

Government Accounting and Interim Budget Development Projects in Tanzania

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Sida Evaluation 00/14

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List of abbreviations

| | |
|---------|--|
| AAG | Assistant Accountant General |
| AG | Accountant General |
| AGD | Accountant General's Department |
| BOT | Bank of Tanzania |
| CAG | Controller and Auditor General |
| CPS | Central Payments System |
| CPU | Central Payments Unit |
| CSD | Civil Service Department |
| CS-DRMS | Commonwealth Secretariat Debt Recovery and Monitoring System |
| ESAF | Enhanced Structural Adjustment Facility |
| FCU | Financial Control Unit |
| GADP | Government Accounts Development Project |
| GFS | Government Financial Statistics |
| GOT | Government of Tanzania |
| HIPCI | Heavily Indebted Poor Countries Initiative |
| IBDP | Interim Budget Development Project |
| IFAC | International Federation of Accountants |
| IFMS | Integrated Financial Management System |
| IMF | International Monetary Fund |
| LAN | Local Area Network |
| LCC | Local Cost Compensation |
| MOF | Ministry of Finance |
| MRALG | Ministry of Regional and Local Government |
| MTEF | Medium Term Expenditure Framework |
| MTEP | Medium Term Expenditure Plan |
| PFMRP | Public Financial Management Reform Programme |
| PSRP | Public Service Reform Program |
| SASE | Structured Accelerated Salary Enhancement |
| SDU | Systems Development Unit |
| Sida | Swedish International Development Co-operation Agency |
| SMG | Swedish Management Group |
| SQL | Structured Query Language |
| TRA | Tanzania Revenue Authority |
| WAN | Wide Area Network |

1 Executive summary

1.1 Project Description

(1) This report sets out the findings of an independent evaluation of two separate but related government financial management support projects, financed by the Swedish International Development Co-operation Agency (Sida) in Tanzania.

(2) The two projects were designed to contribute to the implementation of an Integrated Government Financial Management System (IFMS):

- The Government Accounting Development Project (GADP) was initiated in 1994 and is still current. The latest phase of the project for the period from April 1997 to June 2000 has been supported by Sida at a cost of 49.3 million SEKs.
- The Interim Budget Development Project (IBDP) commenced in 1999 following a hiatus in support to the Ministry of Finance Budget Division. Earlier support to the Division had commenced in 1986 and was phased out in 1997. IBDP support from Sida has totaled 4.3 million SEKs.

(3) The goals of the projects aim to direct national resources towards alleviating social deprivation, political exclusion and poverty by setting clear policy priorities and establishing processes which enable those policy priorities to be translated into efficient and effective expenditure management.

1.2 Purpose and Focus of Evaluation

(4) The evaluation was commissioned to take place in July, 2000 and was undertaken by a team of four international consultants. The timing of the evaluation coincided with the project completion dates on 30th June, 2000 and new financial management initiatives being planned by the Government of Tanzania with the support of the international community. Its purpose was to review:

- the projects' progress;
- their relevance in the Tanzanian context;
- their coherence with other sector initiatives;
- financial and physical sustainability; and
- to make recommendations in regard to possible extended support, cessation of support and additional or alternative project components.

(5) Of concern in the evaluation Terms of Reference and subsequently during meetings at the Swedish Embassy in Dar es Salaam was the issue of gender sensitivity and gender mainstreaming within the projects and the projects' outputs and this report makes recommendations in this regard.

(6) The evaluation team reviewed project documentation and held interviews with all the major stakeholders.

(7) A presentation of the team's findings was made to stakeholders at the Swedish Embassy in Dar es Salaam on 24th July, 2000. This report elaborates on that presentation and incorporates comments from the stakeholders present.

1.3 Summary of Findings and Conclusions

- (8) Both projects have achieved major successes but some components remain incomplete.
- (9) The projects are fully consistent with other initiatives aimed at improving the management of public finances:
- (10) The starting position for GADP was one where basic accounting information was either unavailable or unreliable and where controls that existed over expenditures and public debt were exercised, by default, through the banking system. By June 2000, an Integrated Financial Management System (IFMS) had been installed, with a common chart of accounts for budgeting and accounting purposes, and incorporating a central payments system and control over expenditure commitments. The system of accounting for public debt has been improved, and bank accounts have been rationalised.
- (11) The IBDP was designed to develop performance budget techniques; re-classify budgets to conform with IMF Government Financial Statistics recommendations; integrate the government's recurrent and development budgets; and support previous initiatives to develop and implement a Medium Term Expenditure Framework.
- (12) Many of these of these activities have been successfully completed whilst some remain outstanding.
- (13) As a result of the IBDP and upon completion of the outstanding project tasks, the Government of Tanzania will have in place the methodologies to produce, monitor and analyse prioritised output based budgets.
- (14) A key element in the strategy has been the adoption and implementation of a package solution for both accounting and budgeting. In the context of Tanzania, a package solution was clearly the appropriate option, and we conclude that a proper selection process was followed to identify the most appropriate package.
- (15) However, whilst the overall results point to a progressive improvement in financial management in GOT, the potential benefits of the IFMS have yet to be fully realised, and a further consolidation phase will be required before the project is complete.

HR and sustainability issues

- (16) Much has been achieved in encouraging project sustainability. Contributing factors have included:
- i. Key stakeholders having a major influence on the outcome of the project:
 - ii. Political support and commitment to the reform process, demonstrated by the acceptance of revised legislation and procedures.
 - iii. The vision and early creation of a System Development Unit (SDU) in the Accountant General's Department (AGD), staffed with young enthusiastic graduates, and its absorption into the civil service establishment.
- (17) However, there is still a need to sustain the gains that have been made to date and to address a number of remaining issues. Our evaluation suggests that some of the above factors that have contributed to past successes may act as restraining forces as and when the project moves to the next phase of its lifecycle and hence the identified need for a period of consolidation.

(18) Additionally, there are essential stakeholders who have been left behind by the reform process and who must be included if the changes thus far achieved are to retain credibility and be sustainable. These stakeholders include the Office of the Controller and Auditor General and the Internal Audit Unit within the Accountant General's Department.

(19) We are concerned that in common with practices by other donor organisations to retain key project staff in Tanzania, a number of local project personnel receive Local Cost Compensation (LCC) from Sida to boost their salaries. This has enabled the recruitment and retention of a core of young graduates in both the SDU and user departments, on whom the workings of the new systems now depend. But if the LCC should cease, GOT will have problems in the retention of these staff who are central to the projects' continuing success.

(20) Proposals have been made by the GOT to overcome this problem but they rely on improvement in the government's ability to maximise revenue sources and evidence shows that this could be a lengthy process.

(21) Continued training and staff development is vital to the sustainability of projects. In common with government staff in many other developing countries, training is often viewed by GOT staff as a means of acquiring extra cash through training allowances rather than as an investment which brings future benefits. This culture poses a real problem to sustainability of projects.

(22) The GADP and IBDP projects are components within the IFMS but they have been managed separately. We conclude that in terms of the IFMS development this was not the optimum model. We believe the projects would have been better served under one steering committee chaired by the PS Finance or his representative. This would have provided better control and further encouraged ownership.

Gender Sensitivity

(23) There is evidence of high level commitment to the removal of gender inequalities in government and annual budget guidelines prescribe actions that have to be taken in budget preparation and monitoring in this regard. However, our perception is that traditional values favouring males are still upheld within the middle management and lower levels of the public service. This needs to be addressed and we conclude that a separate project to improve gender sensitivity is required.

1.4 Summary of Recommendations

(24) The contracted outputs that remain uncompleted for both projects should be completed during the currency of the existing extension.

(25) Thereafter, there is a need for continued phased support for a further full accounting period to facilitate total operationalisation and testing of the systems.

(26) During the current extension period to 31st December, 2000, a further extension should be designed which should:

- be governed by an agreed logframe with timebound outputs;
- combine under a revised management structure responsibility for the budget and accounting developments with a designated local counterpart to the long term adviser;
- provide for a period of consolidation developed to include succession planning and to ensure sustainability;

- include support to the Controller and Auditor General and the Internal Audit Unit to enable them to audit within the IFMS;
- specifically exclude the development of further computer components;
- provide greater focus on the management and planning of SDU support;
- develop skills within the AGD to facilitate management of the software supplier's service level agreement;
- include provision for continued salary enhancement through the SASE scheme;
- develop a training strategy for accounting cadre staff based on a review of staff complements and a needs analysis;
- continue training for systems users;
- further reinforce gender mainstreaming by the development of a separate gender sensitivity project; and
- provide an exit strategy.

2 Programme Context

2.1 The development context of the project

(27) In recognition of its economic frailties and the need to restructure the public service the Government of Tanzania has for many years been engaged in a number of reform initiatives. These have included support to budget processes, the raising of the status of the Office of the Controller and Auditor General, local government financial management reform, and a civil service reform programme.

(28) Since November 1996 the Government of Tanzania (GOT) has implemented new policies within the context of an IMF Enhanced Structural Adjustment Facility (ESAF) programme which re-emphasises the importance of the financial and structural reforms already commenced. This has involved a new set of financial and economic strategies designed to assist the move towards a more market oriented economy, facilitating investment and economic growth as a basis for poverty alleviation. The GOT recognised that, inter alia, the ability to attract high levels of donor support and engage in successful rescheduling of its Paris Club obligations was dependent upon the successful implementation of the ESAF programme.

(29) Public sector reform strategies adopted by the government over the last five years include:

- the introduction of a strict cash budgeting system for all non-donor financed expenditure;
- allocating first priority for payments to Paris Club creditors;
- reducing the level of government ownership in the economy and its influence through regulation;
- restructuring and reducing the size of government, in order to focus government on core activities only;
- debt reduction through the Heavily Indebted Poor Countries Initiative (HIPC) and domestic debt clearance;
- civil service reform including restructuring, pay reform, decentralisation, strengthening of local government and creation of agencies;
- strengthening revenue collection including the establishment of an independent revenue authority, whose role is to facilitate efficient tax collection, rationalise the tax base and introduce VAT; and
- improved central government financial management systems.

(30) In order to direct national resources towards alleviating social deprivation, political exclusion and poverty it is necessary to (i) set clear policy priorities and (ii) establish processes which enable those policy priorities to be translated into efficient and effective expenditure. The government's financial management system, which is the subject of the two projects reviewed in this report, plays a key role in achieving the second of these two conditions.

2.2 History of the projects

(31) Prior to 1993, reviews of the Tanzanian financial management system were mainly directed at the planning and budgeting part of the cycle and relatively little was written about the accounting and control framework. Following studies in 1993/4, which highlighted the unreliability of

financial data produced by the system and the consequent lack of financial control, a project proposal was developed recommending action in several areas, two of which are addressed by the projects reviewed in this report, the Government Accounts Development Project (GADP) and the Interim Budget Development Project (IBDP).

(32) In order to help establish financial control, the first phase of the GADP commenced in October 1994, with support from Sida, and ended in March 1997. This was followed by a second phase covering the agreement period April 1997 to December 1999. Two six-month project extensions have been granted, taking the currency of the project to December 2000.

(33) The GADP supports the work of the Accountant General's Department (AGD), a division of the Ministry of Finance (MOF), responsible for the Government accounting and finance functions. Government accounting activity embraces work in the central AGD, 43 line ministries and 19 sub-treasuries (one in each of the regional centres).

(34) Inputs have included provision of a long-term advisor, project management, other long term and short term technical assistance, investments and training. The Sida contribution for the current project period of the GADP is 43,9 million SEK. The Sida contribution to the IBDP is 4,5 million SEK.¹

(35) The systems implemented under GADP have evolved rather than being the subject of an original master plan or agreed framework. For example, in Phase 1 a Central Payments Unit (CPU) was established using software originally developed for the Ministry of Education and Culture. In Phase 2 this was replaced and extended using a computerised 'off-the shelf' accounts package with additional custom-written central controls. The package system was later extended to line ministries, other independent departments and sub-treasuries.

(36) Sida support to the budget process commenced in 1986 with the strengthening of budget formulation and management through the Budget Management Development Project, implemented by the Budget Department of the Ministry of Finance. However, this support was phased out in September 1997, mainly due to weak project ownership at the Ministry.

(37) In 1998 MOF requested new support for the development and implementation of a performance budget system and for the integration of the development and the recurrent budgets, including a reclassification of the budget. Sida funded these activities during the period January 1999 to December 1999 under the Interim Budget Development Project (IBDP) and by project extensions to July 2000 and December 2000.

(38) Exhibit 1 below illustrates the periods of support of the Budget and Accounting initiatives.

¹ We were unable to establish total costs to date as this information was not available.

Exhibit 1: Project history

| TANZANIA - SIDA FUNDED FINANCIAL MANAGEMENT INITIATIVES | | | | | | | | | | VALUE SEK millions | Notes | |
|---|------|----|------|------|------|------|------|------|------|--------------------------|-------|------|
| Year | 1986 | to | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | | | 2000 |
| Budget Support | | | | | | | | | | | | |
| GADP | | | | | | | | | | | 43.9 | 1 |
| IBDP | | | | | | | | | | | 4.5 | |

| Key | |
|--------------------|--|
| Completed | |
| Phase 2 | |
| Current extensions | |

| Notes | |
|-------|----------------------------|
| 1 | Phase 2 and extension only |

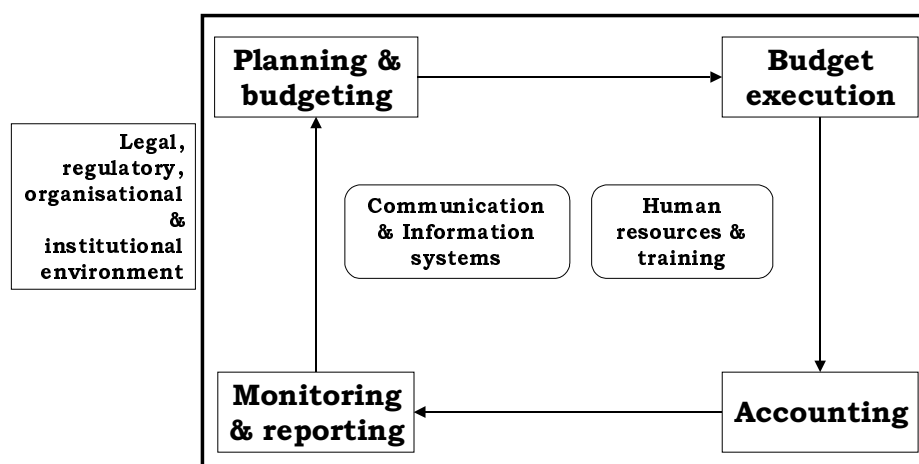
2.3 Description of the projects

(39) The sector objective quoted in the GADP project proposal is to strengthen the performance of the Government's resource allocation, financial management, public debt management and financial reporting processes²

(40) Although the two projects, GADP and IBDP, have been managed separately in the period to date, they are intended to strengthen specific elements of the financial management cycle, shown in Exhibit 2, below, and the intention is to build an integrated system covering all aspects of this cycle. The financial management cycle consists of four linked elements: (i) planning and budgeting; (ii) budget execution; (iii) accounting; and (iv) monitoring and reporting. The process must be underpinned by a robust legal, regulatory, organisational and institutional environment, and requires investment in comprehensive but user-friendly communication and information systems and training and development of human resources.

