - Public Finance Act 2001, amended 2004 & 2011, Cap. 348 - Internal Audit Manual - Internal Audit Committee Guidelines
External Audit	<ul style="list-style-type: none"> - Public Audit Act, 2008, amended 2011, Cap. 418
Payments	<ul style="list-style-type: none"> - National Payment Systems Act, 2015, Cap. 342
Internal control	<ul style="list-style-type: none"> - Tax Administration Act, 2015, Cap. 438; Regulation, 2016 - Tanzania Revenue Authority Act, 2006, Cap. 399 - Tax Revenue Appeals Act, 2006, Cap. 408 - The Public Procurement Act 2011, amended 2016, Cap. 410 - Public Finance Act 2001, amended 2004 & 2011, Cap. 348 - Internal Audit Manual

PFM Area	Relevant legislation & Regulations
	- Public Audit Act 2008, amended 2011, Cap. 418

Source: Lawson et al. (2017)

1.1.5. Institutional arrangements for PFM

There are 87 entities included in the central government's budget, 21 of which are ministries, some of which have recently merged but retain distinct votes. In addition to 25 regional secretariats, the list includes a number of additional central institutions. In addition, there are 183 extrabudgetary units/entities at the central level and six social security funds, which are part of the General Government but not the Central Government. There are additionally 14 public financial corporations and 27 public non-financial corporations. There are 186 district and town councils, and 59 non-financial entities connected to water and sanitation under the local government system. Ministries, Departments, and Agencies (MDAs) are accountable for all aspects of PFM under the direction of the Accounting Officer, who is often the Permanent Secretary. The majority of ministries and departments have a separate vote in the Budget Estimates documents (Lawson et al., 2017).

Tanzania is characterized by its many public authorities and other bodies. The bulk of these are extrabudgetary institutions of the central government, either legislative bodies or executive agencies. Both are overseen by a ministry, from which they get some or all of their financing as a transfer, with the remainder funded by fees and charges collected directly (non-tax revenues). Others are purely commercial public corporations. Only the transfers to these entities are included in the Budget Estimates submitted to the House of Representatives. Some Central Government statutory entities and agencies report to the Accounting Officer of their parent ministry, while others have their own Accounting Officers and function independently. The Office of the Treasury Registrar (OTR), a semi-autonomous agency within MoFP, oversees the financial situation of both public and private enterprises in which the government holds a stake (Lawson et al., 2017; Maweje & Odhiambo, 2020).

1.2. Public Financial Management & Accountability (PFMA): Analytical Framework

External actors such as the International Monetary Fund (IMF), World Bank (WB), regional development banks, and bilateral agencies commonly influence public financial reforms. The impact expresses itself in several ways. External identification of the appropriate regulations, as well as finance, facilitation, and occasionally even implementation of activities designed to establish these rules are examples. Like reforms aim to enhance fundamental public administration procedures, the way governments interact with businesses, and service delivery systems in fields such as education and health. The range of nations affected is another proof of the pervasiveness of these policies. More than one hundred nations, bilateral agencies and

regional development institutions regularly support such programs. In almost 140 countries, these changes are supported by World Bank initiatives. A random sampling of forty nations demonstrates the diversity of different circumstances. It includes Afghanistan, Algeria, Angola, Argentina, Azerbaijan, Benin, Bolivia, Bulgaria, Burundi, Cape Verde, Central African Republic, Chile, China, Georgia, Ghana, Guinea, Haiti, Honduras, Kyrgyz, Laos, Madagascar, Malawi, Mauritius, Moldova, Mongolia, Mozambique, Nicaragua, Niger, Poland, Rwanda, Samoa, Senegal, Serbia, Sri Lanka, Tanzania, Thailand, Togo, Uganda, Ukraine, and Uruguay. One might observe the extraordinary diversity among the countries listed here, in terms of economic size and complexity, political and social institutions, geography, and history. One thing they all have in common, however, is recent engagement with international donors to implement institutional reforms in the public sector (Andrew, 2013).

To find a suitable analytical framework to analyse a developing country's public financial management system, which can quantify system changes and anticipate their impact on financial outcomes, is currently the subject of ongoing discussion. Wildavsky (1986) adopts a pragmatic stance, claiming that classic budgeting formats (incremental, line items, yearly budget) continue to exist because their flaws are also their strengths. For instance, incremental budgeting is simpler since it is not exhaustive and because it forecasts future revenue and expenditures based on historical performance, which is known, rather than on prospects, which are uncertain. Due to chronic uncertainties and lack of functional redundancy in developing nations, they generally employ repeating budgeting: where the yearly budget may be viewed as a supplemental budget request, to be justified and accepted when the time comes to begin spending. In contrast, Campos and Pradhan (1996) identify three desirable results of a system for managing public expenditures: fiscal discipline, allocation of resources in accordance with policy aims, and excellent operational management. Fiscal discipline involves expenditure control and deficit management. It is difficult for even developed nations to achieve due to a number of "tragedies of the commons," such as politicians who are preoccupied with retaining power by ensuring stakeholders' satisfaction and who are frequently tempted to finance spending through deficits, which are repaid by future generations. This difficulty is exacerbated in underdeveloped nations because the political support of politicians and top officials is frequently secured through patronage. In addition to incurring deficits, some nations demonstrate a lack of fiscal discipline by leveraging windfalls from high resource prices, such as oil, to finance consumption rather than investing in productive assets for future generations. Good income predictions, methods for precisely planning and monitoring spending, and assigning them to priority areas to accomplish sustainable development objectives include fiscal discipline. Strategic allocation entails allocating resources in accordance with the government's top policy goals. It is only achievable with effective central government structures and interagency collaboration. Good operational management is characterized by the economy (quality inputs at the best price), efficiency (outputs at the lowest feasible cost), and effectiveness (getting the desired outcome)(Wescott, 2008)

To allow African countries to break the cycle of dysfunctional development, it is of the highest significance to improve the allocation and implementation of pro-poor spending in a transparent setting. African chiefs of state endorsed the New Program for African

Development in July 2001, in which they officially committed to pro-growth and pro-poverty initiatives. In the same year, the United Nations set as development goals the Millennium Development Goals with an emphasis on reducing poverty. By the late 1990s, the World Bank and other donors were promoting an increasingly holistic approach to public expenditure accountability, with increased connections between analytical instruments and practical techniques. Increased emphasis was placed on client-owned and country-specific capacity-building to prioritize the country's ability to manage its own public finances. Numerous instruments, such as the public expenditure review country financial accountability assessment, country procurement assessment review, and the International Monetary Fund's report on the observance of standards and codes, were developed in response to the interest in public expenditure accountability (Dorotinsky & Floyd, 2004)

Even though Tanzania has some of the most robust budgeting and public expenditure processes in Africa today, systematic reform efforts did not begin until the mid-1990s. Inadequate governmental financial management has resulted in substantial budget deficits and the build-up of arrears by this period. Cash management systems and processes were non-existent, spending allocations were based on implausible assumptions, and accounting reporting and audits were deficient (Nord et al., 2009). With the beginning of the Public Financial Management Reform Program (PFMRP) in 1998, the reform process was initiated. The primary objective of the program was to improve the fiscal condition of the nation, restore macroeconomic stability, stimulate economic growth, and enhance the delivery of public services (Maweje & Odhiambo, 2020). With these reforms, it was important to implement a legal framework that would create a robust institutional foundation that would, among other things, allow for a commitment control system (supported by IFMS) and improved budget control. As a result, the Public Finance Act (PFA) of 2001 was enacted, along with related regulations. These changes were mainly effective and led to a significant decrease in domestic arrears and improved financial management. Simultaneously, the government has implemented a "Medium-Term Expenditure Framework" (MTEF) to guide its planning through more accurate predictions of revenue and expenditures based on realistic assumptions. In 2000/01, the introduction of Government Finance Statistics as the foundation for budget categorization further improved the budget preparation. In addition, a Strategic Budget Allocation System (SBAS) was developed to better align the budget with national goals indicated in Poverty Reduction Strategy Papers and National Development Plans, also known as "*Mpango wa Pili wa Kukuza Uchumi na Kuondoa Umaskini Tanzania*" (MKUKUTA). Beginning in 2004, expenditure plans included in the MTEF must be compared to the MKUKUTA and defined results. This was designed to increase openness and responsibility.

Budgetary management procedures are required by all governments to ensure public accountability. Budget procedures are reformed to make governments more responsible, efficient, effective, and responsive. Reforms in the public sector have included everything from reducing the size of the government to bolstering openness and accountability

1.3 Methodology

The approach employed is qualitative, and the conclusions are derived from the content analysis of documents, interview transcripts, and to some degree, direct observations. We employed a variety of data collection strategies, including written documentation, interviews with key informants, and focus group discussions. We conducted 42 Key Informant Interviews (KII) with government, civil society, and donor community budget process players. Representatives from the business community, the Public Accounts Committee and Budget and Finance Committee of Parliament, donor economic governance initiatives, and non-governmental organizations participated in four focus group talks. The primary written documents included financial papers, reports from the Auditor General, budget statements, and technical analyses of the budget process and public financial management in Tanzania.

Two phases of interviews were undertaken. In the first phase (the first week), a semi-structured interview guide was used to determine the phases of the budgeting process, including official and informal institutions and the roles of important players. The interview guide utilized specifies the type of data collected from various actors and observers. We performed structured interviews during the second week to enhance findings and address particular questions that arose from semi-structured interviews. We were able to make inferences on the actors and interests, formal and informal institutions and procedures, and budgetary results based on the information acquired. Using text analysis, we identified essential categories of budget formulation, implementation, and monitoring experiences. Then, we recognized, coded, and classified primary patterns. The regularities showed trends and deviations that were categorized into themes and classified according to actor category. This report's presented results and recommendations are based on data collected and content analysis, along with the experiences of the core research team members and discussions with key team members.

2: ANALYSIS OF POLITICAL ECONOMY OF BUDGETING IN TANZANIA: ACTORS IN THE FORMULATION, IMPLEMENTATION, AND OVERSIGHT MECHANISMS

This study identified a number of institutions and stakeholders that are critical to the budgeting process in Tanzania (See Figure 1 and Table 2). Government/public actors, civil society, and donors are the three key entities that engage formally and informally in various phases of Tanzania's budget process. As part of the research, subsets of actors have been contacted and engaged with within each main category. Their interests may shift over time and in relation to other stakeholders, and the research presents them in context.

