



## Best Practice in Public Expenditure Reviews

### Tanzania: Partnership and Continuous Dialogue for Improved Budget Management

#### Objectives of the Tanzania PER

Since 1997, Tanzania adopted a new PER process in line with the recommendations of the Special Program of Assistance for Africa on Public Finance Management. The new process is owned and led by Government, is closely integrated into the Government's budget cycle, involves a broad cross-section of stakeholders, and entails a close partnership between donors and Government. In addition to its traditional role of external evaluation of budget management, the PER process has evolved into an important instrument of (i) supporting the Government in improving budget management and (ii) improving donor coordination with the aim to ensure that donor assistance is consistent with budgetary objectives and priorities and increasingly integrated in the budget.

#### Impact on the ground

*Development of a Medium Term Expenditure Framework (MTEF).* The MTEF for 1999/00 to 2001/02 has been developed and consists of projections of domestic and foreign resources, overall allocations for all spending units, and detailed sectoral MTEFs for the priority sectors of education, health, agriculture, roads, and water.

The introduction of an MTEF has improved budgetary planning by (a) bridging the gap between MoF led budgeting and sectoral planning and (b) creating a closer link between policy objectives and budgetary allocations.

*Sharper focus on priorities.* Allocations to the priority sectors have been increased faster than allocations to non-priority sectors. Furthermore, these priority sectors receive preference in monthly exchequer releases and are thus protected from negative shocks to overall revenues.

*Improved flow of information and better decision making.* The Tanzanian PER process improved information flows at two levels: Firstly, sector Ministries received improved information on overall resource constraints and budget strategy, while the Treasury got better

information on sector requirements and efficiency. Secondly, focus group and consultative PER meetings, attended by 150 representatives of Government, donor agencies, NGOs, Parliament, and civil society, facilitated a broad-based exchange of information and discussion of budgetary issues. The improved flow of information as well as technical studies undertaken in support of the PER FY99 led Treasury to improve allocation decisions among competing claims from spending units.

*Improved donor coordination and integration of aid into the budget.* Poor integration of donor resources into the budget has often led to a lack of ownership and limited coherence between public expenditure and donor assistance. As part of the PER process, an explicit target to increase the share of aid that will pass through the Exchequer system has been adopted, contingent on accompanying measures to further increase transparency and accountability in budget execution.

*Framework for sector development programs.* The PER provides the anchor for sector development programs for health, education, and roads. Donors have made the formulation of a consistent sector MTEF a precondition for financing sector development programs.

*Capacity building.* The PER process is conducted in close cooperation between government officials, donor representatives, and local and international consultants, leading thus to continuous mutual learning and capacity building in ministries to manage the budget process better.

## **Lessons learned**

The key lesson from the Tanzania PER is that the impact of the PER depends to a large extent on the design and management of the process. The PER needs to be tightly integrated with the Government's budget process, and be led by the Government. Rather than focusing on the presentation of a final consolidated report, impact is achieved through continuous dialogue and participation by a wide range of stakeholders, and the feeding of the findings of studies and consultations into the budget process and schedule, with adequate time allowed for inputs to pass through the various levels of Government.

*Partnership.* The PER was conducted in close partnership between Government, donors, and the Bank. The benefits of this partnership were: (a) sector specific or thematic experience of other donors greatly enhanced the quality of the PER, (b) additional resources from other donors became available to undertake technical studies on budget issues, (c) the profile of budgetary issues in the work of all parties involved was raised (d) findings of the PER were disseminated to the partners in meetings of the PER and sector working groups.

*Dialogue and participation.* The policy dialogue on budgetary issues takes place at various levels so as to maximize the potential impact of the PER: (i) a PER working group composed of representatives of Government, donors, research institutions and chaired by the Treasury meets fortnightly to guide the PER process; and (ii) sector working groups, consisting of representatives of the sector Ministry and donors involved in the sector undertake the sector PERs and prepare sector MTEFs. The PER also provides a forum for representatives of civil

society, the private sector, parliamentarians, and academicians to voice their concerns and opinions on budgetary matters. Finally, all partners are brought together in a consultative meeting, where the main findings of the PER and the MTEF are presented to a large cross section of stake-holders. A synopsis of the PER findings is also tabled at the annual CG meeting.

*Collaboration with and support of local institutions.* Involving local institutions and organizations that undertake budget analysis in the work of the PER, enriches the PER process and creates a network which keeps improved budget management on the policy agenda.

*For more information contact Benno Ndulu : [Bndulu@worldbank.org](mailto:Bndulu@worldbank.org) or Robert Utz: [Rutz1@worldbank.org](mailto:Rutz1@worldbank.org)*