² Project proposal for Sida support to the Accountant General's Department for the period 1st April 1997 to 31st December 1999.

Exhibit 2: The cycle of financial management



(41) The establishment of a sound government financial management system necessarily takes place in several stages, the objectives of which are set at three levels, as shown in Exhibit 3. It is necessary to achieve aggregate fiscal discipline (Level 1) before it is possible to allocate resources in accordance with policy priorities (Level 2). The ultimate objective (Level 3) is to ensure that resources are used effectively and efficiently in the implementation of strategic priorities, and performance budgeting is relevant at this level.

Exhibit 3: Objectives of financial management

| | | |
|---------|--|--|
| Level 1 | To achieve aggregate fiscal discipline | To achieve: <ul style="list-style-type: none"> • Accountability • Transparency • Proper use of public funds |
| Level 2 | To allocate resources in accordance with policy priorities | |
| Level 3 | To provide the capacity to use resources effectively and efficiently in the implementation of strategic priorities | |

2.3.1 GADP Objectives

(42) The aim of GADP has been to contribute to good governance and enhance social and economic development through improving the strategic and operational management of public expenditure. This is to be achieved by strengthening budget execution, accountability and transparency.

(43) The long term objectives of GADP are:

- i. as a basis for improved management and control of the Government Budget, to improve the efficiency and effectiveness of the Government accounting framework, including the legislative, organisational and systems arrangements for:
 - financing, release, utilisation, control and disbursement of financial resources;
 - accounting, monitoring and reporting of financial flows;
 - public debt management;
 - analysis and interpretation of financial reports; and
 - Internal Audit
- ii. to enhance the accountability of the Executive to Parliament, the general public and other interested parties for the financial results of Government activities; and

- iii. to improve the transparency and availability of useful financial information on current and past performance as one basis for budgetary control, economic forecasting, planning and budgeting.

The medium term objectives of GADP are to:

- i. build the capacity of the AGD to revise, develop and manage the enabling framework of legislation, accounting principles, systems and organisational arrangements necessary for the management of the Government accounting system at the national and executing agency levels;
- ii. improve the performance of the existing national accounting systems operated by the AGD;
- iii. design and develop new finance and accounting systems for the Ministries and Regions including more efficient and effective arrangement for the payment of creditors and collection of non-tax revenues;
- iv. implement and institutionalise a programme of activities designed to improve the management and technical skills of senior accounting personnel; and
- v. design and implement new systems designed to improve accounting procedures in regional and ministerial accounting units.

2.3.2 IBDP Objectives

(44) The goals of the Interim Budget Development Project (IBDP) are:

- to enable a specific vision, a mission and objectives to be developed for the government budget;
- to facilitate macro and sectoral analysis and enhance transparency and effectiveness of the budget structure; and
- to improve the overall monitoring of the budget performance.

(45) Specific activities to facilitate achievement of these goals are:

- re-classification of budgets within the framework of MTEP and in accordance with IMF GFS formats;
- development of performance budget techniques;
- development of performance budget manual;
- associated training;
- gender mainstreaming in the budget process;
- development of performance indicators;
- implementation of the Budget Management module of the Platinum System; and
- integration of the recurrent and development budgets.

3 The Evaluation; Methodology

3.1 Reasons for the evaluation

(46) As a result of the Government Accounts Development Project (GADP) and Interim Budget Development Project (IBDP), the Ministry of Finance has neared completion of the installation of a new Integrated Financial Management System (IFMS) which involves major changes in the approach and methods of budgeting and accounting across the entire Tanzanian government.

(47) The present agreement on Sida funding of these projects expired on 30th June, 2000. In accordance with normal practice, Sida requested an evaluation of the coherence, relevance, effectiveness and sustainability of the project objectives and achievements to date, together with recommendations for continuing work needed, in the context of the Public Financial Management Reform Programme and of other ongoing public reforms.

3.2 Approaches and Methodologies

(48) The evaluation was undertaken in Dar es Salaam by a team of three international consultants during the period from 10th July, 2000 to 25th July, 2000. The original Terms of Reference (Appendix 1) indicated that a locally based consultant would be appointed by the Swedish Embassy in Dar es Salaam to join the team. As a suitable national consultant could not be identified, an additional international consultant from the local offices of Price Waterhouse Coopers, Ms Suzanne Flynn, a Chartered Public Finance accountant was provided for ten days of the assignment. The international consultants were involved in the interview process that resulted in Ms Flynn's appointment. She brought to the team specific knowledge of the project and local conditions. She had earlier been involved in the Local Government Reform programme initiatives.

(49) The evaluation consisted of a study of pertinent project and project evaluation reports, project terms of reference, government publications including budgets, accounts and reports of the Auditor General, and interviews with selected stakeholders and other funding agencies with sector interest. A list of the documents reviewed is attached at Appendix 3. A list of persons interviewed is attached at Appendix 2.

(50) The initial findings of the evaluation were presented to stakeholders at a wrap-up meeting on 24th July, 2000. Comments from that meeting are incorporated herein. In addition, written comments on the contents of this report are invited.

(51) The Team was concerned that the evaluation was scheduled for the period coinciding with the annual holiday of the GADP Project Long Term Adviser. This made the evaluation more difficult in many respects and our apologies are extended to the Long Term Adviser if we have in any way misinterpreted the information kindly provided by his office.

(52) We would like to take the opportunity to thank the staff of the Budget Division of the Ministry of Finance and the Accountant General's Department for their co-operation. Within these departments we extend our gratitude particularly to the Accountant General himself, Mr M Jingu and Mrs A Katule, the Budget Commissioner and Mr S Magambo. Our appreciation also goes to the other stakeholders who generously provided us with their time and assistance and to the staff of the Swedish International Development Co-operation Agency – Dr McNab for her guidance and hos-

pitality and Mrs Nora Pendaeli-Mhina who provided us with much of her time whilst in the throes of changing jobs.

3.3 Study Limitations

(53) The Long Term Advisor and other long-term personnel from the consulting company were on leave for the duration of the evaluation exercise. The evaluation team was therefore unable to solicit information from them.

(54) We have however received comments from the Long Term Adviser on our draft report and where appropriate, these are incorporated in this document.

(55) A number of documents requested for review could not be located. These included:

- a statement of project costs;
- the Consultant's GADP Inception Report;
- the Consultant's GADP proposal (upon which the technical assistance contract was based); and
- an organisation chart and summary of staff complements for the accounting cadre.

(56) The conclusions concerning sub-treasuries and line ministries were drawn from visits and observations of a small sample that may not be representative.

(57) Because of the lack of financial information available to the Team we concentrated on the integrity of procurement procedures for the computer hardware and software procured by the project and were satisfied that the process had been carried out in accordance with best practice. (See Appendix 4).

(58) We were provided with copies of tender documentation from the Swedish Management Group and by comparing proposed fee rates with those published in surveys conducted by the UK Institute of management Consultants conclude that they represent value for money.

(59) The exercise concentrated on the approaches adopted, project impact and the current situation. There was insufficient time to take more than a cursory view of the functionality and usability of the accounting package and budget manager module.

4 Findings

4.1 Overview

(60) This review encompasses both the Government Accounts Development Project (GADP) and the Interim Budget Development Project (IBDP), though in reality these are both components within an integrated financial management system. For convenience, the findings will consider each of these projects separately, and then consider sustainability in relation to both systems.

(61) One of our conclusions is that in future these should both be regarded as components within a single reform programme, and not as separate projects.

4.2 Government Accounts Development Project – Outcomes

(62) Exhibit 4 below illustrates the major activities carried out as part of GADP since 1994. It also summarises a number of economic and financial management indicators that act as simple measures of the impact of GADP.

(63) The starting position for GADP was one where basic accounting information was either unavailable or unreliable and where any controls that existed over expenditures and public debt were exercised, by default, through the banking system.

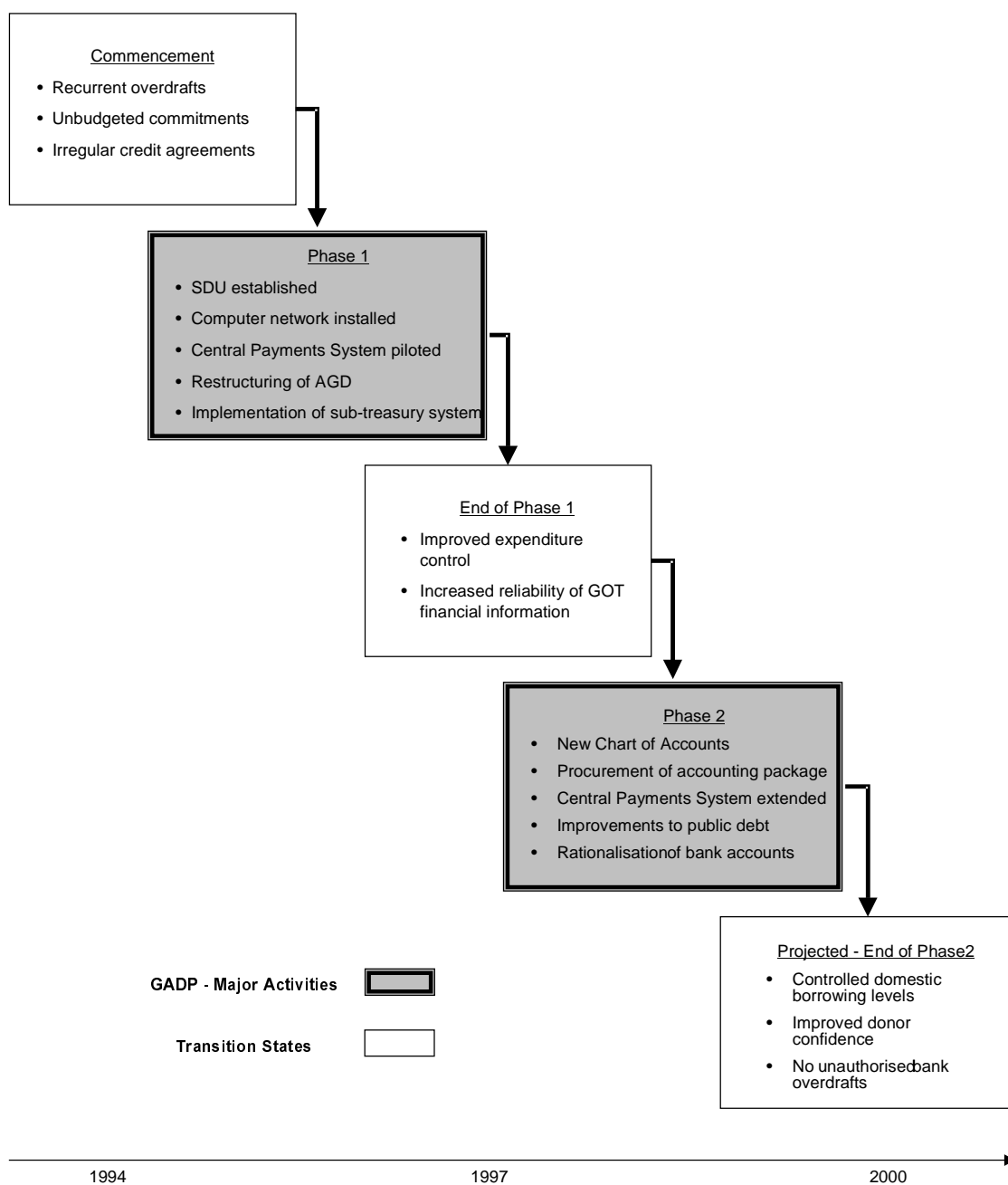
(64) By June 2000, an Integrated Financial Management System (IFMS) had been installed, with a common chart of accounts for budgeting and accounting purposes, and incorporating a central payments system and control over expenditure commitments. The IFMS is now in use in 43 line ministries as well as in the AGD, Budget department and sub-treasuries. The system of accounting for public debt has been improved, and bank accounts have been rationalised.

(65) A key element in the strategy has been the adoption and implementation of a package solution for both accounting and budgeting – the Platinum system. In fact the Integrated Financial Management System (IFMS) is often referred to as the Platinum system. This report uses the term IFMS. The appropriateness of the use of a package solution is considered in Appendix 4.

(66) The conclusion reached is that in general a package solution is to be preferred to a custom developed solution, on the grounds of economy, robustness, functionality and sustainability. The disadvantage of the need to change work practices has to be balanced against the fact that practices enforced within a package are likely to represent current best practice. In the context of Tanzania, a package solution was clearly the appropriate option, and a proper selection process was followed to identify the most appropriate package.

(67) There can be no doubt that the adoption of a package solution has enabled much to be achieved within a limited timescale and budget.

Exhibit 4: GADP Activities and States



4.2.1 GADP Outputs

(68) Direct outputs of GADP have been:

- effective controls over expenditures, from the Central Payments System;
- improved financial reporting, from the IFMS; and
- capacity building: creation of the Systems Development Unit and extensive training in computers and accounting.