Figure 1: Political Economy of Budgeting in Tanzania: Actors in the Formulation, Implementation, and Oversight Mechanisms

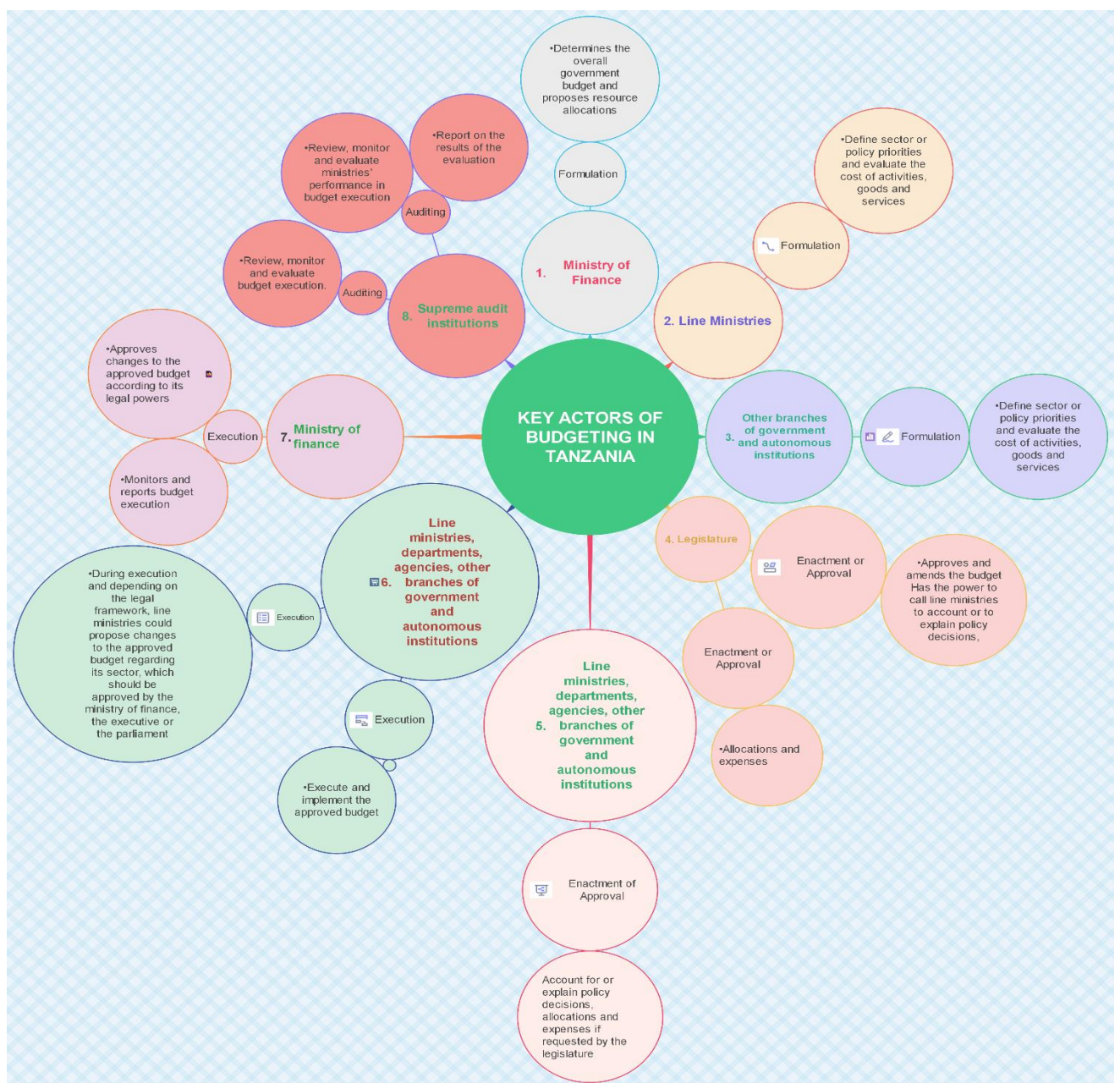


Table 2: Institutions and Key Stakeholders that are critical to the budgeting process in Tanzania

Stage	Actor	Roles
Formulation	Ministry of finance	<ul style="list-style-type: none"> • Determines the overall government budget and proposes resource allocations
	Line ministries, departments and agencies	<ul style="list-style-type: none"> • Define sector or policy priorities and evaluate the cost of activities, goods and services
	Other branches of government and autonomous institutions	<ul style="list-style-type: none"> • Define sector or policy priorities and evaluate the cost of activities, goods and services
Enactment or approval	Legislature	<ul style="list-style-type: none"> • Approves and amends the budget Has the power to call line ministries to account or to explain policy decisions, allocations and expenses
	Line ministries, departments, agencies, other branches of government and autonomous institutions	<ul style="list-style-type: none"> • Account for or explain policy decisions, allocations and expenses if requested by the legislature
Execution	Line ministries, departments, agencies, other branches of government and autonomous institutions	<ul style="list-style-type: none"> • Execute and implement the approved budget • During execution and depending on the legal framework, line ministries could propose changes to the approved budget regarding its sector, which should be approved by the ministry of finance, the executive or the parliament.
	Ministry of finance	<ul style="list-style-type: none"> • Monitors and reports budget execution • Approves changes to the approved budget according to its legal powers
Auditing	Supreme audit institutions	<ul style="list-style-type: none"> • Review, monitor and evaluate budget execution. • Review, monitor and evaluate ministries' performance in budget execution • Report on the results of the evaluation

2.1 Analysis of the main actors in the budget formulation process

The major purpose of this study is to understand the budget process in Tanzania stressing the role of actors with considerable control over the budget. However, as budget policy may

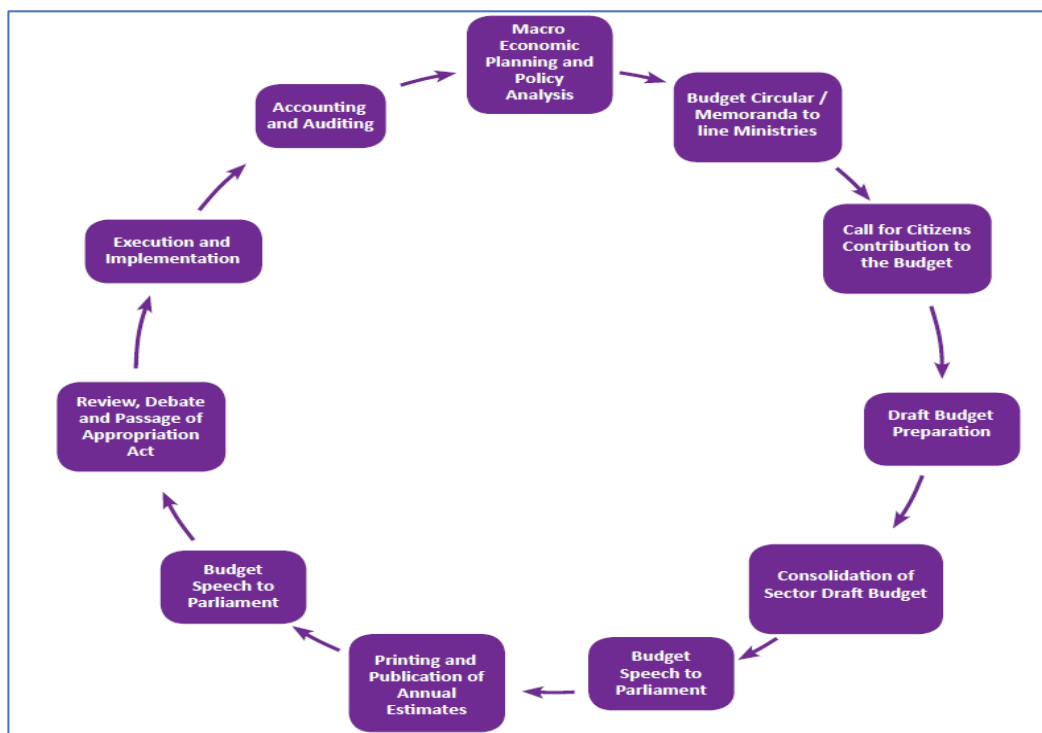
depend on the complexities of the decision-making, it is vital to know the full process of budget formulation and, in particular, be aware of the structure and function. The aim of this section is to describe the actors engaged in the budget-making process, their relation to one another, the official and informal powers they hold and how they tend to execute them over the several phases.

The budgeting process in Tanzania entails the interdependent decisions of a multitude of individuals with distinct capacities, perspectives, and resultant preferences. It is possible that no actor can unilaterally control the result, but some may have greater influence or authority. Consequently, the "actor constellation," defined as the collection of players that are actually participating in a specific policy interaction – the budget process in this example – and the amount of potential conflict or collaboration that may exist at any one time, plays a vital role in the end. Multiple actors are involved, each with varying levels of authority and incentives that can fluctuate over time in response to shifts in political influence, institutional structure, and specific norms of engagement.

Government's budget process (see Figure 1) in many African countries usually consists of the yearly budget cycle's events and activities. It primarily entails the determination of resources and their applications for the accomplishment of government objectives. A healthy budget serves as a tool for socio-economic and financial management and responsibility, as well as a system for allocating resources among various demands and objectives and promoting socio-economic development and stability. In accordance with precise macroeconomic projections of future growth, inflation, and external sector (import) patterns, the budget estimates are created. Donor/government consultations support the budgeting process by validating the financial commitment of donors. These negotiations occur between the responsible for finance and development partners.

Effective public budget procedures should estimate resources (from local and external sources) as precisely as possible, have clear ways for allocating these resources to sectors for allocative efficiency, and build sector plans for technical efficiency. Nonetheless, the assessment of locally accessible resources is poor due to a lack of resources and experience.

Figure 2: Budget Cycle



Source: Draman (2010)

In the case of Tanzania, there are three major global actors that will be described and discussed in this section: the Executive, the Legislative, and a range of various informal actors, including, among others, interest groups and political parties. Despite this, local government authorities have become a prominent player, but not necessarily as significant as the other three listed actors.

2.1.1. The Executive

In a broad sense, the influence of the Executive branch encompasses the authority of the President and various Executive institutions, such as the Ministry of Finance and Planning (MoFP), the budget units of the public sector offices, Ministries and Departments (MDAs), the National Bureau of Statistics (NBS) etc. Nonetheless, the Executive has significant contacts with other public sector institutions, such as the Bank of Tanzania (BoT), and with public sector corporations TANESCO, EWURA, which play a significant role in the estimation of electricity and oil prices during the budget proposal stage.

The executive also prepares a budget frame of three-year time period. This document is called the Budget Guidelines (BG) or Medium-Term Expenditure Framework (MTEF). A committee composed of officials from the Ministry of Finance, Planning Commission, Prime Minister's Office, Civil Service Department, and Regional Administration and Local Government prepares this document.

The President and his/her Cabinet

In the budget process, the Executive has the formal power to submit a budget plan to the legislature, which then amends and ratifies the document. Thus, the influence of the ruling party in the legislature becomes a key factor. Processes are required in general, but notably voting processes, since they decide who has sway over the final budget document and when. In Tanzania, the President wields considerable influence over a range of policy issues, including the budgeting process. Moreover, the Executive has the legal authority to impose a default budget if the proposal is not approved by the legislature.

The Ministry of finance and Planning (MoFP)

In Tanzania, the formulation of the National Budget is coordinated by the Ministry of Finance and Planning (MoF) and involves many other actors including Prime Minister's Office, MDAs and LGAs. While the financials are on annual basis, the budget frame has a longer three-year period as reflected in the Budget Guidelines (BG) or MTEF. MTEF and the budget guidelines are based on longer-horizon plans such as the Vision 2025, the Five-Development Plan: 2021/22 – 2025/26 and the ruling party's election manifesto. They, moreover, consider the macro-policy, sectorial performance review and resource projections; set government goals, objectives and budget priorities for the forthcoming financial year; and well as determine the resource availability and vote expenditure ceilings.

As for the Cabinet, the Ministry of Finance has an active official and informal participation in the entire budget process. Other ministries also have a formal role, mostly because they are obligated to present ministry projects that may require external money. Some ministries have stronger informal influence over budget allocations than others. The informal influence of a given minister over the finance minister about the adequacy of his budget demands and proposal is a crucial aspect of the budgeting process, as it may affect the final allocation of resources across ministries. In addition, a minister's probable lack of power might have a substantial impact on his/her reputation inside his ministry and even among his peers, influencing his political attitude.

The Ministry of Finance is a key player in the coordination of the budgeting process and is responsible for drafting the National Development Plan. The plan describes the general principles underlying the fiscal policy. Given that the Executive is solely responsible for the necessary macroeconomic variables forecasts and the systematic strategic use of macro projections underlying the budget, the Ministry of Finance estimates such projections. The Ministry of Finance also determines tax revenue projections.

Nonetheless, the process for preparing PE and OC budgets in Tanzania tends to be more of routine in nature and hence amenable to the use of guidelines and ceilings, but development budgets tend to adopt a combination of top-bottom approach through identification of priority areas and bottom-up approach through identifying Opportunities and Obstacles for Development (O&OD) and thus subject substantially by the nature of political-economy factors. The approval of budget proposals involves several main stages including scrutiny by the Inter-Ministerial Technical Committee (IMTC), approval of estimates by the cabinet,

scrutiny by parliamentary sector committees and public debate and authorization by the parliament.