(69) In addition there have been a number of indirect outputs, including:

- extension of the package to Tanzania Revenue Authority (TRA).

- extension of the software package to pilot local government authorities; and
- a significant improvement of IT skills in the Government of Tanzania.

(70) Introduction of the IMF GFS classification enables a unified system of budgeting – removing the often false distinctions between recurrent and development budgets. The structure of the Chart of Accounts also provides for considerable analysis on geographical, functional and economic bases. There are also coding spaces (not yet used except in the Ministry of Health) where performance indicators can be entered.

4.2.2 Coherence

(71) The project is fully consistent with the following initiatives aimed at improving the management of public finances:

- Public Financial Management Reform Programme (various)
- Improved economic management (IMF/World Bank)
- Interim Budget Development Project (Sida)
- Reform of the Tax Administration
- Local Government Reform (Various)
- Civil Service Reform Programme (World Bank and UNDP)
- Implementation of sub-treasury system (DFID)
- Support for a management development programme at the Institute of Development Management (DFID).

4.2.3 Relevance

(72) The project has been of fundamental importance in enabling GOT to progress with the IMF ESAF programme, by controlling disbursements to within budgeted levels. However, the cash budgeting method by which expenditure has been brought under control is harmful to the formal planning budget process in the longer run. This is discussed further in paragraph 4.4.

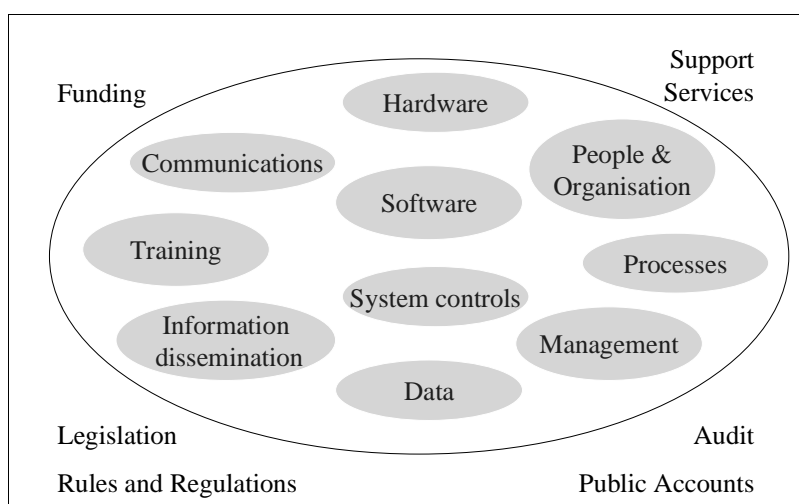
(73) The introduction of a computerised accounting system and a common chart of accounts for budgeting and accounting purposes that allows detailed analysis of expenditure on geographical, functional and economic bases is highly relevant to the government's needs, being the first step towards improving the transparency and availability of useful financial information on current and past performance as a basis for budgetary control, economic forecasting, planning and budgeting.

4.2.4 Effectiveness

(74) A small number of the stakeholders interviewed perceived GADP as being a “computerisation” project. Some identified it as the “Platinum” project. Others viewed the Accountant General's Department as being the sole beneficiary. However, the project proposals and project action plans consider computerisation as being a single component of the accounting reform programme and the use of Platinum as being but one sub-component of the computerisation aspect. A pictorial representation of the IFMS, in Exhibit 5 below, shows that the scope of GADP is much wider than computerisation alone and affects a wide range of staff across the whole of GOT.

(75) We believe that it would promote greater ownership if the “brand” name of the software, Platinum, was not used in relation to the system and that a more appropriate title would be the Integrated Financial Management System (IFMS).

Exhibit 5: IFMS Components



(76) The project documentation indicates that all these components were considered and appropriate interventions designed, with varying degrees of success. The following sections address the software and data components of the system.

(77) Exhibit 6 below depicts the major elements of financial data within the Government of Tanzania and the status of their connectivity with the IFMS.

Exhibit 6: IFMS Data Components

| Data Element | Level of Integration | Comment |
|---|--|--|
| Supplier Local Purchase Orders and Payments | Local purchase orders produced by system for line ministries. LPO to be extended to sub-treasuries. All cheque payments recorded through the IFMS. | Manual vote books still maintained in some ministries and sub-treasuries as primary book of account. |
| Warranted Funds | Custom designed module - fully integrated. Monthly releases made according to cash flow forecasts. | |
| Chart of Accounts | Common use for recurrent and development transactions. Yet to be adopted for TRA revenues. | |
| Budget | Approved budget recorded in General Ledger. Budget Manager module used only by Budget Department - line ministries submitting requests by spreadsheet. Not linked to MTEF. | At time of review Budget Division access to Budget Manager module had been disconnected. |
| Line Ministries | 40 ministries and independent departments in Dar es Salaam connected to the central server. All use the core modules. | Ministry of Regional Administration & Local Government is housed in Dodoma. New communications will enable connectivity. For privacy of data reasons, two departments have been permitted to operate stand-alone versions of the package. |
| Sub-Treasuries | Communication difficulties prevent on-line access. Delays in setting up databases for the new year forced sub-treasuries to revert to manual record keeping. | |

| Data Element | Level of Integration | Comment |
|-----------------------------------|---|---|
| Assets | Not yet installed but programmed to be completed before December 2000. | |
| Stores | Not yet installed but programmed to be completed before December 2000. | |
| Bank Reconciliation | Problems with automating details of cheque clearances due to interfacing and referencing differences with BOT partly resolved. Backlog remains. | Any continued delay in regularly reconciling the account will threaten the credibility of IFMS. |
| TRA Revenues | Not integrated. Uses different database and manual tax records. Has yet to adopt GFS classification. | |
| Line Ministry Revenue Collections | Not integrated. | |
| Payroll | Not integrated. Uses different database and different cost centre coding structure. | |
| Public Debt | Not integrated. Uses CS-DRMS database for external debt and Excel spreadsheets for domestic debt. Forecasting limited to one year. | |
| Utility Payments | Payments recorded through IFMS. Provision exists to enter "expense" commitments but is not used. | Exchequer releases falling short of budgeted funds means that priorities for spending are often for goods and local services. A significant build-up of utility arrears might be anticipated. |
| Donor disbursements | A number of donors are reportedly channelling disbursements through the IFMS. A number are not. | |
| Special Funds | Not integrated. | |

(78) The major gaps identified by the above table are described in the following paragraphs.

Integration of payroll

(79) The payroll system is being developed independently of the IFMS on a different database and is being linked to new human resource records required by Civil Service Department under the Public Service Reform Program. There is a need for the payroll system to:

- use the same cost centres as the IFMS;
- record repayments of advances made to employees; and
- record advance electronic generation and transfer of salary payment vouchers.

Integration of Public Debt system

(80) The Public Debt System is not integrated with IFMS. It uses the Commonwealth Secretariat – Debt Recovery and Monitoring System (CS-DRMS) database for external debt and Excel spreadsheets for domestic debt. Debt forecasting is limited to one year. There is a need for:

- electronic generation and transfer of payment vouchers; and
- a facility to model three-year forecasts for the MTEF.

Utility Invoices

(81) Although utility payments are recorded through IFMS and provision exists to enter “expense” commitments, this provision is not used. Commitments in the accounts are mainly based on purchase orders which are not issued for utility supply. As payments are restricted through the Central Payments System to those items for which commitments have been entered, the result is that payments for goods and local services are made, leaving a significant build-up of unpaid utility invoices. There a clear need for the accurate recording of commitments for rents and consumed utilities.

Donor disbursements

(82) Not all donors are channelling disbursements through the IFMS. There is need for consistency in this area.

Bank Reconciliations

(83) Cheques issued are not being properly verified against cheques presented at the Bank of Tanzania (BOT) for payment. The reason given is that the automatic bank reconciliation facility of the IFMS will not work, partly because of interfacing problems and partly because of a lack of common reference numbering between the IFMS and BOT.

(84) However, one of the system evaluation criteria for IFMS was that the system should support both automatic and manual bank reconciliations and the Platinum system has this facility. It is surprising therefore that manual reconciliations are not attempted because continued failure to reconcile with the bank threatens the credibility of the system.

(85) The interface has now been agreed and early versions of data are being tested. However, there are still considerable numbers of exchequer releases and pre-November 1999 cheques that will require manual intervention.

Data Interfaces

(86) Whilst the Tanzania Revenue Authority utilises the Platinum Software for internal accounting, tax revenues are not integrated but are recorded in a separate database and manually. The Controller and Auditor General has suggested that the integration of the TRA revenues database could facilitate tax audit by providing the link between large government disbursements and taxes paid. (This could be achieved by checking that the tax returns/assessments of the major beneficiaries reflect all the income received through government contracts).

(87) Line ministry revenues remain to be integrated. This is important in the context of the revenue retention schemes operated by GOT where Ministries are allowed to earmark for expenditure, income collected in excess of set targets. This income will impact on authorised expenditure levels and therefore should be included in the CPS provisions.

Connectivity

(88) Difficulties have arisen at sub treasuries as a result of the inadequacy of hardware. These problems are currently being resolved but an effect is the failure to roll over the databases from the previous to the current financial year. As a result and as a temporary solution, the sub treasuries have been instructed to revert to manual recording. This will impact on the credibility of the system unless it is resolved quickly.

4.2.5 Conclusions

(89) The project has been successful in a relatively short timescale. It has delivered tangible benefits and, by starting to restore financial control and discipline, has contributed to the successes of other reform programmes.

(90) However, whilst the overall results point to a progressive improvement in financial management in GOT, the potential benefits of GADP have yet to be fully realised, and a further consolidation phase will be required before the project is complete.

4.3 Interim Budget Development Project – Outcomes

(91) The Interim Budget Development Project was commenced in January, 1999, following a request to Sida for further support for the budget process. Earlier support had included the development of a budget manual and the introduction of medium term (3 year) planning techniques.

(92) The goals of the IBDP are stated as follows:

- to enable a specific vision, a mission and objectives to be developed for the government budget;
- to facilitate macro and sectoral analysis and enhance transparency and effectiveness of the budget structure; and
- to improve the overall monitoring of the budget performance.

(93) There is no doubt that the IBDP and earlier initiatives to support budget preparation and management have provided GOT with modern budget techniques and processes.

(94) However, the whole process of efficient allocation of national resources depends on the reliability of the forecasts of those resources.

(95) The weakest link in the Tanzanian budget process is in the area of revenue estimates preparation. The government suffers from inadequate revenue streams and over-optimistic revenue estimation.

(96) The inadequacy of local revenues and unpredictable revenue flows has resulted in the introduction of a monthly cash budgeting system. This is reinforced by the application of a Central Payments (CPS). The CPS was developed and piloted during GADP Phase 1, following the appointment of the new AG, using a network linking five ministries and the Central Payments Unit (CPU). The software used at the time was a COBOL application which had originally been developed for the central payments system of the Ministry of Education.

(97) The CPS removed spending agency bank accounts and cheque books, allowing the AG to have the final decision on cheque payments, based on warrants issued, authorised purchase orders and cash available. The impact of the system was immediate and effective, controlling expenditure and improving efficiency of payments and financial reporting, though establishment of bank reconciliation took much longer. Considerable resistance to the system was encountered and the new AG had to overcome demand for it to be abandoned.

(98) The effectiveness of the CPS led to its eventual extension to all Ministries and Departments and incorporation into the new IFMS in Phase 2 of GADP.

(99) We consider that the CPS is an appropriate control instrument for government but its reliance on cash budgeting is not. This view was also expressed by the IMF Resident Representative to Tanzania. Under it, commitments are only allowed when sufficient funds are available. Decisions as

to who will be paid are made administratively and this process undermines the ability of government to exercise its decisions in regard to the prioritisation of its expenditure programmes.

(100) The consequences of monthly cash budgeting are that:

- because there is no normal year for use as base line, budget norms are difficult to formulate and financial performance indicators are difficult to establish;
- meaningful annual performance reports are difficult to prepare;
- because of uncertain cash flows, the MTEF can be no better than indicative and is not presented for parliamentary approval and commitment;
- integration of development and recurrent budgets is made difficult by differing quality of funding predictions;
- modern budgeting techniques are undermined;
- there is a lack of credibility in new processes, which require extra work but which are simply paper exercises; and
- there is a consequent reduction in staff commitment.

4.3.1 IBDP outputs

(101) Exhibit 7 below details the project activities and shows what has been achieved and what remains to be completed.

Exhibit 7: IBDP Objectives, achievements and outstanding components

| Activities | Achievement | Status |
|--|---|---|
| Re-classification of budgets within framework of MTEP and in accordance with GFS | GFS classification utilised in 2000/2001 budget presentation to Parliament | Complete |
| Development of performance budget techniques | Performance budget techniques implemented in all ministries | Complete |
| Development of performance budget manual | Performance budget manual published | Complete |
| Associated training | Training provided in performance budget techniques to all ministries | Complete |
| Gender mainstreaming | Training workshop held and manual produced but institutionalisation still to be developed | Further support required |
| Development of performance indicators | Piloted in Ministry of Health | To be completed in all ministries |
| Implementation of the Budget Management module of the Platinum System | Introduced for 200/2001 budget in Ministry of Finance only. MoF staff found software complex to use | Complete installation and training in all Ministries. Further training required at MoF. |
| Integration of recurrent and development budgets | GFS classification complete but integration not undertaken | Requires completion |

(102) Our findings in regard to the individual components and the major gaps identified by the above table are described in the following paragraphs.

Budget re-classification

(103) Re-classification of the budget utilising the IMF standard Government Financial Statistics format has been completed and the budgets for 2000/2001 have been presented to parliament in this form.

(104) The introduction of a computerised accounting system and a common chart of accounts for budgeting and accounting purposes that allows detailed analysis of expenditure on geographical,

functional and economic bases is highly relevant to the government's needs, being the first step towards improving the transparency and availability of useful financial information on current and past performance as a basis for budgetary control, economic forecasting, planning and budgeting.