2.1.2. Legislature

In addition to reviewing and approving budget and plans, the National Assembly is involved in all stages of the budget process, from planning and formulation through approval, implementation, and monitoring, as well as the audit and assessment phases. In this manner, the National Assembly is able to execute the powers delegated to it by the people, hold the government accountable, and, most significantly, engage the public at various phases of the budgeting process. The relationship between Parliament and the executive branch is crucial. The majority of bills and budget plans or proposals approved by Parliament originate from the executive. The National Assembly reviews and discusses the executive's budget proposals. If considered essential, the assembly can now modify the budget document and the budget projections by raising, lowering, or reallocating funds to other sectors and programs.

Parliament's primary responsibilities include reviewing and debating the government's draft ex ante budget (containing its income forecasts and spending plans) and authorizing expenditures to implement the yearly budget plan. Parliament also evaluates budget execution, and in certain countries, following yearly budget execution, it formally authorizes and dismisses the government. Parliament may also participate in pre-budget debates, the evaluation of the government's medium-term budget plan, the approval of supplementary budgets that change the legislature's initial budget, and the study of the external auditor's report (Lienert, 2010).

Parliamentary Budget Office (PBO), Public Accounts Committee (PAC) and the Local Authorities Accounts Committee (LAAC)

The majority of national legislatures have a variety of sectoral committees to address specialized budget issues in agriculture, defense, education, health, etc. Approximately forty percent of OECD countries have a specialized budget committee to review the government's proposed budget drafts. A powerful budget committee can play a significant role, particularly if its conclusions are final, i.e., if the plenary session confirms the committee's financial recommendations. Traditional Westminster countries have a PAC to analyse budget results, but a committee that examines and makes modifications to the government's ex ante budget draft, if it exists, has limited participation (this reflects the near absence of parliamentary budget amendment authority in such countries)(Lienert, 2010).

A **Parliamentary Budget Office (PBO)** is an independent, non-partisan organization inside the legislature that evaluates the draft yearly budget submitted by the executive and provides MPs with analytical tools to allow them to debate the plan and suggest alternative budget proposals⁸. Its primary responsibility is to create objective financial, fiscal, and programmatic information so that lawmakers may contribute, evaluate, examine, and make concrete decisions regarding budget proposals - so successfully carrying out their oversight responsibilities. The establishment of this special agency is justified by the fact that lawmakers require an impartial source of information and analysis to successfully carry out their financial

oversight responsibility. The PBO was established in Tanzania in 2013. The PBO offers technical assistance to the PBC and publishes reports for the PBC's consideration, but not for the general public. The PBC has a significant role in overseeing the executive in fiscal affairs (Mkasiwa, 2019a). Similar to other parliaments, particularly those with a Westminster system, the PBC in Tanzania reviews the draft budget, whilst the **Public Accounts Committee** and the **Local Authorities Accounts Committee** evaluate budget outcomes. In 2013, the PBC superseded the previous Finance and Economic Affairs Committee. In 2013, the PBC was established in Tanzania.

The Public Accounts Committee (PAC) is one of the Tanzanian Parliament's standing committees. It is an essential entity for monitoring the execution of the national budget and the use of public funds. The PAC has the power to promote good governance, combat corruption, and boost citizen confidence in the political system when it operates effectively. The Speaker appoints committee members from among the currently serving Members of Parliament (MPs). The PAC is an essential body for supervising the budget's execution and the usage of public funds. Tanzania has a much lower number of PAC support personnel than the rest of the region. The other five countries' PACs have an average of four staff people, whereas Tanzania's PAC has only two. Furthermore, committee members and employees get inadequate training (Pelizzo & Kinyondo, 2014). Accordingly, to perform its duties effectively, PAC must have access to pertinent data. The Constitution recognizes this need by establishing the Auditor-General, who has the authority and responsibility to audit and report to Parliament on, among other things, the accounts, financial statements, and financial management of national departments and other public sector institutions required by the Constitution to be audited. The purpose of the PAC is to ensure that government agencies are accountable to Parliament, which represents Tanzania's population. PAC has had several public hearings since its creation in an effort to guarantee responsibility and accountability.

Although PAC may point to a number of accomplishments, it confronts several obstacles that hinder its capacity to perform oversight efficiently and effectively. PAC must implement practical steps to enable it to perform its oversight responsibilities effectively; it lacks technical specialists and sufficient financial resources to expand its oversight capabilities. Another difficulty is the failure of government agencies to collaborate and implement PAC's resolutions. The Auditor-General and PAC reports frequently repeat recommendations from year to year, and there is little progress (indicating that the majority of departments addressed fewer than fifty percent of PAC resolutions). Compliance-related resolutions are disregarded, and reporting on preset targets has received practically little consideration. It is positive that steps have been made on nearly all resolutions, however the majority of these efforts remain incomplete. Many resolutions are carried over from prior years, thus thorough monitoring of their fulfilment is required.

2.1.3. The Local Government Authorities

Local Government Authorities have emerged as a new player in the broader legislative and budgeting process, but one with less clout than the others named. The rising importance of local governments as stronger budget actors is represented by a drastic but persistent change

in Tanzania's political dynamics from the national legislature to the subnational arena, particularly during the country's fifth phase of government. Thus, legislators and their parties have shifted from a resource-scarce and highly contentious parliamentary arena to a subnational arena, where they have been more successful in protecting their budgetary allocations and where they have more financial resources to maintain their hegemony, perform constituent services, and sustain a healthy electoral connection. Some city mayors have sufficient leverage to negotiate allocations directly with the president's office, to operate their own public services, and to influence significant areas of national policymaking. Mayors and the general public may also believe that democracy and governability are protected in cities during national politics and local elections.

2.1.4. Interest groups and Political Parties

Numerous interest groups seeking to preserve their "rent" in the budget allocation wield varying degrees of influence on the composition of spending levels, which has a substantial impact on the inertia and rigidity of the budget allocations. Informal actors, including government employees and others seeing gains from the budget, exert political pressure for substantial increases or to prevent cutbacks of resource allocation, so exacerbating any political tension or unresolved problems at the various phases of the budget process.

There are powerful lobby organizations in the parliament, and they work primarily through three large groups: the unions, the political groups with widespread influence and sufficient electoral weight – both from public elections and from inside- and political authorities. Political parties and politicians in general, with a propensity for short-term outcomes that might increase their political standing, have a tendency to exert pressure at various phases for the allocation of resources to certain projects, sectors, or geographic regions of their interest. Frequently, the usage of "additional credit" is the result of efforts from varied interest groups and their friends inside the government to apply extra funds to activities that may have been cut from particular sectors during the budget proposal and approval phases.

2.1.5. Development Partners

Consultations between donors and governments aid the budgeting process by verifying donors' financial commitment to the budget. However, interviews with various MoFP officials and parliamentary representatives revealed that:

The process of estimating and getting donor funds is filled with uncertainty and frustration due to difficulties in achieving implementation and reporting requirements-related conditionalities.

From interviews with key civil service stakeholders, it was also clear that capacity challenges are fundamental to donor and government negotiations on specific projects, as well as reporting or execution requirements. In Tanzania, the formulation of the budget process is further influenced by the minimal commitment of policymakers. The study found a considerable degree of "reform fatigue" among stakeholders, as well as a loss of faith in the budget process's outcome. In addition, interviews with officials in line ministries indicate that they regard the MTEF as an add-on activity owned by the Ministry of Finance and donors,

rather than as an indispensable instrument for public expenditure management. Consequently, the MTEF has not converted the budget into an orderly, transparent, and all-encompassing management instrument for public expenditures. In addition, interviews reveal that civil society's commitment to a budget process based on a plan for reducing poverty is limited as a tool to reduce poverty.

Consequently, a multitude of interests also factor into budget formulation in Tanzania. The resource constraint implies strict rationing. Although the Ministry of Finance and Treasury are tasked with allocating resources, the cabinet has a greater impact. As a result of informal and formal processes at the level of budget formulation, the budget is projected to overspend and require borrowing. Some departments get allocations that are disproportionate to their involvement in achieving social and economic policy objectives, resulting in inefficient allocation. In the line ministries, resources are not allocated to the most productive endeavors, resulting in technical inefficiency.

2.2. The budget implementation

In Tanzania, the Budget Act 2015, Section 44 (l) states that: *"Minister shall, after approval of the annual national budget by the National Assembly, issue the annual cash flow plan of Government based on work plans, procurement plans and recruitment plans as approved by the National Assembly"*. With the passing of the Appropriation Bill, the Executive through sector ministries, requests for the release of funds to implement activities. The annual cash flow plan issued under subsection (l) also serves as the basis for release of funds by the Accountant - General to an accounting officer. The Accounting officer shall then commit the budget in accordance with the annual cash flow plan issued under subsection (l) (United Republic of Tanzania, 2015). Section 45 of the same act authorizes for budget expenditure by stipulating that: *"where the Government and public entity have expenditures that are charged on the Consolidated Fund under an enactment of Parliament-(a) an accounting officer has the authority to spend the money in accordance with the purposes specified in the legislation; and (b) funds disbursement to votes shall be based on performance, approved budgets and funds availability"*.

Budget execution/implementation in Tanzania usually involves collection and accounting for revenue, provision of services through the recurrent budget and implementation of development projects. The key documents used during implementation of the budget are Revenue and Expenditure estimates books, action and cash flow plans and budget memorandum. Funds release and transfer are executed through the Integrated Financial Management System (IFMS) (using the EPICOR platform) that links up most of the government paying stations. In addition, MoF publishes quarterly Budget Execution Reports (BER) to maintain transparency on actual use of public funds in line with the budget estimates approved by the Parliament. During budget implementation, the Revenue and Expenditure Estimates books, action and cash flow plans, and budget memo are among the other materials utilized. The Ministry of Finance issues Budget Execution Reports on a quarterly basis in order to ensure openness on the actual usage of public funds in accordance with the budget estimates authorized by Parliament (Draman, 2010)

Accounting officers do not have the authority to alter funds allocated for a particular activity or item in their votes as per the Public Financial Act of 2001. On the request of accounting officers, the Minister of Finance may sanction virement within votes, but permission for reallocation must be produced for Parliament's records. The Tanzanian Revenue Agencies and other MDAs account for and collect revenue, while responsible officers account for expenditures in compliance with the Public Finances Act of 2001.

In addition, interviews with key stakeholders indicate that specific expenditures are frequently redirected to expenditures that advance political goals. One of the MPs interviewed talked at length about the powers held by the Minister for Finance:

The Minister role is to guide political decisions at ministerial level. He guides resource allocation to align with political agenda. Very influential. In fact, he is too overbearing. There is a need for a bottom-up process.

One of the most significant findings pertains to determining the operation of power in its broadest sense: *who has the most influence and who determines the rules by which formal resource allocation and budget execution games are played.* Members of Parliament noted that although they review budgets and conduct field visits to verify expenditures for value for money, no definitive arrangements have been made for these arrangements, and thus most of the control over budget implementation remains with the central government through the Ministry of Finance.

Furthermore, during consultations with stakeholders it was noted that substantial ineffectiveness in PFMA occurs during budget implementation where limited budgets often drive heightened political/informal influences. The budget process has many stakeholders involved formally. The stakeholders have also informal roles due to their other responsibilities in society which in turn may unduly affect the formal ones. Additionally, it is noted that the President and MoF have relatively substantial influence on budgetary allocations and to a larger extent these offices are influenced by "political and personal interests." The holders of these offices need to be cautioned about the risks but also regulated by appropriate legal and regulatory controls. Ministers and permanent secretaries are also somehow influential, and they sometimes promote activities that are not directly part of the Parliamentary approved budget. They too need to be better regulated and monitored. This partly means enhancing the capacity and resourcing of the accounting and internal and external auditing functions of the MDAs/LGAs. At a more strategic level, MDAs and LGAs need to define clearly mechanisms that can be used to ensure that public financial management and accountability will impact positively on service delivery. In other ways there is need to work out the required PFMA measures after defining the desired service results and how to meet them. And in designing such PFMA measures, the expected political factors must be anticipated and appropriate mitigation measures devised.