Performance Budgeting³

(105) The Performance Budget Operations Manual has been finalised and at the time of the evaluation was being published by the Government printer. All ministries are now using performance budgeting techniques in the production of their annual budgets and the requirement for this process will be institutionalised with the promulgation of the new Public Finance Act in January 2001 (passing of this Act has been delayed by preparations for the Parliamentary General Elections that will take place later this year).

(106) The effectiveness of the performance budgeting approach will however be undermined by the unrealistic forecasting of revenues and the consequent lack of an adequate base year. The lack of a reliable baseline will make preparation of realistic financial performance targets difficult and will hamper comparison in ministerial annual reports.

(107) Performance indicators have been developed for the Ministry of Health and indicators for the remaining ministries need to be identified.

Gender Issues

(108) These are addressed in greater detail in section 5.5.4 below. Numerous attempts at gender sensitisation have been made and a number of workshops held but we were given the impression that despite acceptance in principle, traditional values favouring males are still upheld.

(109) The guidelines for the preparation of the 2000/2003 medium term plan and expenditure framework include specific instructions for the mainstreaming of gender issues in their sectoral plans and budgets and the Ministry of Finance has provided assistance to line ministries in applying gender sensitive methods in budget preparation. The guidelines are a joint publication of the Planning Commission in the President's Office and the Ministry of Finance and indicate a high level commitment to the achievement of gender equality but we find that commitment at the middle management and lower levels is less than convincing.

Integration of the recurrent and development budgets

(110) This component of the project remains to be completed.

Platinum Budget Manager Module

(111) The module has been installed at the Ministry of Finance and is being installed at all line ministries. It was utilised by MOF for budget preparation for the first time in the 2000/2001 exercise. Data from the line ministries was provided using Excel spreadsheets. There were mixed reports as to the module's ease of operation and some GOT staff indicated that it is too complex. We believe that this is partly a change management problem. In previous years an Access database had been utilised. There is a need to continue training of users and to recognise that as the budget is an annual event familiarisation of the users with the software will be an ongoing exercise.

(112) As noted above, the IBDP has been implemented using the budget module within the Platinum package used for the IFMS. The total compatibility of the budget module with the IFMS

³ An extract from a paper presented by International Management Consultants Ltd to a United Nations sponsored budget seminar in 1997 and which explains the concepts of performance budgeting is attached at Appendix 5.

package solution will have been a major consideration in choosing Platinum Budget Manager but the choice of Platinum may not have been the appropriate solution. Platinum was selected for its accounting functionality rather than for its budget capability. Clearly, Platinum was the only package that included a separate budget module – so there was no direct comparison on functionality or usability. However, an alternative approach might have been to look at specialist budget packages that could interface with Platinum.

4.3.2 Coherence

(113) The Interim Budget Development Project is a crucial component in the Public Financial Management Reform Programme and its impact is government wide. All ministries will prepare and manage their budgets through the Budget Manager module of the IFMS. These budgets will be prepared utilising the GFS classification facilitating better budget analysis. The Performance Budget procedures introduced by the project will allow government to focus on its priorities.

(114) Support to the Medium Term Expenditure Framework has been a consideration of all the initiatives under the Interim Budget Development Project and the reclassification of the budget in GFS format will facilitate the integration of the development and recurrent budgets. The institutionalisation of gender mainstreaming within the MTEF process will encourage the changes necessary to attain gender equality.

4.4 Relevance

(115) Implementation of sound financial management is a gradual process. Our experience of other countries shows that achieving the Level 1 objective in Exhibit 3 above is a major milestone in itself, and an essential precursor to achieving the country's economic objectives. The financial management system of the Government of Tanzania has improved from a state that in 1994 was in most respects dysfunctional to one where sound financial controls (Level 1) have been established and where modern budget systems are now in place which will enable the eventual achievement of the objectives at Level 2 and 3. This transformation has been achieved at a faster speed than in most developing countries.

(116) However, allocation of resources (Level 2) is not yet being achieved by the formal budget process, but by a system of cash budgeting and warranting. This is exacerbated by the inability of donor organisations to provide timely realistic indications of the level of funding they will make available. (This is particularly important with the current move towards sector wide approaches and pooled funds). This inevitably undermines the achievement of the ultimate goals of achieving policy priorities. Time is needed before the Government of Tanzania is able to produce a balanced budget that realistically reflects revenue constraints and matches expenditures.

(117) Consequently, we conclude that the objectives set for the IBDP took too little account of the constraints to normal budget procedures imposed by the cash budgeting regime then and currently in operation.

(118) Furthermore, we recommend in this report that a period of consolidation is needed to establish the co-ordination of the accounting and budget projects to produce an integrated financial management system.

4.4.1 Effectiveness

(119) The successes of IBDP so far have been:

- high level commitment to the process;
- institutionalisation of the Performance Budget Process, including the necessary legislative changes;
- a continuing commitment to and development of the Medium Term Expenditure Framework (MTEF);
- attempts to incorporate gender sensitive budget approaches;
- re-classification providing better analysis opportunities; and
- consistency with IMF and donor criteria.

(120) However, as noted above the effectiveness is reduced by the fact that the budget is not relevant to the way expenditure management presently takes place, and consequently it cannot be regarded as effective.

(121) We are concerned that despite attempts at a high level to achieve commitment to gender equality, traditional values favouring males are still upheld and will take a long time to break down.

4.4.2 Conclusions

(122) We conclude that systems and procedures are now in place and have been institutionalised that will allow GOT to produce realistic planned, prioritised budgets that can be properly monitored and which contribute greater transparency in the allocation of government resources.

(123) However, the establishment of these systems can only assist in facilitating the fundamental changes that are required to make the budget process realistic and to ensure that balanced budgets are produced and adhered to. We believe that this process will take time, will have to be driven from within MOF and will require:

- revenue forecasting techniques to become more realistic;
- line ministries to adapt to producing realistic expenditure budgets, prioritising their objectives within realistic expenditure ceilings which are fully inclusive of payroll, recurrent and development expenditures;
- budget division and line ministries to learn how to use the Budget Manager software efficiently (some customisation of the software may still be required and there is a need for specific training on report design); and
- as the budget systems are made more effective, cash management should revert to its proper role of coping with fluctuations in the flow of receipts, and not as a mechanism of controlling expenditure or revising budgets.

(124) A period is needed to complete all the components of the IBDP including the installation and online implementation of the Budget Manager module of the IFMS in all ministries. This should be possible within the extension period to 31st December 2000, during which the IBDP and GADP should be integrated as a single project. Beyond that period, there is a need for support for a further full financial year to ensure that the system is operating properly as a component within the IFMS.

5 Findings – human resource management

5.1 Staff complements

(125) The committee set up in 1996 to review the roles and responsibilities of the AG department targeted retrenchment of approximately 50% of staff, together with recruitment of new higher calibre staff (e.g. expansion of the SDU). However, because of opposition to the plans from MOF, only limited retrenchment took place. In October 1997 plans for restructuring the entire accounting cadre were also opposed by MOF, though in February 2000 one aspect of the restructuring, the creation of Sector Financial Control Units, has begun to take place.

(126) We requested but have not been supplied with an organisation chart for the AG department and the accounting cadre. However, from visits and interviews we have conducted we believe that whereas the staffing levels in AG department have been rationalised, there has been no corresponding reduction in the accounting cadre outside the Ministry of Finance, where overstaffing appears significant. Neither has there been any rationalisation of Budget department staff. There is, therefore, still a need to review the staffing levels of the Ministry of Finance and of the whole accounting cadre.

5.1.1 Staff recruitment, rewards and retention

(127) In common with practices by other donor organisations to retain key project staff, a number of personnel in the AG department receive Local Cost Compensation (LCC) from Sida to boost their salaries. This has enabled the recruitment and retention of a core of young graduates in both the SDU and user departments, on whom the workings of the new systems now depend.

(128) The effective functioning of the AG department is dependent on being able to manage a sustainable flow of employees of this calibre. The aim is not necessarily to retain all the existing staff, because this is highly unlikely (and undesirable for the economy) as opportunities open up for their skill sets elsewhere. The objective should be to ensure that the package of salary and training offered is pitched at a high enough level to attract a steady stream of graduate-calibre applicants to the department.

(129) A key question for sustainability is therefore whether salary levels will be high enough to achieve this objective when LCC from Sida is phased out. The Public Service Reform Program (PSRP), which is currently running and is expected to last five years, addresses the adoption of new management systems and improvements to staff morale and salary levels. Two key policies being formulated are:

- i. Public Service Management and Employment Policy: this deals with adoption of key values and the movement towards results-based advancement within the service.
- ii. Public Service Medium Term Pay Policy: this deals with enhancing the pay of the Civil Service.

(130) Under (ii) above, a five year Medium Term Pay Program was started in 1999. Unfortunately, however, this is on hold at present because of poor government revenues but will be brought on stream again next year if revenues improve. A staff regrading exercise has also been started.

(131) However, GOT proposes that, in the interim period before general pay levels can be significantly enhanced, the salaries of selected key staff should be topped up to make them more competitive. Currently under discussion is the Selective Accelerated Salary Enhancement scheme (SASE).

In this scheme donor organisations have been asked to make contributions to the SASE fund which will be used to supplement the salaries of agreed staff. The aim would be to phase these supplements out after 5 years. The top ups would be at least 50% of base salary but in some cases could be higher than 100%.

(132) In common with other donors, Sida have agreed in principle to contribute to this scheme and to phase out the existing LCC. However, in our view, there is high risk that over-optimistic forecasts of revenue will cause the scheme to falter, and suitable contingency plans therefore need to be made.

(133) In any event, payment of salary supplements does need to be accompanied by suitable performance appraisal and results-based advancement within the service (the other side of the PSRP equation).

5.1.2 HR and training records

(134) An early report on Human Resource Issues⁴ recommended the establishment of an Administration and Personnel Unit reporting direct to the Accountant General. However, this has not happened and, given the need to integrate the accounting and budget projects, is not necessarily desirable.

(135) In Phase 1 of GADP an HRM Management System for the accounting cadre was developed for use by the Director of Administration and Personnel, MOF. At the time of our visit, this system was being maintained manually because the computer link between personnel staff and the payroll computer which holds personnel details had been temporarily broken. The records consist of very basic personnel data and no training histories are held on individual personnel files.

(136) Training records held by the MOF training manager are simply listings of who has attended internal or external training courses. No training records for individual employees are kept. Not all donor-funded training programmes are recorded in the books of the MOF training manager. In particular, none of the IFMS training carried out under GADP has been recorded. The only records of this are held by SDU, and these are not held as part of a controlled system. No records of on-the-job training are kept.

(137) We conclude that, at present, neither the personnel records in MOF nor the training manager's records are appropriate for use as training records or for developing a system of staff performance appraisal. Although this area is being addressed by the Public Service Reform Programme, (an HR module is being constructed as part of the new payroll system with the intention that eventually it be rolled out to line ministries), we feel that Ministry of Finance should be proactive in addressing this issue, as it is an essential input to the creation of a strategy for recruitment, development and retention of staff.

5.2 Staff training and development

(138) Training has played an important part in both GADP and IBDP, and includes IFMS system training, computer awareness training, a management development programme and range of programmes for budget officers. This section reviews the training given, examines the prevalent

⁴ GADP 'Report on Organisation, Management and Human Resource Issues relating to the Government Accounting System' April 1994

attitude towards training of GOT staff and argues the importance of having a training strategy which is linked to an HR strategy covering recruitment and retention.

5.2.1 Training in the IFMS

(139) Extensive training has been given for those who are involved with the new IFMS.

In particular:

- Technical SDU have received extensive training on systems software and are able to solve most systems problems. They would like to receive more training on some technical areas e.g. Structured Query Language (SQL) in order to be able to take over more work from the accounting package systems supplier (Soft-Tech). It is not clear at present who decides which skills this group should acquire. For sustainability, responsibility for development of these staff needs to be taken over by MOF/AGD and co-ordinated with a clear strategy for managing the relationship with the systems supplier and defining the boundaries and overlaps between internal and external support.
- Applications SDU have had extensive training on all IFMS applications. There is a high level of mutual self-help and support in the group and recruits who joined at a later stage have been effectively coached by original members. Regular Saturday workshops have been run to consolidate knowledge and skills. This group is now well able to train and provide support to new IFMS users. However, their effectiveness is sometimes undermined by inadequate administrative arrangements (insufficient budgets to allow them to visit field sites) and poor time management and planning.
- IFMS users: most user groups have been given awareness training followed by training in relevant parts of the IFMS system. Much of this has been conducted by SDU. Groups which have had insufficient training are:
 - Internal Audit; and
 - accounting staff at line ministries, where the training given to Chief Accountants, Chief Internal Auditors and Heads of Sub Treasuries has not been shared with other members of the department.
- MOF budget officers have been trained in the use of the Budget Manager software (the budget module of the IFMS). Their main problem is that more practice is required to master what is a fairly complex system. Further training in Budget Manager is required in line ministries and in MOF as budget preparation is not a continuing process and familiarity with the software will be a lengthy process.

5.2.2 IFMS user manuals

(140) We have examined several of the IFMS user manuals. Standard Platinum manuals are issued for technical matters, but for user applications specific manuals have been written. These are brief and targeted but, from a sustainability point of view, they are not stand-alone manuals as they may be difficult to understand if not accompanied by verbal explanations. Ownership of master copies is retained by the software supplier and version controls are not operated satisfactorily by the SDU.

5.2.3 Other training

(141) There have been several other training initiatives during the project, including the following:

- MOF budget officers and line ministry planning staff have had extensive training in the use of performance budget techniques and in gender sensitivity issues.

- Computer awareness training and use of Microsoft Office, carried out near the start of the project, produced an immediate increase in productivity.
- A Senior Management Development Programme for chief accountants, sponsored by DFID, was successful and needs to be extended, but no government funds have been made available.

5.2.4 GOT staff attitude to training

(142) Continued training and staff development is vital to the sustainability of projects. In common with government staff in many other developing countries, training is often viewed by GOT staff as a means of acquiring extra cash through training allowances rather than as an investment which brings future benefits. This culture poses a real problem to sustainability of projects because it raises the cost of training staff to levels above that which can be afforded by the government. This also leads to a reluctance to accept coaching and on the job training which may often be more effective but which does not pay training allowances. There is already an opportunity cost of lost productivity when key members of staff are taken away from the workplace which on the job training would minimise. When training allowances are added in, the volume, type and level of training that can be afforded is severely limited.

5.2.5 MOF training plan

(143) MOF is responsible for training all staff in the accounting cadre – approximately 2,500 staff including those at line ministries. However, because of budget restrictions a decision has been made to restrict training to those in the MOF and AG buildings and in sub-treasuries – approximately 800 staff, from whom approximately 300 are currently listed for training on the MOF training plan. This plan consists of a listing of staff, and a description of courses which they are scheduled to attend (IFMS systems training is not included on the list as it is carried out by the project outside the normal training system). Preparation of the training plan has largely been an academic exercise as most of these courses are in fact not happening at present because of lack of funds.

(144) The training programmes listed in the plan are:

- Management development for top executives (at ESAMI);
- Management of change and good governance (ESAMI);
- Management development training for senior level officers (including modules on gender issues) (ESAMI);
- Post graduate courses in professional skills (Univ.of Dar, IFM, IDM);
- Undergraduate courses in professional skills (Univ.of Dar, IFM, IDM);
- Higher Standard Government Accounting course (DSA);
- Lower Standard Government Accounting course (DSA);
- A selection of courses in other skills, including secretarial, IT literacy etc.

(145) Individuals are nominated for training by divisional managers. If there have ever been training needs analyses they are not formally used in the training selection process.

5.2.6 Need for a training strategy

(146) There is clearly a need to define who is responsible for training the accounting cadre outside of MOF. A training strategy is needed which will link in with an HR strategy for recruitment, development and retention of staff.

6 Findings – Sustainability

6.1 Project Successes – Contributing Factors

(147) The project's success can be attributed to the combined strength of a unique project partnership, the individual roles of its key stakeholders, and the existence of internal and external support for its goals and concepts. Contributing factors included:

- i. Key stakeholders having a major influence on the outcome of the project:
 - an innovative team of international consultants, bringing to the project a broad repertoire of skills, knowledge and experience;
 - the appointment of a reform-minded BOT official as the Accountant General and manager of the project;
 - the pragmatic and flexible approach of the sponsor; and
 - the commitment of the software supplier.
- ii. Political support and commitment to the reform process, demonstrated by the resistance to pressures to exclude “sensitive” ministries and autonomous departments from joining IFMS and the stringent expenditure controls imposed by it. Authority to exclude any spending units would have degraded the system.
- iii. The vision and early creation of a System Development Unit (SDU) in the AGD, staffed with young enthusiastic graduates, and its absorption into the civil service establishment. Providing its members with extensive theoretical and practical training has enabled the progressive transfer of responsibilities for installing and maintaining hardware and software components and for training users on the system.

(148) A combination of the above factors has helped the AGD improve its operational efficiency and accept partial ownership of the reforms by lessening its dependence on external assistance. However, there is still a need to sustain the gains that have been made to date and to address a number of remaining issues. Section 5.3.1 below suggests that some of the above factors that have contributed to past successes may act as restraining forces as and when the project moves to the next phase of its lifecycle, and will therefore need to be managed accordingly.

6.2 Legal Framework and policy support

(149) GADP: Legislation has been revised to reflect the establishment of the central payments office as a control mechanism.

(150) IBDP: The draft Public Finance Act, 2000 which will be passed by Parliament in January, 2001, requires budget preparation utilising performance budgeting techniques. This institutionalisation of the process is an indication of the commitment of the Government of Tanzania at the highest level.

(151) Following promulgation of the revised legislation it will be necessary to gazette revised rules and regulations reflecting the provisions of the legislation. We understand that these rules have been prepared and simply await the promulgation of the Act.

6.2.1 Systems Development Unit

(152) In Phase 2 of the GADP the Systems Development Unit (SDU) was expanded into two staff groupings: technical SDU and applications SDU. Technical SDU act as systems managers for the whole IFMS, assist with installation of operating systems and software at new locations and are now able to perform most routine jobs which previously had to be undertaken by Soft-Tech. Applications SDU act as the trainers and 'help-desk' for systems users in all ministries and departments. Technical queries from users are passed from Applications SDU to Systems SDU.

(153) Successes: The SDU has been developed as a potential centre of excellence:

- The calibre of the staff is very high, most recruits being young graduates.
- They have been effectively trained in relevant skills since joining: not only in the Integrated Financial Management System (Platinum system), but also professional skills relevant to their discipline (systems engineering, accountancy, or financial management).
- They are capable of solving most problems that users have with the Platinum System.

(154) Weaknesses: This potential centre of excellence does not however always function as well as it could:

- We found examples of poor management of support work to ministries and sub-treasuries. For example:
 - i. In some cases the applications SDU were unable to respond to requests for help simply because there were no funds to pay their travel expenses, because of poor budgeting or inefficient allocation of funds.
 - ii. For the same reason proactive visits by SDU to sub-treasuries had been discontinued.
 - iii. At the time of our visit, which was in the first month of the new financial year, SDU had not been organised to set up the required start-of-year databases at sub-treasuries.
- System documentation is potentially weak. Although SDU have received hard copies of all user manuals and training documentation, these are not filed in a methodical way, giving rise to the fear that some copies are missing. No soft copies of user manuals or training materials have been received from Soft-Tech and any amendments to the documentation are handled by separate memos.
- Logging of queries by the help-desk is now discontinued, and there appears to be no formal system for operating the help desk.
- The view has been expressed by several parties that the technical SDU is still over-dependent on Soft-Tech. This needs further investigation. Although some believe that the ultimate goal is to be able to operate the system entirely independently of the systems supplier, this is an erroneous view, as the dependency may simply be swapped from the supplier to a few highly skilled internal staff who may well leave to pursue high income careers elsewhere. The relationship with the systems supplier is one which needs careful strategic management.

6.3 Institutional and Management Capacity

(155) Various issues affecting the ability of the GOT to take full ownership of the projects are addressed in the following sections. They are:

- the project culture and management style; and
- the ownership of the project by the Government of Tanzania and the degree to which the systems introduced by the project can be operated in a self-sufficient fashion.

6.3.1 Project culture and management style

(156) Following the appointment of the new Accountant General in 1996, there was a ‘major shift in the management approach’⁵ to the Government Accounts Development Project. The new AG established a small task force, consisting of the project consultants and a small group of Chief Accountants from Ministries, whose brief was to review and implement rapid changes to the organisation structure, roles and responsibilities of the AG’s department.

(157) Subsequently the long term advisor was able to act with considerable autonomy in implementing the plans drawn up by this task force. For example:

- “The Accountant General and the Assistant Accountant General (Financial Systems), subject to being kept fully informed, allowed the GADP Advisor considerable decision making independence and supported the decisions made.”
- “Decisions were therefore made very quickly and problems resolved. A managed stakeholder consultation took place that effectively restricted the ability of the large external stakeholder group to impede the process but provided some opportunities for discussion where it was felt important to seek user reaction.”⁶

(158) This ‘directive’ style, combined with the recruitment of high calibre new recruits into the AG’s department, enabled rapid changes to be made and had significant advantages:

- the ability to make prompt decisions;
- a strong leadership which enabled barriers to change to be overcome;
- rapid implementation for large parts of the project;
- high staff morale and commitment at the centre of project;
- the development of a highly skilled largely self-sufficient ‘learning organisation’ in the AG’s department, capable of training and helping staff in other ministries and outlying offices, and with a professional approach to work practices.

(159) The directive style adopted was appropriate for the project in its formative stages and has played a key role in forcing the rapid pace of change which was needed to enable the government financial management system to begin to satisfy the needs of stakeholders. A more consultative approach could easily have been strangled by bureaucracy. The system restructuring has been achieved in a significantly shorter time than in many other developing countries of our acquaintance.

⁵ Appendix 3. Tanzania Case Study Implementation of an Integrated Financial Management System in the Government of Tanzania page 16. (Peter F Murphy June 2000)

⁶ Appendix 3 Tanzania Case Study Implementation of an Integrated Financial Management System in the Government of Tanzania page 45. (Peter F Murphy June 2000)

(160) Indeed, the strong consultative approach was a necessary compensation for a management team relatively inexperienced in computerisation projects and because the new AG was unable to provide his time as the full time project manager.

(161) It is interesting that in the IBDP, where a more traditional consulting approach was adopted, the results are more limited.

(162) Such an approach can, however, carry high risks and create problems which are eventually resolved by a change in management style to one involving greater co-ordination and consolidation. Amongst the problems noted by our review team were the following:

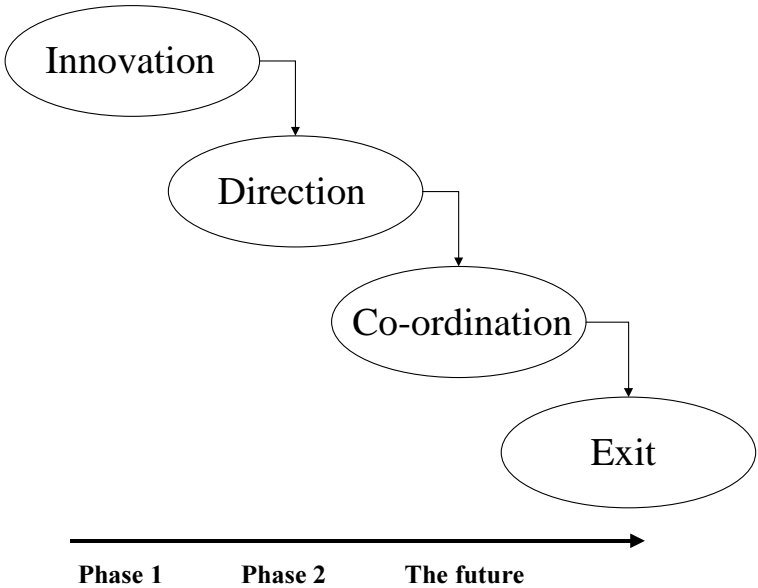
- Some stakeholders have been 'left behind'. For example:
 - (i) The Auditor General's department (CAG) now feels incapable of auditing the government accounting system. Although this is seen by the CAG in terms of a lack of equipment, the reality is that a small amount of time spent training CAG staff to audit the system inputs and outputs manually would have kept this stakeholder 'on board'
 - (ii) There is an underlying feeling in the Budget Division that their role is meaningless in the present 'temporary' system where expenditure is prioritised by the warranting/cash management system, and not by the budget approved by the legislature. Whereas they are correct in this observation, their active participation is needed to ensure that meaningful budgets are produced in future and that the movement towards performance budgeting is continued. Co-ordination between the GADP and the IBDP needs to improved with immediate effect.
- As is to be expected, there is a degree of envy and resentment towards the Accountant General's Department from those MoF departments and other Ministries which have not been at the core of the reforms but which have needed to adapt their working practices to suit the new system. The 'Business Process Engineering' in the implementation plan for GADP was largely a euphemism for the approach that 'where the organisation does not fit in with the requirements of IFMS, then the organisation must change'. In other words, there was an in-built assumption that IFMS represented better accounting practice than was present in the original system and that it should be adopted without question or discussion. In practice, however, it is difficult to distinguish these criticisms from the simple envy caused by the payment of enhanced salaries and the investment in superior working conditions in AG department.
- For whatever reason, resentment, vested interests, or rational caution, proposals for restructuring the accounting cadre have been resisted and have not been fully implemented. These need to be further investigated.
- Management structure in the accounting cadre contains some gaps, weak links and confusing relationships. For example:
 - (i) The roles, responsibility and reporting requirements for internal audit are now unclear.
 - (ii) The role of the proposed new financial control units seems to overlap with the role of internal audit.

- (iii) The long term advisor's strong role in the development of the new systems may have had the effect of weakening the roles played by some government managers. In particular, the Assistant Accountant General (Financial Systems) may need time to develop the competencies and management skills necessary to assume responsibility for this role when the long time advisor eventually leaves.
- The strong culture of organisational learning within AG department is not mirrored by a similar culture in other parts of the accounting cadre. Accountants in line ministries need further training, experience and some changes in attitude before they can adequately manage their own systems.
- The strong emphasis on achieving results quickly has ignored the need for succession planning, in particular for the roles of Accountant General and long term advisor, and has left the project with a number of 'loose ends'.

(163) It is concluded that the current management style should be followed by a period of consolidation, where existing plans are brought to a satisfactory conclusion and exit plans are developed for key players in the development stage of the project. The development of new computer components during the consolidation phase should be discouraged as the continuing need for learning that this would cause will detract from the consolidation exercise and impact on the scheduling of the exit strategy.

(164) As part of this strategy we recommend that a counterpart for the Long Term Adviser be appointed. This person should have management, IT and accounting skills and should work closely with the LTA so as to be able to take responsibility for the continuing operation of the systems on project termination. The Deputy Permanent Secretary in the Ministry of Finance expressed his concern at the lack of an obvious successor to the LTA. We share his concern. The computerisation and centralisation of the Government's accounting systems makes them more vulnerable to sophisticated fraud and to central breakdown and there is a need for a locally appointed specialist to be able to takeover from the LTA to ensure that the systems continue to operate with integrity.

Exhibit 8: Management styles in GADP/IBDP projects



6.3.2 Ownership and Self-sufficiency

(165) The extent to which the Government of Tanzania has taken ownership of the project is shown by the following:

- The recurrent budget now contains a provision for system maintenance costs, including the costs of using the local consultant, Soft-Tech;
- The Systems Development Unit (SDU), consisting of specialist computer technicians and staff specialising in the IFMS, has been set up, expanded and trained. The salaries of these staff, which were once paid from the GADP budget are now provided for in the recurrent budget of GOT. However, LCC is still paid by Sida.
- The SDU applications staff have been trained to act as trainers of other staff using the IFMS. The work of the SDU as trainers had been an essential part of the process of introducing the IFMS to line ministries and sub treasuries.
- All user departments have now received training on the IFMS. The extent to which this has been effective or sufficient is discussed below.
- Both systems and applications SDU now run internal help desks serving all IFMS users, thus reducing reliance on external support from Soft-Tech to solve systems and applications problems.