Limited financial management capacity and institutional constraints are limiting PFMA reforms especially at the implementation stages according to recent research by Quak (2020). This is despite some notable improvements in revenue collection. The

limitations are prevalent at the local government level and especially at the lower local government level and shown to affect the delivery of public services. The annual budget remains an important entry point for ensuring effective PFMA. It is found that an annual budget that is not reliable and credible weakens PFMA performance (Lawson et al., 2017). Addressing the weakness - the research suggests relaxing the monthly expenditure restrictions in the cash rationing system. In other words, the cash rationing system undermines the budget's credibility and causes arrears to accumulate. This necessitates considerable reforms centered on more contemporary and adaptable methods of cash planning and commitment control, which support the budget's predictability while limiting the fiscal deficit (Lawson et al., 2017).

Interviews with stakeholders indicated that some government decision makers were rather too overcautious to switch to new systems in PFMA fearing that revenue collection targets might be affected. This may suggest that attitudinal factors do play a role and may need to be addressed through proper enlightenment of the issues and options available to ensure that if there is failure then it will be a safe one.

The active participation of citizens in the government budget process is expected to contribute to enhancing the effectiveness of PFMA. However, a recent research study found that despite the overt government beliefs in the role of such participation, participation is not yet effective owing several constraints (Mulikuza et al., 2014): Weaknesses and poor implementation of the O&OD and incorporation of the resulting proposals; inadequate government officials' understanding of the O&OD approach and process; poor citizenry's understanding of the budgeting processes; the overdominance in the budgeting process of central control and influence; insufficiency of resources for effective local participation. As noted by Mulikuza et al. (2014): "Despite the constitution, the tight control of central government over LGAs and on resource allocation continued to avert public participation."

The still substantial challenges facing budget execution led one researcher to remark: "*While the management of the area of public finance is highly legislated, the waste with which ... resources slip through the public coffers remains a paradox*" (Basheka & Phago, 2014), and noting the major challenges to be the rather unmanaged but crucial influential political factors and processes, flaws in the institutionalisation and implementation of the principles of separation of power between the Executive, Legislature and the Judiciary; the uncontrolled impact of externalities; the complexity and confounding nature of public finance management issues; weakly informed and organised citizenry for effective participation to demand public accountability. Thus, greater efforts need to be accorded to addressing these challenges as part of PFMA reforms.

2.3. Oversight of the budget process (monitoring and evaluation)

The Role of Controller and Auditor General (CAG)

In the oversight of the budget and the enforcement of government accountability, parliaments and audit agencies play crucial and complementary responsibilities. However, the connection

between parliaments and audit agencies is one of the weakest links in the accountability chain, resulting in a lack of accountability in the budgeting process (Santiso, 2015). Parliaments and audit agencies have a crucial and complementary role in scrutinizing government finances, controlling budget execution, and enforcing government accountability (Wehner, 2006). There was much discussion surrounding whether the office of the CAG has any important role in controlling budgeting execution in Tanzania. One of the members from the main opposition party in Tanzania noted with concerns that:

“CAG is too focused on postmortem rather than prevention.”

This was echoed by similar comments from Policy Forum Respondents who noted that:

“CAG is just making repetitive recommendations. Not really creative! He needs to go beyond repetition to give us fundamental proposals that will really transform accountability of public institutions.”

The analysis of the two comments reveals that the relationships between the budgeting process and audit agencies are characterized by principal-agent challenges. However, it may also imply that changing the structure of incentives for the principal, that is CAG, might increase its efficacy. In other words, changes to the principal's incentives increase the agent's efficiency. In the interest of greater independence, it has been proposed that an audit office not to be part of an executive government agency, but rather a legislative authority or a department of the legislature. Except for the United Kingdom, it is part of an executive department in the majority of the countries. It is at least debatable whether being a "department of the parliament" and reporting to an auditor-general who is an official of the parliament increases the Office's independence or professionalism in any practical sense (Barrett, 1996). An intriguing point can be presented here regarding when the CAG of Tanzania was supposedly compelled to retire early due to disagreements with the legislature and the executive branch.

The Role of Parliament

The legislature's functions of budget oversight are one of, if not the most crucial of all its functions. Therefore, it is necessary to comprehend and participate in each phase of the budgeting process. Considering the aforementioned country budget processes, the function of the legislature and, by extension, of members of parliament is confined to budget approval and post-budget implementation audit through the PAC. Even worse is the minimal participation of Parliament in the budget process during budget approval, where it is supposed to have a significant impact. In some countries, the delay in budget presentation to the House by the Executive makes it difficult for legislators to thoroughly examine and discuss proposed policies and sector estimates before enacting the Appropriations Act. As a result of noncompliance with the budget schedule, budget drafters eat into the time lawfully designated for debate. By the time the budget reaches Congress, the end of the fiscal year is near, leaving legislators with little time. This is exacerbated by the fact that the majority of Parliaments in the study lack the logistical and technological resources necessary to scrutinize

the budget. With the exception of Kenya and Uganda, whose national budget office provides some type of technical assistance, the remaining countries have none.

Regarding budget execution and implementation, the executive cannot incur expenditures without parliamentary permission. Generally, sector ministries are obligated to spend according to the amounts granted by the legislature and are unable to adjust allocations for specific activities or items. Parliament is empowered with the authority to reallocate between votes. Nonetheless, there are circumstances during the implementation term that necessitate the reallocation of monies either within or between votes. Circumstances that allow the Minister of Finance to authorize the reallocation of monies between votes and to seek retroactive approval from Parliament severely erode this authority of the legislature. In certain nations, such as Ghana, the Minister of Finance has the authority to authorize sector Ministers to vire allocations within budgets despite the appropriations made by the legislature. However, the Minister must consolidate all such virements and submit a declaration of reallocation (reallocation warrant), which is then provided to the legislature for its information. By this means, the Minister of Finance retains complete control over budget implementation, with the heads of executing MDAs and Parliament having very little discretion.

As one of the oversight institutions, the legislature is required by the Constitution to keep the executive branch responsible to the voters. Legislative officials can contribute to the execution of the parliament's essential duties and obligations by virtue of their participation in these processes. Budget oversight is the single most significant area where legislative oversight is crucial. Budgetary supervision by the legislature has a favourable impact (Mkasiwa, 2019b) on budget transparency, as it fosters public accountability. Financial oversight entails an ongoing process through which the legislature monitors and advises the executive branch on budgetary concerns and the use of public resources. Global standards acknowledge the role of the legislature in budget approval, budget implementation, medium-term budgeting, and priority determination. In this form of accountability, bureaucrats are answerable to the legislature and, ultimately, to the population. The successful function of a legislature in budget monitoring helps the overall budgetary process because it produces a win-win scenario for both the administration and the legislature and offers necessary checks and balances. Consequently, it increases transparency, encourages public debate, and provides a forum for broad-based feedback that can serve to strengthen consensus over budget decisions. To unlock IMF and World Bank assistance, national governments in developing countries are under pressure to enact fiscal control measures (Nyamori et al., 2017). Putting foreign funds through the budget should, in theory, subject them to more effective domestic oversight. However, there is little indication that parliamentary oversight of public finances has appreciably improved since the budget's growth of discretionary spending. Parliamentary committees have received some technological support to help them solve this issue. In the absence of a coordinated effort to improve the presentation of the budget and until the political role of parliament is strengthened, this is unlikely to have a substantial effect (Lawson et al., 2005).

Like most other PACs in Sub-Saharan Africa, the Tanzanian PAC faces undue influence from the executive in the execution of its duties. Parallel to that, the parliament's budgetary oversight function is seen as almost ineffective and a rubber-stamping occasion. Parliament is not seen as playing the important role that it should play in the budget cycle. It does not provide input into the planning phase of the budget as much as it should, it does not demand regular financial reporting from government, and all too often independent audits are late and parliamentary oversight committees do not have adequate resources to scrutinize public accounts (Sylister, 2020).

The Role of Civil Society Organizations (CSOs)

The Tanzanian CSO industry is hampered by a restricted legislative framework that has and continues to grant the government extensive control over CSOs. Section 20 (1) of the Non-Governmental Organizations Act of 2002 allows for the cancellation of an NGO's registration if it violates the terms and conditions under which a certificate was given. The deregistration of the Tanzania National Women Council (BAWATA) on 30th June 1997 and the prohibition of *HakiElimu's* operations in September 2005 are examples of this reality. However, the terms and circumstances are interpreted differently by both CSOs and the government, which helps to explain the prevalence of tension in their ties. Notwithstanding, the NGO Act (2002) provides a legal foundation for registered NGOs, indicating a progressive shift in the government's perspective on the legal status of CSOs (Nguyahambi, 2021). Therefore, it is difficult for the business and civil sectors to develop an alternative economic agenda to that of the governing party.

Regarding the initiatives taken by the government and civil society to institutionalize the role of civil society in the budgeting process, the elected members were fairly optimistic about the role that these important oversight institutions may play:

There is a need to develop guidelines for CSO engagement, perform regular CSO capacity development, guarantee CSO freedom, legalize CSOs, and include them in the budgeting process. Currently, no such official agreements exist.

3: ANALYSIS OF POLITICAL AND ECONOMIC FACTORS AFFECTING THE BUDGET PROCESS IN TANZANIA

3.1 Economic vulnerability

Tanzania has seen excellent macroeconomic success, as the GDP growth rate in 2015 at constant prices was 7.0 percent, compared to 6.8 percent in 2017. The expansion was the result of an increase in public investments, particularly in the construction of infrastructure such as roads, railways, and airports; the stability of the power supply; the improvement of transport services; and an increase in agricultural output due to favourable weather conditions. The expected GDP growth rate for 2019 was 7%, with a further increase in the long term to an average of 7%. The trend was supported by continued public investment in infrastructure, the implementation of the Blueprint Action Plan for Regulatory Reforms to Improve the Business Environment (The Blueprint), and the government's concerted efforts to promote industrial economy through the transformation of the agriculture sector (United Republic of Tanzania, 2019).

The development strategy has been pushed by the first and second MKUKUTA – Tanzania National Strategy for Growth & Poverty Reduction, and has been reflected in the five-year development plans, the most recent of which spans 2011/12 to 2016/17. In November 2015, the new government led by President Magufuli took office, combining the remaining agenda items from MKUKUTA II and the First Five Year Development Plan (2011/12 – 2016/17) into a new Five-Year Development Plan for 2016/17-2020/21 and the National Development vision for 2025. Despite these favourable recent advances, progress towards the 2015 Millennium Development Goals has been uneven. Satisfactory outcomes pertain to under-five weight, net enrolment in primary school, gender balance in primary education, decreased child mortality, HIV/AIDS prevention, and improved urban drinking water quality. The proportion of the population living below the poverty line, maternal mortality, height of children under the age of five, gender parity in secondary and tertiary education and in Parliament, access to clean water for the rural population, and the proportion of the population with access to improved sanitation all perform poorly (Lawson et al., 2017).