6.4 Economic and Financial Sustainability

(166) A separate vote has been approved within the 2000/2001 GOT budget which includes provision for system maintenance, stationery, communications and other running costs, licence fees, and software upgrades. Care will need to be taken to ensure that sufficient funds for the replacement of obsolete and or damaged hardware are provided for in future budgets. We were assured of the Government's commitment in this regard.

6.5 Socio-cultural aspects

6.5.1 Risk aversion

(167) As is to be expected there has been a 'clash of cultures' between the innovative management team of GADP/IBDP and the hierarchical/central planning culture within government departments. Most government officials are still more concerned with adhering to procedures and avoiding risks rather than with adopting innovative approaches to achieving results.

6.5.2 Attitude to training

(168) As is the case in many developing countries, the attitude of government staff to training is disappointing. Training should not be viewed as a means of earning additional cash allowances but as an investment of government resources and personal time on activities which produce subsequent benefits to both the government and the individual. The question of the magnitude of training allowances in Tanzania needs to be investigated.

6.5.3 Gender equality in the projects

(169) During the study and at the presentation of our initial findings to the Stakeholders, we were asked by the Swedish Embassy to elaborate on gender issues.

(170) Because we were not provided with an organisation chart and the MOF personnel records are not detailed enough to track performance of individual staff members, we are unable to report statistics on gender equality as regards recruitment, training and promotion. However, our percep-

tion, gained from observation and discussions, is that recruitment has been based on merit and that both sexes are well represented among the new staff. In the SDU, which is a support group key to the sustainability of the project, and a likely source of staff for promotion and 'fast-tracking', women are as likely as men to take leading roles in providing assistance and instruction to IFMS users.

(171) While there appears to be no obvious gender bias in gaining promotion to lower managerial levels, higher ranks (for example Assistant Account General and above) are staffed exclusively by men. We have not had sufficient time or gained sufficient information to assess whether this is a situation which is likely to change in the near future.

(172) There appears to have been no gender discrimination in training provided by the project. However, the wider training listed in the MOF training plan needs careful review as it is at present unrealistic in its scope given the funds available. A factor that would need to be reviewed is how individuals are actually selected for training when original plans are scaled back.

6.5.4 Gender mainstreaming in the budget

(173) The Guidelines for the Preparation of the Medium Term Plan and Expenditure Framework 2000/01 – 2002/03 state that the government is committed to mainstream gender in its policies, national plans and budget processes. All accounting officers are required to take measures to:

- build capacity for gender analysis of programmes/projects;
- identify priority gender concerns;
- indicate gender objectives and produce an action plan;
- allocate budget resources to the alleviation of gender inequality and inequity;
- utilize gender disaggregated information from sector planning units; and
- set gender monitoring indicators (quantitative and qualitative).

(174) While the budget instructions for 2000/01 also contained requirements for information on gender sensitisation, the performance budgeting operations manual (December 1999) contains no mention of it, even in the examples of performance measures provided.

(175) In order to assist with capacity building to deal with these issues, workshops were held by MOF for pilot ministries, including Education, Health, Water, Community Development, Agriculture and Regional Administration and Local Government. The workshops and subsequent follow-up assistance were facilitated by Tanzanian Gender Networking Programme.

(176) A report on these activities⁷ includes the following observations:

- the work had to be hurried because of shortage of time (increased volume of work in a shorter timescale);
- there was insufficient focus in identifying *priority* gender concerns;
- there is very little existing disaggregated data to examine and on which to base targets;
- some gender disaggregation was included in targets, but most targets were not clear or specific and can thus easily remain at the level of words; for example the words 'with gender perspective' were added to the end of an existing target;
- many budget officials have not realised that the concepts they gained from training can be used as analytical tools; and
- some budget officials had no power to change or influence policy.

⁷ Report on short-term consultancy on Gender Mainstreaming in the Budget System, by D Budlender

(177) The report also contains a useful independent commentary on the main weakness of the budgeting system, as highlighted in our own report: that under the present cash budgeting system, those responsible for drawing up budgets have limited influence over budget execution and are disillusioned with producing budgets ‘that are not real’. Thus gender sensitive budgeting, like all performance budgeting, has limited relevance when budgets are based on incorrect assumptions about cash availability.

(178) On the surface there are conflicting comments in Budlender’s report about the attitude of MOF to gender issues. Whereas she noticed increased ownership of the problem at MOF, the comment was also made by some line ministries that ‘MOF is only interested in the figures’, by which is meant, presumably, the cash allocations.

(179) These comments can be reconciled, however. MOF should be primarily concerned with allocating funds to line ministries and ensuring that the funds are spent on the activities for which they are budgeted. Since gender issues permeate most items of budget expenditure, it is inconceivable that MOF can or should be concerned with all gender issues in the budget of every line ministry. Their main concern is to ensure that the budget funds *input* are applied to their intended purpose. The effectiveness and efficiency of *outputs*, with which most gender issues are concerned, depend on micro-decisions made in line ministries and are the subject of line ministry performance reports. Whereas it is intended that output performance measures are ultimately included in the IFMS, and therefore recorded at MOF, it would be a mistake to assume that MOF can exercise control over these outputs. It is therefore not surprising that MOF is mainly concerned with the cash aspects of the budget.

(180) This does, however, raise the point about where the gender mainstreaming initiative should be located. While MOF Budget division does have an effective team which has played a key role in implementing the initiatives to date, the ultimate leadership for the initiative should come from a higher level. We suggest in our conclusions that a separate project based in the Office of the President should be considered. The guidelines for the preparation of the Government Budget contain instructions on gender sensitivity and the IFMS can monitor financial performance in this regard but it should be recognised that the IFMS is a tool to record Government financial performance. It would be inappropriate to expect it to promote any specific policies.

6.5.5 Ownership perceptions

(181) The IFMS is commonly referred to as “Platinum” throughout Government. “Platinum” is a trade name which has become associated with the software suppliers Soft-tech. The original Platinum package has been customised for GOT and in order to increase ownership, it would make sense to rename the system to reflect GOT ownership. Elsewhere in this report we recommend that the system be re-designated as IFMS and that flash screens using this acronym should appear when the system is activated.

6.6 Appropriate Technology

(182) The Platinum system provides a sound basis for current financial management procedures and transaction volumes, has the functionality that would be expected of a large package system and is capable of meeting future needs associated with growth and changes to government accounting bases.

(183) The presence locally of a well staffed and professional support office will undoubtedly contribute to system sustainability and the decision to limit customisation will ensure the compatibility of future software upgrades.

(184) We have reviewed the procurement process for the software and have concluded that this was undertaken in accordance with standard practice and was transparently conducted. The software selected was the only brand satisfying all the parameters set in the invitation to tender and was the lowest tender received.

(185) Providing the AGD and other stakeholders move to a position of total ownership, we have no doubt that the software selected is appropriate in the Tanzanian context.

(186) However, the non-existence of a dedicated disaster recovery site is a cause for concern that requires attention, particularly as data back ups are retained at the same site as the server. We were informed that this could possibly be installed at the TRA who are Platinum users and where server capacity exists. This could be a reciprocal arrangement with TRA using the AGD site in a similar fashion.

6.7 Conclusions

(187) The following is a summary of our conclusions in relation to HR and Sustainability issues. We conclude that:

- there is a need to reconsider the management structure of the GADP and IBDP so that they are combined as one project with the objective of establishing a sustainable IFMS;
- there is a need for succession planning. The AG has indicated his desire to return to BOT and we have recommended elsewhere that a counterpart be designated for the long term adviser;
- an exit strategy should be designed into any further support that will allow Sida to withdraw when appropriate;
- there should be greater focus on the management and planning of SDU support and budgetary provision should be made to allow the Unit to make necessary field visits;
- there is a need to develop skills within the AGD to facilitate management of the software supplier's service level agreement;
- to attract and retain high calibre staff, there is a need for the enhancement of local salary remuneration levels and we support the SASE initiative in this regard;
- there is insufficient training provided outside the project for accounting cadre staff at line ministries and for the internal audit unit;
- there is no strategy for continued learning;
- there is a need for an integrated strategy for recruitment and training linked to performance;
- there is a need for the review of the establishment of the accounting cadre within line Ministries and Sub-Treasuries. The introduction of the IFMS has changed the activities and skills required in the cadre and this should be reflected in the review. The review should also take account of the role of the newly appointed financial controllers; and
- there is an ongoing requirement to train budget officers, accountants and budget managers within Ministries on the practical application of planning and budgeting techniques to build on the work already undertaken to incorporate gender mainstreaming in budget preparation.

7 Conclusions and Recommendations

7.1 Conclusions

7.1.1 Overall

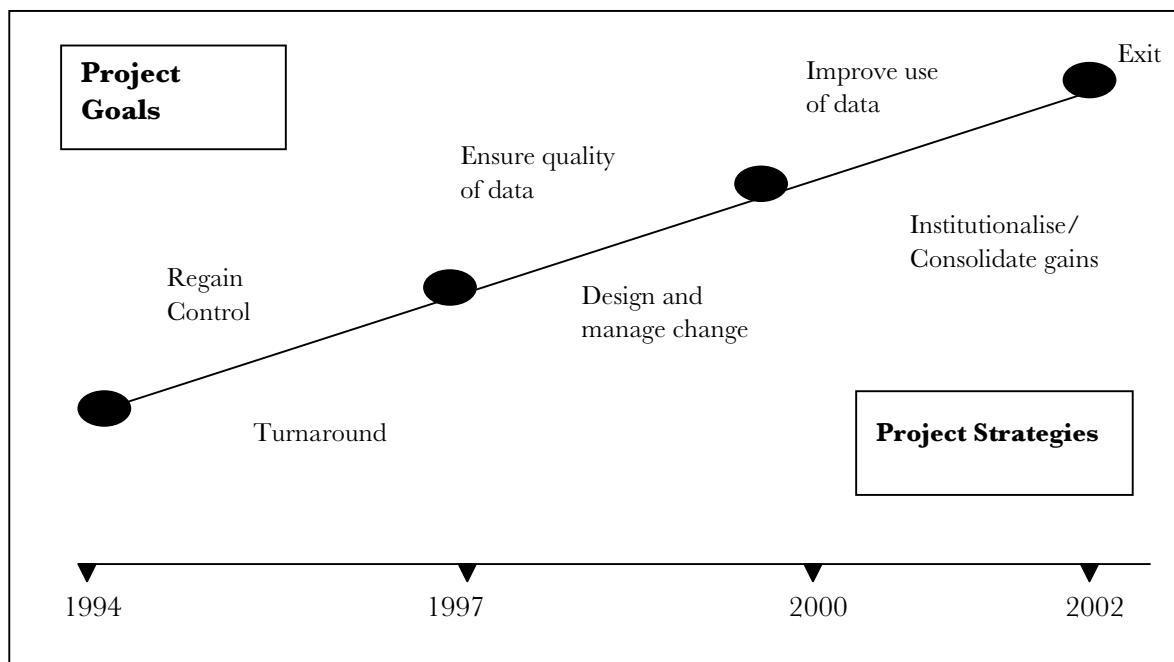
(188) Both projects have contributed significantly to improved financial management and control in the Government of Tanzania but that there are outstanding components of the existing programmes that require completion.

(189) Not all stakeholders have adapted to change, and in particular attention should be given to the Office of the Controller and Auditor General, the Internal Audit Unit and budget officers and ministry planning units; (see section 5.3.1)

(190) The IFMS would be better served by a single project combining the IBDP and GADP; (see section 3.1)

(191) Future activities should aim to institutionalise and consolidate the gains made during the initial two phases, as depicted in Exhibit 9 below. (see section 5.3.1)

Exhibit 9: Project Goals and Strategies



(192) An exit strategy should be designed into any further support that will allow Sida to withdraw when appropriate;

(193) The IFMS will remain incomplete and potential benefits will not be fully realised until all major data sources and stakeholders are connected. (see section 3.2.4)

(194) There is a need to establish a secure remote site as a back up to the existing site at the AGD. (see section 5.6)

(195) Financial regulations to reflect the provisions of the revised Public Finance Act will need to be gazetted immediately after the Act is passed. (see section 5.2)

(196) In order to improve GOT ownership of the system, and to generate an awareness of the scope and purpose of the accounting package, it is recommended that a simple acronym be agreed and a prominent flash screen displayed upon users opening the software. (see section 3.2.4)

7.1.2 Government Accounts Development Project

(197) The overall results point to a progressive improvement in financial management in GOT, but the potential benefits of GADP have yet to be fully realised. (see section 3.2.5)

(198) The introduction of a computerised accounting system and a common chart of accounts for budgeting and accounting purposes that allows detailed analysis of expenditure on geographical, functional and economic bases is highly relevant to the government's needs. (see section 3.2.3)

(199) In the context of Tanzania, a package solution was clearly the appropriate option, and a proper selection process was followed to identify the most appropriate practice. (see section 3.2)

(200) The project has been successful in a relatively short timescale. It has delivered tangible benefits and, by starting to restore financial control and discipline, has contributed to the successes of other reform programmes. (see section 3.2.5)

(201) The project has been of fundamental importance in enabling GOT to progress with the IMF ESAF programme, by controlling disbursements to within budgeted levels. (see section 3.2.3)

(202) There should be greater focus on the management and planning of SDU support and that budgetary provision should be made to allow the Unit to make necessary field visits. (see section 5.2.1)

(203) There is a need to develop skills within the AGD to facilitate management of the software supplier's service level agreement. (see section 5.2.1)

(204) To attract and retain high calibre staff, there is a need for the enhancement of local salary remuneration levels and we support the SASE initiative in this regard. (see section 4.1.1)

(205) There is a need for succession planning. The AG has indicated his desire to return to BOT and we have recommended elsewhere that a counterpart be designated for the long term adviser. (see section 5.3.1)

(206) There is insufficient training provided outside the project for accounting cadre staff at line ministries and for the internal audit unit. (see section 4.2.1)

(207) There is no strategy for continued learning. (see section 4.2.6)

(208) There is a need for an integrated strategy for recruitment and training. (see section 4.2.6)

7.1.3 Interim Budget Development Project

(209) The systems and procedures now in place have been institutionalised and will allow GOT to produce realistic planned, prioritised budgets that can be properly monitored and which contribute greater transparency in the allocation of government resources. (see sections 3.3 and 3.4.2)

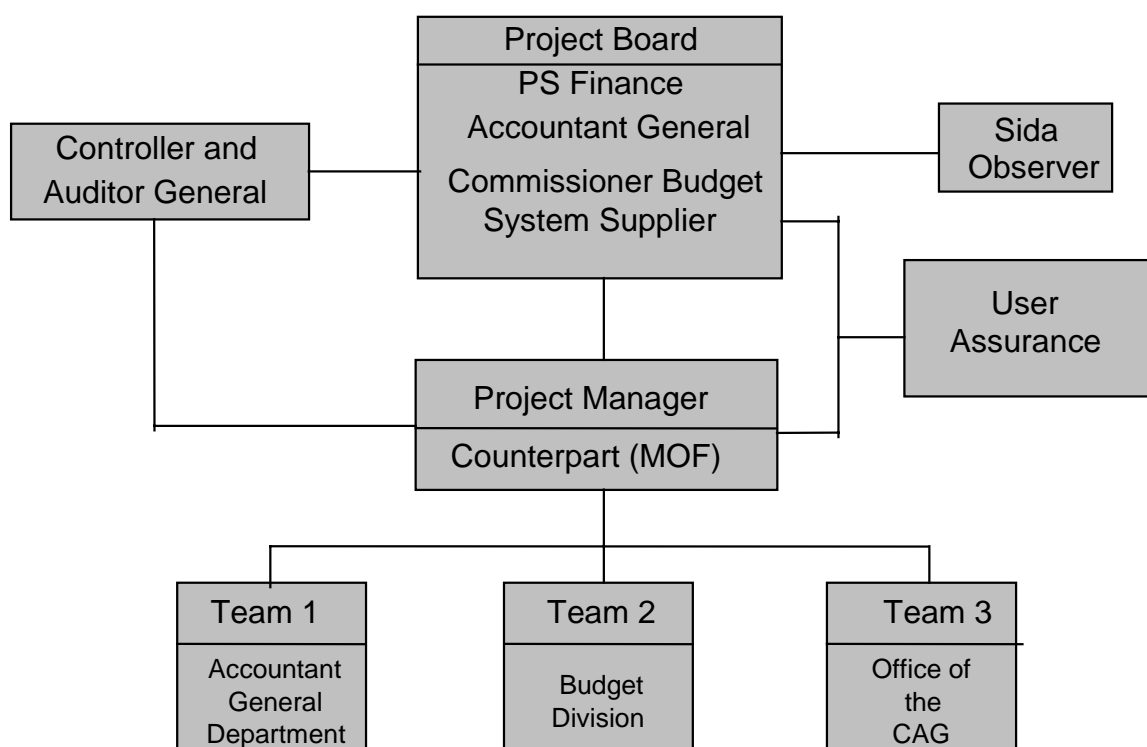
(210) However, the establishment of these systems can only assist in facilitating the fundamental changes that are required to make the budget process realistic and to ensure that balanced budgets are produced and adhered to. (see section 3.3)

- (211) The cash budgeting method by which expenditure has been brought under control is harmful to the formal planning budget process in the longer run. (see section 3.3)
- (212) The objectives set for the **IBDP** took too little account of the constraints to normal budget procedures imposed by the cash budgeting regime then and currently in operation. (see section 3.4)
- (213) There is high level commitment to the achievement of gender equality which is institutionalised in budget preparation guidelines but we find that commitment at the middle management and lower levels of government is less than convincing. (see sections 3.3.1, 3.3.4 and 5.5.3)
- (214) There is a need to reinforce training in the incorporation of gender mainstreaming in project planning and budget preparation. (see section 5.5.4)
- (215) A period is needed to complete all the components of the **IBDP** including the installation and online implementation of the **Budget Manager** module of the **IFMS** in all ministries. This should be possible within the extension period to 31st December 2000, during which the **IBDP** and **GADP** should be integrated as a single project. Beyond that period, there is a need for support for a further full financial year to ensure that the system is operating properly as a component within the **IFMS**. (see sections 3.4, 3.1 and 3.4.2)

7.2 Recommendations

- (216) We support the move by Sida to extend both projects until 31st December, 2000.
- (217) During that period all outstanding project components should be completed
- (218) A final phase should be designed by December 2000 to commence on 1st January, 2001 to avoid a hiatus. The design consultants for this phase should be precluded from implementation and the extension should be designed specifically to:
- consolidate the gains thus far achieved;
 - to support one further complete financial year to September 2002; so that all systems will be operational and supported by the project for a full accounting period;
 - to continue support for local staff through SASE procedures;
 - to ensure sustainability of improvements; and
 - to plan an exit strategy.
- (219) We recommend that design parameters for the extension period should include the following:
- a new project management structure as illustrated in Exhibit 11 below;
 - a logframe developed in consultation with the **GOT** and Sida and having agreed goals, activities and timebound targets with clear means of verification;
 - no new computer component development; and
 - capacity building by extension of **IFMS** support to external and internal audit staff

Exhibit 10: Project Management – Proposed Structure



(220) To facilitate sustainability we recommend:

- the formal designation of an appropriate local counterpart to the Long Term Adviser, to work with the adviser with a view to his/her appointment as future project manager;
- because of dual roles of the project manager in supporting the systems of both budget and accounting it is suggested that this post be established within the Ministry of Finance or that;
- the development and implementation of a training strategy for audit and accounting cadre staff; and
- the gradual and planned phasing out of support; and the development of contract management skills within MoF for the management of software supplier service level agreements

(221) A separate project on gender sensitivity should be established in an attempt to overcome the cultural difficulties associated with gender issues. We would suggest that this project be based in the Office of the President with long term support and Terms of Reference empowering it to promote gender responsiveness in all sectors. We would also suggest that gender awareness be a component within the performance appraisal structures currently being designed under the Public Sector Reform Programme.

8 Lessons Learned

(222) We conclude that overall, the projects have been successful and that other approaches using more structured and formal project planning techniques would have failed in the context of Tanzania because of the need for rapid transition from a control economy; the difficulty of achieving change in government where administrative functions are dominated by rules and regulations and where organisational change is always likely to be opposed.

(223) It is our experience in other countries of our acquaintance that in such circumstances solutions are often no more than compromises reached to overcome vested interest and that best financial management practice is in those circumstances impossible to achieve.

(224) It is our belief that the approach worked in Tanzania because of the unique relationship between the contractor, supplier, client and sponsor. The solution was however, high risk and may not be appropriate in other situations.

(225) It is our experience that changes are more likely to be sustainable where consultants work closely with senior managers rather than supplanting them. Project success is more likely where top managers have been involved in the change process and where they have pro-active policies on communicating proposed change.

(226) There is a need for a Shared Vision and for better communications. Perhaps an annual forum/conference for all Chief Accountants and Chief Internal Auditors would have been productive. A simple brochure for line managers giving examples of the information available from the system would assist in this regard.

(227) For the proposed extension, there is a need for strategic plan and concentration on core areas of activity. Further change should be limited and the gains made thus far should be consolidated.

(228) Projects of this nature should not be treated as “computerisation” projects. Important components must be considered in the context of other “softer” issues and changes carefully designed and planned for optimal implementation.

(229) Ideally, there should always be co-ordinated management of budget and accounting projects to ensure integration and a common vision.

Appendix 1 – Terms of Reference

Evaluation of the Government Accounts Development Project and the Interim Budget Development Project in Tanzania

1. Introduction

Public financial management in Tanzania is currently undergoing a process of substantial reform, aimed at improving government's performance in the allocation and management of public funds. Coherent budget formulation, efficient and effective budget execution, transparency in use of public funds, and the accountability of those responsible for the management and use of public money, are some of the critical areas being addressed in the reform process.

Sida supports the strengthening of government accounting framework and budget management, through

- 1) the Government Accounts Development Project and
- 2) the Interim Budget Development Project.

1. Government Accounts Development Project (GADP)

The first phase of the GADP at the Accountant-General's department, Ministry of Finance, started in October 1994 and ended in March 1997. This was followed by a second phase covering the agreement period April 1997 to June 2000. The Sida contribution for the current project period is 43,9 million SEK.

The project *objectives* of the GADP are:

- Improved budget execution and expenditure control and
- Strengthened financial transparency and accountability of the government

2. Interim Budget Development Project (IBDP)

Sida has also supported the strengthening of budget formulation and management through the Budget Management Development Project, implemented by the Budget Department of the Ministry of Finance. The support was initiated in 1986 and phased out in September 1997, mainly due to weak project ownership at the Ministry. However, in 1998 MoF requested new support for the development and implementation of a performance budget system and for the integration of the development and the recurrent budgets, including a reclassification of the budget. Sida decided to fund the development activities during the period January 1999 to June 2000 through the IBDP, as the introduction of a performance budget would create an effective framework for budget formulation and for monitoring the efficiency of the government's operation. The Sida contribution to IBDP is 4,5 MSEK.

The project *objectives* of the IBDP are:

- To enable a specific vision, mission and objectives to be developed for the government sector,
- To facilitate macro and sectoral analysis and enhance the transparency and effectiveness of the budget structure,
- Improve the overall monitoring of budget performance.

The Budget Division has also during 1999 initiated a process of mainstreaming of gender issues in budget formulation and analysis. Six pilot ministries – finance, education, health, water, agriculture

and local government – are participating in this development work. Sida is giving support to the Budget Division for carrying out the activities during January 1999 – June 2000.

Public Financial Management Reform Programme (PFMRP)

During the 1990s there have also been several other donor-funded projects (UNDP, DFID, NORAD, World Bank) designed to reform the government's financial management system. However, the implementation has been fragmented and it is recognised that the projects have not resulted in an acceptable level of improvement in the capacity of the public financial management system.

The desired links with the other on-going reform programmes, especially the public (civil) service reform and the sector development programmes, have not been adequately promoted by these projects.

In order to co-ordinate the different donor-funded initiatives and to establish a more focused and strategic approach to the financial management reform process, which is in line with the other major reforms, the government has during the period 1998 – 1999 developed a proposal for a comprehensive Public Financial Management Reform Programme (PFMRP). The purpose of the PFMRP is the establishment of a management framework for the delivery of quality public services with a strong strategic perspective, of effective resource management systems and of better accountability. PFMRP will be an umbrella programme which includes several project components - external resource management, integrated budget and accounts management, audit, revenue collection and economic analysis.

2. Purpose and scope of the evaluation

The present agreement on Sida funding of the named project activities expires on 30th June, 2000. So far, as a result of the GADP and IBDP, the Ministry of Finance has introduced a new integrated financial management system including a performance budgeting system in the government ministries and departments. The new systems introduced involve a major change in the approach and methods of financial management across the entire Tanzanian government. Meanwhile, the launching and implementation of the Public Financial Management Reform Programme and of other ongoing public reforms constitute a new policy framework for possible future Sida support in the area of public financial management.

This situation creates an appropriate moment to carry out an evaluation of the Sida-financed projects. Findings and recommendations from this evaluation will be an important input when future assessments are made of any continued Sida engagement in this area.

The *objectives* of the evaluation are:

1. Coherence

To assess the coherence of the projects' objectives in relation to the government planning and monitoring framework and the on-going reform programmes in Tanzania, especially as regards:

- Public Expenditure Review (PER) processes and an increased transparency of the national budget.
- The Medium Term Expenditure Framework (MTEF). Does the IBDP strengthen the on-going budget process, such as the development of budget guidelines and MTEFs?
- The Public Service Reform Programme (PSRP), previously known as the Civil Service Reform Programme.
- The Local Government Reform Programme (LGRP).

- Sector development programmes (e.g., in education and health).
- IMF and World Bank funded reform programmes – the Enhanced Structural Adjustment Facility (ESAF), Structural Adjustment Credits (SAC), the Heavily Indebted Poor Countries Initiative (HIPC).

2. Relevance

To assess the relevance of the project objectives and outputs achieved, in relation to the weaknesses and problems identified in the area of public financial management.

3. Effectiveness

To carry out a results analysis; i.e. to measure the degree of fulfilment of project objectives both in terms of outputs and impact in relation to the stated objectives for the present agreement period. To what extent have the projects' results contributed to achieving the sector/development objective of the projects, or can be expected to do so in the future? Have there been unforeseen results and unforeseen beneficiaries?

To assess the effectiveness of the projects' organisation, mandates and management through the project period, not least in relation to the extensive number of donor-funded projects in the public financial management area at the Ministry of Finance.

To assess the co-operation between the Accountant-General's Department, the Budget Division, the implementing international consultant and the local consultants.

4. Sustainability

To analyse whether the sustainability of the project results achieved has been adequately addressed by the parties during the planning and the implementation of the projects, inter alia as regards:

- Legal framework and policy support

Is there a supportive legal framework in place?

- Institutional and management capacity

Does the top management of the Ministry of Finance and the sector ministries support the development and implementation of performance budgeting and an integrated financial management system (IFMS)?

Do the Ministry of Finance and especially the Accountant-General's Department and Budget Department have the capacity and competence to manage and develop the IFMS introduced?

Have the project activities been embedded in the participating organisations' institutional structure and operations?

Do the Accounting Cadre and the Budget Officers within the Ministry of Finance and the sector ministries/departments have the competence and capacity to apply and make efficient use of the new systems introduced?

- Economic and financial sustainability

Has the government included the required resources for further development and management of the IFMS in the budget of the ministry?

- Socio-cultural aspects

Has the project addressed gender equality aspects as regards recruitment, training and promotion, including promotions to managerial positions?

- Appropriate technology

Does the technology offered correspond to the needs (the problems to be solved) of the beneficiaries, the technological environment, the level of technological skills of the beneficiaries and the technical support services available?

Assess the functionality, compatibility and sustainability of introduced hard and software computer systems.

5. Conclusions and recommendations

Summarise the overall conclusions and outcomes, and formulate proposals for future action and Sida support in the area of public financial management.