3.2. Political competition

Even during the single-party era, Tanzania has held contested parliamentary elections (1965-1990). In the single-party elections, two candidates from the same party, Tanganyika African National Union (TANU) and, after 1977, Chama cha Mapinduzi, (CCM) contested. In 1970, for instance, approximately one-third of former MPs who ran for election failed. Analysis of Tanzania's single-party parliamentary elections reveals that few Tanzanian MPs serve more than one term, and those who seek re-election frequently fail. For example, just eleven of the MPs elected in the 1985 election had previously served in parliament. In the 1990 election, 20% of incumbent members of Congress were defeated. With the establishment of multiparty politics, it was predicted that numerous opposition MPs would be elected to the parliament. Contrary to expectations, opposition parties' electoral support has continued to decline and is nearly hopeless for the 2020 elections (Pastory, 2021). In the presidential and parliamentary

elections of 2020, there were changes in party representation, voting trends, and constituency balance. The number of opposition seats in parliament declined dramatically. This indicates that CCM retained a substantial working majority in the Parliament. This demonstrates also how the competitive nature of elections may impede the institutionalization of democracy, since Parliament has been prevented from becoming a completely autonomous branch of government. In terms of economic responsibility, we find that the majority rule enjoyed by CCM have led to an inefficient budget procedure that may have detrimental long-term effects.

The line ministries and other parties have generally narrow budgetary perspectives. The central ministries are better able to examine the overall picture, of which aggregate expenditure and macroeconomic trends are key components, due to their missions and domains. Therefore, the tragedy of the commons can be reduced by allowing the central ministries control over total expenditures. In Thailand, for instance, the four central agencies have had great autonomy and power in setting aggregate budgetary objectives; the Cabinet or the Parliament has only overturned their targets twice in the previous three decades (Campos & Pradhan, 1996). However, given the nature of politics in many countries, this may not be sufficient. Recipients will exert persistent pressure to enlarge the budget envelope. Establishing concrete regulations that limit spending and borrowing and penalize overspending by line ministries might give the central ministries greater influence over claimants or strengthen their negotiating power. In practice, this implies that central ministries may justify their actions using objective, predetermined norms. Similarly, the "balanced budget" clause of the Indonesian constitution prevents the government from incurring any domestic borrowing. The information available to line ministries about the optimal allocation of resources within their respective sectors to meet predetermined goals.

Consequently, a complementary arrangement that would reduce transaction costs would be to provide them with the option to choose which new programs to implement and which old programs to eliminate, i.e., distributing resources within their limits reduces the cost of information. As long as line ministries can be held accountable for their performance (through reconciliations and ex-post evaluations) and as long as their performance is made transparent, they will tend to use the information they possess (but which central ministries and politicians do not) to allocate their ceilings in order to meet their assigned objectives.

3.3 Power relationship between political and civil society actors

Political Parties and Budget Control

Tanzania, like a number of other multiparty democracies in sub-Saharan Africa, has maintained executive control despite its multiparty system. In Tanzania, executive power has assumed a highly personal character. The constitution of Tanzania from 1977 stipulates a presidential system with substantial checks and balances, with the legislature and the judiciary serving as a check on executive authority. In practice, however, the organizations meant to counterbalance presidential authority are plagued by limited capacities, irregular donor assistance, and inadequate finance from the executive branch. The official presidential powers include substantial appointment powers, the majority of which do not require Parliamentary

approval, such as the nomination of cabinet ministers. As a result of strong executive domination in Tanzania, appointments to cabinet, diplomatic offices, and heads of parastatals are based on personal devotion to the Head of State rather than technical skill or performance.

Politicians typically face disincentives to effectively implement public sector reforms since doing so frequently necessitates confronting a variety of vested interests, while the benefits of public sector reforms tend to be long-term, uncertain, and frequently not very visible to voters. These factors are consistent with the broader theory of limited access orders. Evidence from both the literature and the portfolio review reveals that competing 'political economy forces' (some favouring and others opposing public sector changes) regularly coexist (Bunse & Fritz, 2012).

Civil society

The capacity of Tanzanian NGOs to engage in policy debates in forums such as the Public Expenditure Review has risen dramatically from a low starting point. Concerns exist over the extent of this capacity and the propensity of NGOs to contest resource distribution choices (Nyamori et al., 2017). In less developed countries, the planning, policymaking, and execution processes are excessively centralized and hierarchical. This strategy greatly reduces the true participation of citizens and civic organizations, as well as the ownership and longevity of development projects. While the top-down strategy cannot be entirely disregarded, it cannot alone make a considerable impact on the creation of pro-poverty services since it tends to neglect the connection between service providers and recipients by focusing excessively on supply-side variables (citizens)(Yimenu, 2011).

Although civil society representatives participate extensively in policy processes in Tanzania, the government does not encourage direct citizen participation. In contrast, the government views CSOs as intermediary social agency between citizens and the government. For example, interviews with some officials from Policy Forum revealed that:

“Non-State Actors (NSAs) not well coordinated for effective participation in PFMA reforms; they have some seriously competing factions within them. Moreover, the Government has not demanded NSAs to unite and present a united front on PFMA. Further, the government needs to be clear on the best process for involving the NSAs.

On the other hand, the government is cognizant of the fact that CSOs are socially and geographically widespread and have a deeper relationship with the public than state organizations. CSOs have assumed a more active role in shaping state policies, budgets, and monitoring through a variety of national planning committees and other forums in recent years. On the other side, influence is frequently constrained by participation limits and a lack of relevant information supplied by the state to CSOs. Although CSOs have criticized various procedural and policy concerns, they have not assumed a significant 'watchdog' role towards the state and rarely voice extreme criticism(Haapanen, 2007).

Several studies on public financial accountability in Tanzania (Lawson et al., 2005; Lawson et al., 2017; Sipondo, 2015) indicate that social accountability efforts have also focused on strengthening legislative oversight, and that connections between parliamentarians, citizens,

and civil society organizations are also crucial for enhancing social accountability. In addition, the government's accountability procedures have been broadened to incorporate the use of participatory data gathering and analysis technologies, as well as more space and opportunities for citizen/civil society interaction with the state. These accountability advances have spawned a new generation of social accountability techniques, such as participatory public policymaking, participatory budgeting, public spending tracking, and citizen monitoring and assessment of public services

In Tanzania, the rise of civil society organisations during the past decade has been remarkable. However, civil society organizations have either been unable or unwilling to participate on problems such as the budget and economic governance. The three categories of Tanzanian civil society are membership-based associations, nongovernmental organizations, and the media. The churches are the most influential membership organizations in Tanzania and the only civil society organizations with grassroots backing. Very few religious non-governmental organizations have integrated economic governance themes into their civic and voter education curricula. Other membership-based organisations, such as professional associations (e.g., economists and accountants) and business associations, have lately gotten involved in the budget process, but remain weak due to capacity issues, their urban location, and their elitist standing. As with churches, few non-governmental organizations have a particular expertise and emphasis on issues of economic responsibility; they have been preoccupied primarily with democratic governance or service delivery.

3.4. Development Partners

Governments are unlikely to reject reform initiative proposals backed by donors due to their financial clout. Public servants in Malawi, for instance, avoid expressing concerns to donor-funded programs so as not to be perceived as 'stopping help.' In several countries, lack of local ownership is a key concern. Donors know this, but they may not necessarily perceive the connection to their own methods of operation. They typically view lack of ownership as a project management issue that can be remedied by arranging seminars and consultation sessions with local leaders. When several donors are involved in a single country, the challenges associated with their participation are exacerbated. In mid-1996, the IMF, the World Bank, the United Nations Development Programme (UNDP), the European Union (EU), and the national assistance agencies of the United Kingdom, Canada, and the United States were all participating in public service reform in Malawi (Polidano & Hulme, 1999). When this occurs, the majority of donors may not share the same policy reform objective. For example, some *HakiElimu* people noted:

"Most donors' interest is not in PFMA and budget reforms; they are more in gender rights and human rights and other social issues. [More]donors need to align and demand adherence to best practices in PFMA and budget." (HakiElimu Respondent)

Using three African countries as examples of Ghana, Uganda, and Malawi, Campos and Pradhan (1996) suggest that donors play the most important influence. While donor support has offered incentives for short-term aggregate fiscal discipline, the method in which

expenditure cuts have been enforced has inhibited spending prioritizing. Additionally, several donor programs have fractured the budget. Conditionality imposed by donors on the broader composition of spending has been ineffective, as have donor-driven efforts to enhance technical efficiency. A second characteristic is the absence of openness and accountability in these institutions, which results in ineffective rule enforcement. Frequently, budgets are recreated during budget implementation in a centralized, ad hoc way, resulting in major departures from the authorized budget and an unpredictable flow of resources to line agencies.

4. ANALYSIS OF PFMA REFORMS AND BUDGET IN TANZANIA

Tanzania is strongly committed to ensuring a well-functioning public sector that enables its people to have satisfactory access to quality public services within an environment of flourishing public and private productive sectors. Achieving this vision requires government performance in several dimensions one of which is having efficacious budgetary institutions and the budgetary process. Ideally the budgetary institutions and process should do well in public resources allocation targeting setting; align with and implement Government strategic plans and policies; ensure effective financial control and fiscal prudence, efficiency, and integrity; secure accountability of the public; and mechanisms to manage effectively the political economy drivers affecting public financial management and accountability.

Despite the efforts taken to date to strengthen budget institutions and process within the context of the Public Financial Management and Accountability reforms, significant constraining issues remain that need to be unpacked and addressed. The issues especially those related to the political economy of the PFMA are analysed in the section – within the broad stages of the budgetary process given earlier and which involve (a) the MoF issue budget guidelines, priorities, and ceilings; MDAs and LGAs preparing their budget proposals in line with the set policy and strategic goals, spending limits and other set criteria; and (c) the internal and external discussions to produce a comprehensive draft budget within the projected resource envelop. Fiscal responsibility laws are also assessed.

4.1. The Reforms in PFMA and Budget in Tanzania

Public Financial Management & Accountability (PFMA) reforms ideally should focus on and aim at¹ budget and revenue management (1) credibility; (2) comprehensiveness and transparency; (3) strategic objectives/policy – based; (4) predictability and control; (5) compliance with accounting, recording and reporting best practice/standards; (6) opening to legal external scrutiny and audit; and (7) best practice integration of donor and other support.

Yet, stakeholders' consultations indicated existence of issues that need attention to have impactful reforms. The budget is rather very short-term oriented with relatively limited long-term strategic focus and in most cases, it is rather significantly influenced by both the formal and informal interests of the respective MDAs/LGAs, meaning there is a major risk of little alignment between the government agencies. Second, budget proposals discussion at Cabinet is not transparent to other stakeholders limiting substantially the opportunities for stakeholders outside the executive to contribute to the phases of creating the budgets. Third, while the LGAs have a huge role in PFMA and the budget process and have a key responsibility as that is where the projects take place, the magnitude of their influence is not commensurate to their important role. Fourth, the practice of budget performance audits is still weak and does quite overtly involve NSAs. Fifth but not the end, the efficacy of the CAG leaves much to be desired as already referred to,

¹ Shah, A. (2007) Ed. *Budgeting and Budgetary Institutions*.
https://www.sabin.org/sites/sabin.org/files/restricted/Shah_BudgetingandBudgetaryInstitutions_07.pdf

4.3. PFMA policy agenda formulation

Despite Tanzania being one of the first countries to implement the PEFA in 2005, its results from the PFMA reforms have been less than expected as indicated in key performance metrics (Basheka & Phago, 2014): low budget credibility; low predictability and control of budget execution; and bottlenecks and unpredictability caused by overreliance on cash budgeting. Interviews of key informants pointed to a lack of overarching integrated long-term strategic vision for the reforms as being a crucial fundament issue.

PFMA reforms/agenda lack a strong integrated strategic steering, and this challenge contributes to inconsistency and gaps in results. The reforms lack a strong and big strategic vision able to give a clear direction. Currently every PFM programme has a strategic plan! Thus, it has been difficult for the reform programme to have a coherent long-term direction [EU Respondent]."

PFMA policy agenda formulation in the country is both formalized and otherwise. Research on dynamics of the process reveal an interplay of three major factors (Fischer, & Strandberg-Larsen, 2016)²: "financial incentives, technical expertise, and influential position." The actors that possess all or most of these factors tends to be quite powerful with examples being the development partners and MoF, sometimes with detrimental results. "Powerful" actors in the PFMA reform process must have their powers managed and formulation process made more inclusive and transparent.

The overbearing influence of CCM MPs in parliament and in the whole political setup is claimed by some of the consulted stakeholders to constrain the capacity of the government to promote effective and comprehensive PFMA reform agendas. This is made worse considering that the engagement of NSAs in the PFMA reforms and processes has been rather ineffective. As Fritz et al. (2017:47) state³: "[CSOs'] direct involvement in budget and PFM reform has been limited and had minimal impact due to capacity constraints, resistance from government, and few openings for participation." Previously NSAs were well engaged to assess sector expenditures as part of Public Expenditure Tracking Survey (PETS) and Social Accountability Monitoring (SAM) but this is no longer the case. Enhancing the participation of NSAs and other actors in the PFMA and budget processes calls for greater attention to simplification of systems and frameworks. For example, regarding the MTEF frameworks, Lawson, et al. (2017: page 74) observes⁴ that:

A review of the approach to the MTEF would be very timely, with the basic objective of developing a framework for medium term budgeting that is simple and fit for purpose, starting from a careful reassessment of what are the core

² Fischer, S. & M. Strandberg-Larsen (2016); Power and Agenda-Setting in Tanzanian Health Policy: An Analysis of Stakeholder Perspectives. <http://ijhpm.com>. Int J Health Policy Manag 2016, 5(6), 355–363

³ Fritz, V., Verhoeven, M., & Avenia, A. (2017). Political Economy of Public Financial Management Reforms. Experiences and Implications for Dialogue and Operational Engagement. World Bank: Washington D.C. <https://pefa.org/sites/default/files/resources/downloads/121436-15-11-2017-18-52-15-NTDofPFMReformsReportWeb.pdf>

⁴ Lawson, A. F. Hedvall, C. Thue-Hansen and G. Contreras (2017); Tanzania Mainland: Public Expenditure & Financial Accountability (PEFA) Performance Assessment Report, Baseline Assessment Based on PEFA 2016 Framework. Submitted to the Ministry of Finance

objectives of such a system in Tanzania. However, a precondition for an effective medium-term budget is a credible annual budget, which is not currently the case.

4.4. PFMA “powerful” Stakeholder Interests

Stakeholder interests do influence the PFMA reform agenda. The principal-agent relationship between voters (the principals) and politicians (the agents) distorts the benefits to voters. The common pool problem of public finances with few targeted groups benefiting from taxes collected from the collective many is another problem that face PFMA in Tanzania. To reduce the negative effects, the consulted stakeholders advocated for continued strengthening of the institutions governing the budgeting process for enhanced adherence to good governance and PFMA principles which inherent demand a strong focus of responding to the needs of and being accountable to the public.

Dysfunctional stakeholder interests/factors are believed by some of the consulted stakeholders to be driving the patterns of substantial leakages of public resources as revealed in some reports including CAG ones.

PFMA process entail both formal and informal institutions that interconnect with the latter in most cases contributing to impair the effectiveness of the former. For example, there has been a tendency, largely for political reasons, to increase the budget year on year while actual amounts of resource have fallen much short of the projections. The informal interests and processes touch on various stages of the budget process including formulation, implementation and oversight and to address them will require stepping up the effectiveness of the participation of NSAs in the process; strengthening the capacity and independence of oversight institutions; migration to performance-budgeting processes; strengthening parliamentary capacity on PFMA; strengthening the extent and quality of the involvement of the media in providing the public with information of PFMA; and involving academic and research tanks in the critical appraisals of PFMA and budget processes.

Going forward – hard decisions will have to be made to constructively manage the influence of powerful stakeholders that unintentionally or overtly misuse their power against the vision of effective PFMA and Budget processes. The consultations with stakeholders pointed to these stakeholders as presidency, development partners, cabinet, MoF, MDAs and LGAs and TRA. One way to manage is to raise the power of the other stakeholders like NSAs and Parliament who currently appear to be less powerful.

The main challenges/issues facing the PFMA reform agenda and budget in relation to donors, lenders, the private sector and political parties include the misuse of fiscal policy for political gains as noted hereafter⁵:

Fiscal policy in Tanzania is often used as a political tool, often hampered by a nexus of interests between the ruling party, the government and businesses. ...

⁵Analysis.<https://utamu.ac.ug/docs/research/publications/journals/What%20Constrains%20Effective%20Public%20Financial%20Management%20in%20African%20Democracies.pdf>

Presidential directives have often guided budget frames rather than prudent policy choices. ...The prevailing policy uncertainty is clearly affecting the business environment.

Although existing programmes have contributed significantly towards building institutional capacity, many weaknesses remain. The ... government has attempted to bring about a positive change in the public service ethos; however, the entrenched incentives make institutional responses conditional upon Presidential directives, given the fact that institutional appointments are overtly political. Strategic leadership in key institutions like the Ministry of Finance will be critical for reform implementation.

The late Speaker of the National Assembly in Tanzania, Mr Samuel Sita did call for the need to have a powerful and independent parliament as way of ensuring effective oversight on public finance management⁶: *"The ideal situation is to have [a parliament with] the teeth and have the meat to chew."*

4.5. PFMA Reform: Incentives/Disincentives

The study assessed the incentives and disincentives to be availed for PFMA reforms to be successful. There are some ideas offered by the consulted respondents. The cash budgeting system should be re-engineered to ensure more realistic budgetary allocations and transparent control of commitments. There is need for strong measures (incentives and penalties) to get serious political will to ensure that the budget is implemented within the approvals made by parliament and established regulations.

A simplified, friendly and more responsive tax administration system is an important incentive especially for enhanced revenue collection (Lawson et al., 2017). According to these authors, improving revenue collection through widening the base and simplified and business friendly measures will also serve to ensure more resources are available thus reducing the pressure and need to gamesmanship. Related to this observation, the officers consulted by this study also noted the need for tax administration ICT systems to be made more effective and realistic. For example, they argue that:

There is growing problem in Tanzania which shows existence of flaws in PFMA reforms is 'taxpayers are increasingly getting demoralized and their economic power weakened by regressive taxation regimes!' [Interviews from Policy Forum].

3.5. PFMA Reform: Practical Steps for Local Ownership and Commitment

PFMA reforms involve a collection of laws, regulations, systems, and procedures used by sovereign governments to raise revenues, allocate public money, spend public funds, account for funds, and audit results. It also encompasses a larger range of responsibilities than financial management and is typically viewed as a six-stage cycle beginning with policy formation and

⁶ <https://www.africaresearchinstitute.org/newsite/wp-content/uploads/2014/07/Paper-A-Parliament-with-Teeth.pdf>

concluding with external audit and review(Figure 1)(Lawson, 2015). A wide number of actors participate in this "PFM cycle" to assure its efficacy, transparency, and accountability.

Figure 3: Analysis of Main Actors in the PFM cycle



Source: Lawson (2015)

Accordingly, recent research and evaluation suggests that three critical ingredients are needed for successful PFM reform:

- **Leadership** – a strong political and technical commitment, clear communication and reform coordination, and a widening set of reform leaders who can manage fears, expectations, and divergences.
- **Policy space for developing appropriate reforms** – A thorough understanding of the context, a focus on the functioning and not just the form of the system, and teams and organizations that are willing to experiment and take risks while questioning both the problem and the suggested solutions are required for innovation.
- **Adaptive, iterative and inclusive processes** – where monitoring, learning and adaptation are key (Lawson, 2015)

Similarly, a recent meta-analysis of research on PFMA reforms suggests measures that can boost local ownership and commitment⁷:

1. Promoting PFMA and budget reforms that also enhance economic production, productivity and inclusivity.
2. Promoting evidence-based PFMA reforms about what works, including costs and benefits is useful for changing negative mindsets and for ensuring success.

⁷ Evidence-Based Policymaking Collaborative (2016); Principles of Evidence-Based Policymaking. https://www.urban.org/sites/default/files/publication/99739/principles_of_evidence-based_policymaking.pdf accessed on 26/5/2022

3. There is need to assess and widely share with key stakeholders the impact PFMA reforms.
4. Take measures to ensure that planned interventions as part of PFMA reforms are based on strong evidence to improve initiatives, scale what works, and redirect funds away from consistently ineffective measures.
5. Sensitize and empower citizens and other non-state actors (e.g., media, CSOs, etc) to hold their governments accountable for service delivery performance and accountable public finance management.
6. Introduce performance budgeting for MDA and LGAs and empower various stakeholders to understand what they offer in enhancing PFMA and how to hold public officials accountable for planned outputs and related budgetary limits.

To accomplish its desired results, the government must manage public spending in accordance with stated policy goals. It must provide an institutional structure that increases the likelihood that actual results will adhere to stated objectives.

5. WHY IS A POOR BUDGET PROCESS TOLERATED IN TANZANIA?

The stakeholder consultations have revealed mixed feelings on the success of PFMA and budget reforms in the country. On one hand, there is overt government commitment for effective PFMA as the PEFA results reveal. On the other, the process faces very fundamental challenges: Budget credibility - unrealistic revenue targets and expenditure ceilings; budget unpredictability; negative influence of politics; limited transparency; absence of honest 360° critical assessments of the reforms; existence of some quasi legal tax collection practices; some taxes are harmful to the economy; the ineffective practice of cash rationing as opposed to cash planning which contributes to budget credibility and predictability problems; reluctance of MoF to adopt well tested tax management systems such as the integrated revenue system in use in some countries like Kenya with lots of success.

Moreover, PFM unintentionally exists for various reasons including the effective involvement of external stakeholders like NSAs and the public not being fully informed; low stakeholder understanding of PFM due to the complexity of government documents and inadequate communication; and existence of multi, informal, changing stakeholders' interests.

The proper execution of the new Budget Act (2015) and the new budget cycle also demands that members of parliament possess the competencies and skills necessary to fulfil their oversight duties. This was not the case despite the establishment of the Parliamentary Budget Office (PBO) and the implementation of a number of in-house training sessions. Legislators thought that they require more capacity increases. Some of the MPs interviewed called *for an expansion of the PBO staff, particularly the recruitment of senior and experienced individuals. In addition, they require ongoing training, including training that is outsourced, for both PBO workers and lawmakers. In addition, the representatives said that the institutional method for appointing PBC members hindered the efficiency of budgetary oversight tasks. The elected members also suggested appointing PBC members based on their professions and past experience.*

Several reasons contribute to the limited participation of the legislature in the budgeting process. These include the constraints on Parliament's budget authority, its seeming lack of political will, and the lack of institutional, human, and financial resource capability. Parliament's budget authority is limited, particularly regarding introducing amendments that might boost spending in some nations. In certain legislative systems, changes to the budget might result in a vote of no confidence in the administration and are thus rarely approved. Even when there are no legal or formal institutional hurdles to a parliament's greater engagement in the budgeting process, they frequently lack the personnel or expertise to study the budget paper. In spite of Parliament's growing popularity as a result of the development of the committee system and the holding of public hearings on bills, etc., Parliament does not insist on the provision of sufficient time and resources to evaluate and discuss crucial pieces of legislation, such as the budget. Despite continued underfunding by the executive branch, budget control by the legislature has improved. Prior to only four years ago, the Tanzanian Parliament lacked

a functional committee system and did not exercise executive supervision. Although government financing only supports plenary, leaving no funding for committee work, committee meetings have been enabled by a number of benefactors (under a variety of funding arrangements).

5.1. Legal Challenges

Despite changes to the new Budget Act and the new budget cycle, there are still aspects of the Budget Act that conflict with the existing institutions, including the constitutional requirement of dissolving the legislature if the budget is rejected and the limited capacity of the MPs to conduct budget scrutiny. Although the Budget Act grants the MPs the authority to approve the budget, the Constitution grants the executive the authority to dissolve the legislature if the MPs reject the administration's proposed budget:

The President shall not have power to dissolve National Assembly at any time save only - (b) if the National Assembly refuses to approve a budget proposed by the Government. (The Constitution of the United Republic of Tanzania, 1977:53)

Despite its efficiency and accomplishments, the Tanzanian budgetary control system confronts a number of significant legal obstacles, such as those listed below: First, like with the majority of PACs in Sub-Saharan Africa, the Tanzanian PAC is subject to executive interference in the execution of its tasks. Parallel to this, the oversight function of the legislature over the budget is viewed as nearly ineffectual and a mere formality. Parliament is not viewed as playing the crucial role it should in the budgeting process. It does not contribute as much as it should to the budget planning phase, it does not require regular financial reporting from the government, independent audits are frequently late, and parliamentary oversight committees lack the resources to examine public accounts. The second difficulty is the weakening of the independence of some actors by more powerful actors. In 2019, for instance, Parliament's meddling in the office of the CAG led to the removal of previous CAG Professor Mussa Assad. The CAG was dismissed from office a few months after claiming that the Tanzanian Parliament is weak as a result of its reluctance to act against the misuse of public monies detailed in audit reports provided by the CAG's office. The CAG made these remarks in 2018 during an interview with Radio Kiswahili Service of the United Nations in the United States of America.

The third obstacle is the development of too ambitious budgets. The budget allocations are misaligned with the available resources. Consequently, certain elements of budgets cannot be implemented as anticipated. For instance, as of April 2018, the Livestock and Fisheries Ministry had not received a single penny of the TZS 4 billion earmarked for development projects under its purview. 54 Professor Delfin Rwegasira⁵⁵ encourages the government to ensure that its budget is reasonable and consistent with its available resources. He argues that long-term budget deficits are undesirable because they inhibit economic development and increase expensive and hazardous foreign debt. He suggests that serious parliaments should reject or even demand revisions and alterations of ministerial budget plans if they are shown to be economically unsound.

Inadequate or tardy release of funding is a second significant obstacle. A major obstacle to the gradual and efficient implementation of the right to health in Tanzania Mainland is the delayed transfer of monies allotted to various sectors, including as the health sector. 65 The health sector was allocated a total of TZS 1,077,701,892,000 for the 2017-2018 fiscal year. However, by March 2018, just 57% of these monies had been sent to the health ministry. The sixth obstacle is the absence of a Parliamentary Budget Office. Tanzania lacks this highly significant office. The PBO is tasked with producing independent economic predictions, analysing budget plans provided by the administration, developing budget projections, and preparing spending-cut options for parliamentary consideration. Establishment of an independent, nonpartisan PBO will so increase the legislature's role in budget process monitoring (Sylister, 2020).

5.2. Executive Power over Parliament decision making

The executive controlled decision-making procedures, including the ability to reject choices made by legislators. For instance, although the MPs participated in the budget review of the CAG, their conclusions were not adopted by the government. Moreover, although the members of parliament were involved in the review of the national budget, the administration rejected several of their ideas about priorities and policies. The following quotations illustrate the power of the executive over decision-making.

They have been informed. However, there is no response. For instance, we instructed them to prioritize non-tax revenue. But the government has had difficulty accepting our new sources (Member, PBC)

5.3. Political Economy Factors Influencing the Budgeting Process

Interviews with stakeholders clearly show that political economy factors negatively influence credibility and efficacy of the PFMA and budgeting process and should be considered in the way PFMA reforms are conceived and implemented. Firstly, the influence stems from the fact the PFMA and budget process usually involved many layers of stakeholders with sometimes conflicting interests and hidden agendas. Indeed, there is a lot a lot of political influences at the various levels from local government to higher levels.

Secondly, the priorities at council level are sometimes not well aligned with those at the central government level with the latter level always taking primacy. Although the reasons for can be several, the weaknesses in the O&OD Planning Process including its inability to effectively manage political and conflicting stakeholder influences is to blame although the government has recently introduced an improved O&OD which is yet to operationalised fully and tested adequately. Such budgeting deficiencies and failure of setting of priorities right result in non-priority items being included with questionable impacts. For example, some members from the academic institutions noted that:

PFMA is affected by the persistent and evolving conflicts between national vs. local governments. Both levels sometimes have unaligned goals. The local levels may not always be supportive of the national levels. PFMA and long run

consistency in the national budgets are also affected by the problem of revolving door political positions which end in reinforcing a rather short term and limited strategic budget focus [Interviews with Academic Members of Staff from UDSM].

Thirdly, difficulties in accommodating emergency events or irregular events in the budgeting system resulting in distortions in executing PFMA and budget processes as prescribed by the laws and regulations. These events sometimes end up diverting resources from the set budgets.

Fourthly, the unpredictability in the commitments of development partners which sometimes occur with adequate warning complicates the predictability and credibility of the national budget. Related is the practice of development partners to fund off-budget projects which tends to complicate reaching the ideal of coherent and integrated national budgeting process. And generally, sometimes projected revenue is not completely collected from current sources leading to deficits that tend to throw the budget process off-track. The unpredictability motivated the use of the cash budgeting system paradoxically makes the issue more amplified and has led to MTEF's failure to adequately reach expected effectiveness levels.

Donors have a constructive role in PFM as they have strict requirements to be met for support to be given. Yet, they have their own priorities which are not always aligned with those of the Government [Interviews with Academic Members of Staff from UDSM and UDOM].

Fifthly are the limitations in the methods of estimating the available resources largely due to challenges in accurately projecting the GDP growth rate and the politics involved in GDP estimating – influenced by the preoccupation of some politicians in power to be viewed positively by the public. There is also a tendency of MDAs and LGAs to inflate estimates and to include items in the budget that are not really priority. It is noted that there is a deepening informal culture or practice of preparing budgets that substantially respond to political interests as opposed to objectively determined priorities.

There is a politically motivated tendency of having unrealistic budgets with no clear mechanisms for continuity. The lack of realism always complicates implementation [Interview with Members of Parliament].

Sixth, not all key stakeholders have sufficient, strategic and timely chance to contribute to and appraise the national budget processes. For instance, the involvement of NSAs in budget consultations is seen more as lacking good faith on the part of the Government; it appears just a formality for various political interests and invariably the feedback is not considered nor reasons for exclusion given.

Public Expenditure Tracking (PETs) which were done by the CSOs and involve teams which included government officials proved useful in promoting accountability budget processes. They need to be institutionalized so that they take place more regularly [Interview with Officer from HakiElimu].

It was further noted from the interviews with academic members of staff and some officials from the CSOs that the dominant tendency of members of parliament to vote in line with the party positions and the fact that currently the presence of the opposition in parliament is in insignificant limit opportunities for critical appraisal and conversations. Moreover, political parties potentially have a huge role in the effectiveness of PFMA and budget processes. But currently, CCM is rather overbearing on the existing political space and being the ruling party, this does not lead to effective PFMA environment. The government implements the CCM manifesto and in a way the budgets are substantially influenced by political forces which may not always be in line with national interests. Another problem is that some members of the parliament are claimed to have conflicting interests in PFMA and budget processes. Some of them own companies or their familiar members or friends have companies. This argument is consistent with the findings from the interviews made with officers from political parties, academics and CSOs;

There is an apparent culture of not calling out things when they are not being right which negatively affects PFMA and budget process [Interview from Political Party -CHADEMA].

Accountability may be improved with having citizen's assessing the performance of public institutions. This can be applied especially at the local government (Interview with Academics).

NSAs have a potentially crucial role in promoting effective PFM. They thus could play a greater role. The country needs a better framework for involving NSAs in the PFMA and budget reforms/processes. The NSAs to be targeted for involvement are PSOs, CSOs, political parties and media [Interviews from CSOs].

An implication of the interviews above is that the ethics rules may need to be complemented by additional mechanisms to address the challenge of public financing and accountability.

Seventh, the rather substantial proportions of budgets allocated to debt service and public salaries and benefits leaves a reduced amount that makes budget management quite difficult. This implies a need for expanding the resources envelope, innovatively and requires a good and objective ways of expanding the local tax base without negatively affecting production and productivity. Making the availability of donor support for the National budget more reliable and predictable is also needed.

The implementation of the new Budget Act and the new budget cycle was also hindered by political considerations. There was a lack of political will to utilize official Budget Act authorities. This was evidenced by the dominance of the governing party in the parliament, the existence of an executive who is a member of the legislative majority, and votes cast across party lines. Tanzania is ruled by the governing party. At the time of the research, there were 393 members in the Tanzanian parliament; 280 were from the ruling party, 112 were from opposition parties, and one was the Attorney General. Since Tanzania's independence in 1961, the ruling party has held a strong position. As the majority party in the legislature, the ruling party's choices are always those of the legislature.

Our spending plan is unrealistic. Even if you inform the Minister of Finance that this is unrealistic, he or she will respond with "we will see, we know what to do. The disadvantage is that we must ultimately vote on the issue. Because there are so few of us in the PBC, they will inevitably win (Member, PBC)

Budgeting is not only a crucial policy issue for producing and allocating resources, but also for the institutionalization of democracy, it should be emphasized. Longstanding concerns include holding government agencies accountable for how they use public funds and preventing politicians from abusing or stealing public funds. The Tanzanian budget process demonstrates that the government is not honouring its agreement with its inhabitants by adhering to a budget procedure that is congruent with the stated goals. The formulation process results in an excessively ambitious budget that does not reflect expenditure objectives. At the level of implementation, it is straightforward to circumvent the existing rules and restrictions, allowing powerful actors to use the funds for their own objectives. Some members from the main opposition party in Tanzania noted that:

Budget implementation in the country is rather a political process. Those with political influences tend to gain at the expense of those who do not. And when the political system in the country is tilted towards one party overdominance accountability, it becomes severely compromised. The solution is to review the constitution with a strong focus on having a level ground for political competition. Without these fundamental shifts, the environment for having objective checks and balances in PFMA and budget processes will not be optimally realized and thus PFMA reforms will not be effective (Respondents from CHADEMA)

CSOs have a good role but as most of them are funded by donors they tend to be somehow biased in their outlook. Some research think-tanks like ESRF, REPOA and REDET are somehow funded by the government and thus to some extent biased. Even Academia has been influenced by political factors and thus cannot longer remain overly critical of government management of PFMA. Even FBOs have been compromised by self-fish political factors. Some of them have become "puppets" of politicians for survival reasons (Respondents from CHADEMA).

6. A BETTER BUDGET PROCESS IN TANZANIA: A STRATEGY FOR PUBLIC FINANCIAL MANAGEMENT & ACCOUNTABILITY

Notably, the country has done and achieved a lot in reforming PFMA since the official inception the reform programme in 1988 and currently the reform programme is in its fifth phase. Surprisingly, there was not a tightly developed and implemented comprehensive monitoring and evaluation framework for the programme that would have assisted in the cumulative measurement how it was making government institutions more accountable for how they spend public funds for improved service delivery and impact and preventing the theft and abuse of the funds.

The budget process that ranges from formulation, implementation and monitoring remains one of the crucial platforms for promoting effective PFMA. The consulted stakeholders propose that both the Government and development partners come-up with a new generation of conditions that peg the extent to which the governments deliver results for the citizens while complying well with regulatory framework with budget execution. This essentially means calling for ramping up the introduction of performance-based budgets.

The consultations indicated existence of substantial and varied informal/political influences on the budget management cycle. To some extent the influence is quite overpowering to the formal systems and structures. In a way, there is game-playing designed to protect vested interests. In the context of such trend, the consultations proposed to expand, capacitate and ensure the critical but constructive and well-formalized oversight role of non-state actors – particularly the media, civil society organizations, academic and research institutions, political parties, private sector apex and other organizations in all major phases of the budget process. On the other hand, the non-state actors should be better organized/coordinated in a way that allows them undertake performance audits of the state side in delivering PFMA reforms and effective budget processes in the country. There is a lot a significant room for capacitating and restructuring the Parliament and committee system for more independent, objective, transparent, critical assessment and reviews of the budgets.

7. CONCLUSION AND RECOMMENDATIONS

Conclusions

report has revealed some significant shortcomings in Tanzania's budget process, execution, and monitoring of economic accountability. Formal institutions in Tanzania are found to be technically sound, while informal institutions undermine them. Given their entrenched interests, some players will claim to be eager to make beneficial changes yet have little motivation to do so. Positive reform in the budget process can only occur over the long run by strengthening players outside the executive branch and generating opposing forces to boost the demand for economic responsibility.

The study suggests that existing donor assistance for economic accountability has been ad hoc, with insufficient focus placed on enabling interaction between the government and the corporate sector. In addition, donor initiatives have occasionally circumvented democratic procedures and institutions to get things done. The majority of bilateral donors have had sustained, long-term governance strengthening programs over the past decade. However, the projects have largely concentrated on concerns of political governance, electoral democracy, rule of law, etc. While there are a variety of somewhat ad hoc measures in place to promote economic accountability, the report recommends that donors and other interested parties must adopt a long-term, consistent program to strengthen public financial management and accountability. In Tanzania, there is also a need to build a program on economic accountability.

Key Recommendations:

- 1. *The Government in collaboration with stakeholders needs to develop a long-term vision, strategy and mechanism for steering the PFMA and budget reforms.*** Having an overarching integrated long-term strategic vision for the reforms as will address the current challenge of inconsistency and gaps in the results of the series of reform programmes. Related to this is the reforms will need to integrate measures to address the influences of political and other non-technical factors.
- 2. *The Government should develop innovative ways of expanding the tax base to enable more reliable and predictable availability of funding for public services.*** This will reduce the intensity of political influences, which tend to occur when funding is insufficient and unpredictable. Measures to enhance government revenue mustn't unduly constrain economic production and productivity.
- 3. *The Government needs to strengthen the legal capacity, independence and involvement of oversight agencies, including Parliament, CAG and NSAs, in all the major budget processes and PFMA reforms.*** It is necessary to ensure an environment for CAG to be independent, capable and able to take solid measures to bring suspects to justice; s/he must not be an appointee of the executive and should be accountable to an independent body.

4. ***The Government needs to open a public data system on PFMA and budget.*** This will facilitate all key stakeholders to have easy access to relevant information and therefore enhance transparency and accountability. Increased and practical education of the different stakeholders on PFMA and budget processes will reduce the negative influences of political influences.

5. ***The Government needs a better-institutionalized system that effectively and objectively brings all those who mismanage public funds to book.*** The system should not be influenced by politicians and/or government officials. In the long-term, there is a need to work on enhancing the independence and power balance of the three pillars of government; transparency in the handling of PFMA and budget processes; active and productive involvement of NSAs; mechanisms to ensure budget performance and compliance; and more balanced political environment. These are expected to contribute substantially to enabling an environment for effective PFMA and budget processes.

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8. APPENDICES

8.1. Appendix 1: Data Collection Tools

The Political Economy of Public Financial Management & Accountability (PFMA) reforms and the Budget in Tanzania

Purpose of the Study

The general objective of this study is to get a better understanding of the Political Economy setting in which informal power, political structures, and incentives influence PFMA reforms, the budget process, and public expenditure in Tanzania. The specific purpose of this assignment / contract is three-fold:

- i. **Purpose 1:** To understand (beyond the technical assessments) what incentives and disincentives are important within Tanzania's political systems, institutions and social environment to underpin PFMA reforms and successful implementation of the budget;
- ii. **Purpose 2:** To identify possible entry points in reviving PFMA reforms in Tanzania;

Interview Guide: Key Informant Interviews: Academicians/Budget Experts; Oversight Institutions Civil Organizations/Private Sector; Regional and Local Government Administration; Development Partners; Political Parties

A: Understanding the PFMA reforms and Budget in Tanzania

1. What is the current formal defining aspects/characteristics of **(A)** Public Financial Management & Accountability (PFMA) reforms and **(B)** the Budget in Tanzania?
2. What are the priorities of PFMA reform agenda the current medium term expenditure framework (i.e., Tanzania's Third Five-Year Development Plan 2021/22-2025/26)?
3. What would constitute successful **(A)** Public Financial Management & Accountability (PFMA) reforms and **(B)** the Budget in Tanzania? What are the measurable indicators of success for each?
4. Who/what are the main agents, institutions, and structures in **(A)** PFMA and **(B)** budget?
5. What is the nature and levels of engagement and interaction among stakeholders, institutions and society on PFMA?
6. What is the extent to which stakeholders (agents, institutions and structures) apply the principles of objective evidence-based policymaking?
7. Which aspects of Tanzania's PFMA reform and budget agenda are prone to political will' issues? In what way? With what consequences?
8. Do you think poor PFMA is tolerated in Tanzania? If yes why? If not why not? Reasons for below than expected aspects of the PFMA?

9. What are the formal and legal framework for the budget process; the formal budget cycle, the actors, and the normal sequence of interactions among actors, their roles, opportunities, and constraints? (Including budget formulation, execution, reporting).
10. Which institutions are involved? What are the rules? Are they formalized? Are they written?
11. Who is entrusted to formulate and implement the PFMA policy agenda? Who decides/influences the implementation of the PFMA policy?
12. How is the evaluation of public financial management and accountability systems carried out by the donor community?
13. How is this 'external accountability process' related/harmonized to existing mechanisms of checking PFM (such as auditor general, internal MOF reviews etc. etc.)?
14. What progress has been in the last three years to tighten accountability? What new pieces of legislation have been passed and how are these being applied?

B: Institutional factors affecting the budget and PFMA processes: *Academicians/Budget Experts; Oversight Institutions Civil Organizations/Private Sector; Regional and Local Government Administration; Development Partners; Political Parties*

1. What are the main rules guiding PFMA processes? Are the rules described followed? Or, are the informal rules different from the formal rules? How often? (always/most of the time/sometimes/rarely/never).
2. Are the rules (informal or formal) constantly changing or largely stable/consistent over time/resistant to change?
3. Can you reflect upon some recent instances where the formal rules and regulations were not followed? When are exceptions made to the rules?
4. Who has the power to decide that an exception to the rule is needed?
5. What are the norms and values that really explain how things are done?
6. Are there rules that keep you from inserting a project in the budget? Are there ways for you to get around these rules?
7. Is the budget an important document in Tanzania? Why or why not?
8. Does the budget reflect reality (i.e. what government really spends)?
9. Does it reflect decisions that were made by government or by donors?
10. How can the whole budget be reflected in the budget document? Currently a significant part of resources filter way through unmonitored use of funds generated from levies, privatization commission or given to MASAF etc.

C: Actors/Stakeholders affecting the budget and PFMA processes:

1. Which agents, institutions and structures have had formal and informal power and influence related to the budget?
2. Who decides/influences the implementation of the PFMA policy and budget in each identified agent, institution and structure?
3. Looking at the PFMA and budget as a whole: who has the most influence and who sets the rules of the games by which the formal resource allocation and budget execution are played.
4. What political/cultural methods are used in the influence PFMA policy and budget in Tanzania?
5. Whose interests are served in the **(A)** PFMA processes and **(B)** budget?
6. Are there dissenting voices regarding the **(A)** PFMA processes and **(B)** budget?? Where do they come from? Which voices are listened to?
7. How do you get your interests/concerns/principles represented in the process? How does your influence/impact/input change throughout the different stages of the budget?
8. Is there give and take or are some forces dominant in the **(A)** PFMA processes and **(B)** budget?? Is there deal- making/"horse-trading"?
9. Are interests organized or are individuals alone powerful without organizing into groups?
10. What is the role of the donors **(A)** PFMA processes and **(B)** budget?? Are these processes donor-driven or is there ownership by the Tanzania government?
11. Which stakeholders/institutions could be effective champions for PFMA reforms?

D: Members of Parliament -Oversight Role

- What activities have been implemented in the last 3-5 years to improve budget presentation? i.e make it more accessible to parliamentarians and political leaders and civil society? Are these improvements helpful?
- How are parliamentarians and especially those in committees relevant to the budget process being inducted into their roles of surveillance over the budget? What technical support are they getting, and how effective is it or how can it be improved?
- What is the relationship of the minister's vis viz controlling officers in respect of budget allocations or expenditure?
- What steps has the government and the civil society itself taken to institutionalize the role of civil society in the budget process?

To controlling and sectoral budget or planning officers

- Do you feel that the parliamentary committee responsible for your department is

exercising adequate oversight? What should be done to improve it?

- How realistic or serious is the prioritization of the activities of your sectoral or departmental budget?

To the Budget Director and the technical committee responsible for MTEF

- If and when the budget formats will be reconciled to the presentation of development plans. If the budget is an action plan for a development plan it should be tailored to that plan for easy tracking of performance

D: Oversight Institutions

- 1. Controller and Auditors General (CAG)/Dodoma**
- 2. Treasury Registry (TR)**

Factors influencing the implementation of the budget and PFMA

1. Is the budget implemented? What is the impact of the cash budget on implementation? What about decentralization?
2. Who decides how the money gets released? When the budget isn't followed, are there any repercussions (economically, politically, domestic, international, etc.)?
3. How does the election cycle affect the budget?
4. On the unpredictability of funding: What steps can be taken to make conditionality more realistic?
5. How can government be made more able to meet realistic conditionalities?
6. What are the main sources of failure to meet conditionality?
7. What incentives and disincentives underpin PFMA reforms and successful implementation of the budget?
8. What are formal and informal criteria for appointments and incentivizing PFMA reforms and implementation of the budget?

E: Civil Organizations/Private Sector

Factors influencing the monitoring of the budget and PFMA

1. Monitoring – Many NGOs are now monitoring the implementation of the budget. What are your organization's major findings?
2. Has monitoring made any impact?

3. Were your findings publicized?
4. Has there been any improvement due to the monitoring effort? Are government officials aware of the monitoring?
5. Do they respond to the findings? How?
6. Who must answer for way public spending occurs? What the forum? Which organizations/institutions/individuals are making government more accountable in how government spends money? What methods are they using? Are these effective?

8.2. Appendix 2: List of Interviewees

1. Mr Andrew Maluga, Senior Officer, TPSF 0758 036293
2. Mr Audax Rukonge, Executive Director, ANSAF 0754 275576
3. Mr Oliver Mwikila, "Bunge la Wananchi" CHADEMA 0757 988 407
4. Ms Celestina Simba, "Bunge la Wananchi" CHADEMA 0783 445372
5. Mr Daniel Mugizi, Senior Policy Analyst, Haki Elimu, 0766 751 228
6. Dr Kirama, Senior Lecturer, School of Economics 0713 250 573
7. Milou VANMULKEN, Programme Manager Economic Governance PFM, DRM, Macro-economics, Budget support, Delegation of the European Union to Tanzania, Mob: +255 745 903404
8. Dr. Evodius Kanyamyoga -Director of Planning and Investment (UDOM) and a former Employee of MoFP-Mob: 0763228 396
9. Dr. Pius Chaya -Member of Parliament -Mob. 0716533115
10. Mr. Emanuel Kunambi -Member of Parliament and Former City Director for Dodoma. Mob. 0767662809
11. Mr. Elias M. Masanza, Economist, Ministry of Finance and Planning, National Planning Section, 07836114711
12. Mr. Emanuel Laurence Mpanda -Personal Secretary -Speaker of the Parliament of Tanzania. Mob: 0754264326
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