The following points merit particular attention:

Overall outcome:

- What were the main successes/failures of the projects to date? What were the causes of the results?

Do the effects/impacts identified justify the costs involved?

Were the objectives achieved within the specified time and budget?

Sustainability:

- Conclusions should be drawn and recommendations made regarding the key sustainability factors relevant to the project.

Alternatives:

- Could the same effect/impact have been achieved at lower cost?
- Would there have been different ways of achieving the same outcome?
- Should the project be re-oriented, and in particular, should all activities continue? Propose, if necessary, how the project should be re-oriented.

3. Methodology, evaluation team and time schedule

Methodology

The evaluation should be carried out through visits, interviews, and studies of project documents, Annual Plans of Operations, Annual Progress Reports, internal Results Analysis Reports, Agreed Minutes and relevant documents related to the government reform programmes and financial management framework.

The conclusions of the evaluation should be based on visits to appropriate institutions/ministries and interviews with relevant people at them, as well as the analysis of relevant documents.

Evaluation team

The team should consist of three (or at most four) consultants. One of the team, who will be engaged locally, will be a Tanzanian consultant with knowledge of government financial management especially as regards management training and competence development of the accounting cadre.

The other two (or three) consultants should possess the expertise necessary to be able to respond to the remaining objectives set out above for the evaluation, i.e.:

- extensive knowledge and experience in public financial management and its macroeconomics, including experience of work in this field in relevant developing countries,
- extensive knowledge of institution-building and public sector reform work, in particular in the developing country context, with particular reference to the role played in this by financial sector management and reform,
- extensive knowledge of computerisation of government financial systems and of applied software systems.

If possible, the areas indicated should be covered by two consultants. One of these consultants should be chosen as and indicated to be team leader.

Time schedule

It is envisaged that the evaluation should take four weeks over the period June – July 2000. It is suggested that the team leader be engaged for four weeks' work and the second team member for three weeks. It is suggested the consultants work together in Tanzania over a period of two weeks for the visits and interviews. The remaining time will be used for interviews in Sweden, reading of documentation, and writing and presenting the report.

4. Reporting

The evaluation team should present their preliminary findings to the Ministry of Finance and the Embassy of Sweden after finalising the field work. The team should thereafter submit its draft report to the Embassy by the latest 31st July 2000. The report shall follow Sida's standardised format for evaluation reporting. The team shall present this draft report for discussion at a seminar organised by the Embassy of Sweden. Based on the comments to the draft, the team should present its final report two weeks after the Ministry of Finance, the implementing consultants and Sida have submitted their comments to the evaluation team.

Appendix 2 – List of Persons Interviewed

| Organisation and Name | Position |
|--|--|
| Office of the President, Civil Service Department | |
| Mr J Rugumyametho | Permanent Secretary |
| Mr G Yambezi | Acting Permanent Secretary |
| Ministry of Finance | |
| Mr P Lyimo | Deputy Permanent Secretary |
| Mr P J Mbeni | Commissioner for External Finance |
| Mr A W R Mwaisumo | Commissioner for Budget |
| Mr N Magambo | Assistant Commissioner, Budget |
| Mr Sanga | Assistant Commissioner, Budget |
| Mr B Haule | Budget Officer |
| Mrs B Kamazina | Director of Computer Services |
| Mr T Mfikwa | Deputy Director, Computer Services |
| Mrs J Kajiru | Training Officer |
| Mrs R Shelukindo | Personnel Officer |
| Accountant General's Department | |
| Mr A Mwinyimvua | Accountant General |
| Mr M Jingu | Assistant Accountant General |
| Mr E Mwaipaja | Assistant Accountant General |
| Mr I A Kasekwa | Assistant Accountant General |
| Mr J J K Mwanza | Assistant Accountant General |
| Mrs P Lawi | Chief Accountant |
| Mr H Abedi | Acting Chief Accountant |
| Ms A Katule | Senior Accountant |
| Ms A Killega | Senior Accountant |
| Members of the Technical SDU | |
| Members of the Applications SDU | |
| Coast Sub-Treasury, Kibaha | |
| Mr R Budoya | Head of Sub-Treasury |
| Office of the Controller and Auditor General | |
| Mr T M Kiama | Controller and Auditor General |
| Mr E M Rweyemamu | Auditor and Personal Assistant to the Controller and Auditor General |
| Mr G G Teu | Principal Auditor |
| Tanzanian Revenue Authority | |
| Mrs B S J Nyoni | Commissioner for Finance |
| Ministry of Health | |
| Mr Mtae | Chief Accountant |
| Mrs A Nswilla | Budget Officer |
| Ms F Marzuk | Chief Internal Auditor |
| Ministry of Education | |
| Mr Lema | Director of Finance |
| Ministry of Labour | |
| Mr Mndolwa | Chief Accountant |
| Mr Mpina | Accountant |

| Organisation and Name | Position |
|--|---|
| International Monetary Fund Mr T M Tsikata | Resident Representative |
| European Union Dr K Schmidt | Counsellor (Economic) |
| Soft-Tech Consultants Mr H Bhatt Ms B Shah | Managing Director Senior Consultant |
| Sida Dr C McNab Mrs Nora Pendaeli-Mhina Mrs M Abdullah | Counsellor, Development Co-operation Programme Officer, Democratic Governance Assistant Programme Officer |
| AF Management Group Mr A Jansson | Senior Consultant |

Appendix 3 – List of Documentation and Other References

| Title | Author | Date |
|--|--|---------------|
| GADP: Description of Existing Systems, Strengths, Weaknesses and Recommendations: Study No 1 | AAGs and P Murphy, Financial Management Consultant | April 1994 |
| GADP: Report on Organisation, Management and Human Resource Issues Relating to the Government Accounting System: Study No 2 (Part 1) | Mrs M Ostman, et al | April 1994 |
| Description of Existing Government Accounting Systems | Accountant General | November 1994 |
| IT systems strategy for the Accountant General's Office | Accountant General | February 1995 |
| Reorganisation of accountant general's department: action Plan | Accountant General's Department /ISO SMG | March 1996 |
| Civil Service Reform Programme: Strategy, Implementation Status and Forward Plan: prepared for the Consultative Group Meeting of July 1996, Paris | | June 1996 |
| SIDA Support to public finance – Government accounts Development programme: proposal for the period 1 st April 1997 to 31 st December 1999 | Accountant General | October 1996 |
| Government Accounts Development Project. Contract for Consulting Services between SIDA and ISO, Swedish Management Group | Sida | April 1997 |
| Invitation to Tender for the Provision of an Integrated Financial Management and Accounting System for the Government of Tanzania | P Murphy, Long Term Advisor | June 1997 |
| GADP Consultancy report – Information Technology | Erik Bergh, ISO SMG | July 1997 |
| Treasury: Civil Service Reform Programme: Proposals for Restructuring the Accounting Cadre | Accountant General | October 1997 |
| Analytical Framework for Evaluation of IFMS Tenders | P Murphy, Long Term Advisor | November 1997 |
| Report on the Acquisition of an Integrated Financial Management and Accounting System for the Government of Tanzania | P Murphy, Long Term Advisor | December 1997 |
| Contract for the Supply of Integrated Financial Management and Accounting Software and provision of Associated Services for GADP between AF Swedish Management Group and Soft-Tech Consultants Ltd | | January 1998 |
| Project Charter for Contract and Supply of Integrated Financial Management and Accounting Software and Provision of Associated Services for Government Accounts Development Project: between Ministry of Finance, AF Swedish Management Group and Soft-Tech Consultants Ltd. | Soft-Tech Consultants Ltd | February 1998 |
| Report on the Acquisition of a wide area network for the Integrated Financial Management and Accounting system for the Government of Tanzania | P Murphy, Long Term Advisor | May 1998 |
| Business Process Engineering Report for GADP | Soft-Tech Consultants Ltd. | November 1998 |

| Title | Author | Date |
|---|---|---------------|
| Draft Public Finance (Management) Act 1999 | | |
| Impact Evaluation of the Tanzania Accountant General's Department Management Development Programme | Eastern and Southern African Management Institute | March 1999 |
| Report on the Acquisition of Hardware/Software for Expansion of the Integrated Financial Management and Accounting System for the Government of Tanzania | Tender Evaluation Committee | May 1999 |
| Training for Capacity Building: Training Programme for the Ministry of Finance: 1999/2000 – 2001/2002 | Ministry of Finance | June 1999 |
| Monthly Economic Review | Bank of Tanzania | October 1999 |
| Establishment of Sector Based Financial Management Units | P Murphy, advisor GADP and IBDP. | 1999 |
| Operationalisation of the Selective Salary Enhancement Scheme | Civil Service Department President's Office | February 2000 |
| Summary Schedule of Approved Personal Emoluments Annual Estimates 2000/01. Establishment and Strength for the Year Ending 30 June 2000. Vote 50: Ministry of Finance. Sub-vote 301: Accountant General. | Civil Service Department President's Office | |
| Treasury: Proposals for Restructuring the Accounting Cadre | Accountant General | February 2000 |
| Government Accounts Development Programme (<i>sic</i>): Status Review: Stengthening the Government Financial Management Framework in Tanzania. | P Murphy, advisor GADP and IBDP. | March 2000 |
| Report on short-term Consultancy on Gender Mainstreaming in the Budget System | Debbie Budlender, Community Agency for Social Enquiry (Cape Town) | May 2000 |
| Guidelines for the Preparation of the Medium Term Plan and Expenditure Framework 2000/01 – 2002/03 | Planning Commission President's Office | |
| Annual Estimates of United Republic of Tanzania 1 st July 2000 to 30 th June 2001 | | 2000 |
| Tanzania Case Study – Implementation of an Integrated Financial Management System in the Government of Tanzania | Peter F Murphy | June 2000 |
| Speech by the Minister for Finance Hon. Daniel N. Yona (MP) Introducing to the National Assembly the Estimates of Government Revenue and Expenditure for the Financial Year 2000/2001 | | June 2000 |
| Public Finance Act, 2000 | | 2000 |
| Report of the Controller and Auditor-General on Local authority Accounts for the period Ended 31 st December, 1998 | | 2000 |
| Interim Budget Development Programme: Plan of Operations: January to June 2000 | Ministry of Finance Budget department | 1999 |
| Presentation on Platinum SQL Budget Manager | Matthew Muldoon, Soft-Tech Consultants Ltd. | |

Appendix 4 – Choice of a packaged Accounting System

(230) In Phase 2 of the project, procurement of the IFMS software, hardware and communications was managed by the project consultants, Swedish Management Group (SMG). The long term advisor recommended the implementation of an IFMS based on an ‘off-the-shelf’ package system because:

- there was no in-house capacity or local consultants with experience sufficient to develop a tailor made solution;
- a good package represents best practice financial management;
- given the urgent need for an effective financial management system, a package could be implemented significantly quicker than a tailor made solution
- re-engineering the GOT IFMS around the package was an effective method of instituting necessary organisational changes and eliminating poor work practices.

(231) An IFMS User Group was established in 1997 with members drawn from various departments within the MOF. This group agreed the specification to be used in the procurement process for a package system on which to base the IFMS. Four tenders were received. Of these, one proposing a bespoke ORACLE system failed to meet the basic requirements and was disqualified.

(232) Technical evaluation of the remaining three tenders comprised interviews with suppliers, demonstrations using a test package, system walkthroughs, and detailed technical evaluation by 20 GOT evaluators using a structured requirements list with agreed weightings. The financial appraisal was based on the cost of a standard configuration. Both technical and financial appraisals placed SoftTech first.

(233) The evaluation was followed by detailed negotiations between the long term advisor, on behalf of the AG, and Soft-Tech on price, workplan, and scheduling. The contract provided for customisation, training, consultancy, implementation and maintenance services. User groups were then established as being responsible for managing the implementation of the new system. Provision was made for acceptance and verification of the system prior to payment, though acceptance criteria were not defined in the contract.

(234) Formal evaluation arrangements were set up for subsequent hardware and software purchases and outcomes were documented.

(235) The package solution chosen for the IFMS is internationally recognised with proven capability, and is progressively capable of meeting the core needs of a central government financial management information system. It is based on Client Server architecture using the Platinum SQL application with SQL Server backend with stored procedures and a Visual Basic client. The central server, located at AGD, holds data for all ministries and acts as application server. MOF users access over LAN, remote users over WAN.

(236) The choice of accounting software was the keystone to Phase 2 of the project and dictated the scope and content of many of the peripheral activities. As described above, a Commercial Off The Shelf (COTS) package, Platinum SQL, was chosen. Alternative approaches might have included:

- the engineering of a bespoke accounting system using a team of in-house or external programmers;

- spending more preparatory time defining detailed user functional requirements specification before inviting tenders;
- contracting for the supply of the selected package direct with the software originator, instead of the local representative: whilst evidence was obtained confirming that the local supplier had distribution rights, and would be supported by originator, contracting directly with the originator may have provided additional protection should the local supplier become bankrupt or otherwise insolvent.

(237) It is considered that the packaged solution was fully appropriate in this instance. It has provided a robust and functional platform in a timeframe and budget that could not have been achieved through engineering a new system. As added benefits, the package:

- enforces *sound accounting*, internal checks and other management principles;
- is *scalable* – subject to licences, it can be rolled out to additional users;
- is *incremental* – new functionality can be added as and when individual users are ready by attaching additional standard modules e.g. asset manager, inventory manager;
- provides an *upgrade path* – maintenance fees provide for later issues that may include additional functionality or programming corrections;
- comes with *local support* – one of the main selection criteria was that the package was locally supported. Whilst to a large extent the supplier has also been on a learning curve, considerable expertise now exists in Tanzania to support this product. Similar local support may not have resulted or been sustained if an alternative development route had been chosen.
- will *support other bases of accounting* – draft proposals from the International Federation of Accountants (IFAC) advocate that governments should progressively move towards an accrual basis of accounting. The package chosen and chart of accounts designed would enable the transition with minimal re-programming.
- is *competitively priced*.

(238) In a situation where an overriding consideration was the level of anticipated local support, it is considered unlikely that investing more effort in defining user needs and organisational strategies would have altered the selection outcome.

Appendix 5 – Performance Budgeting

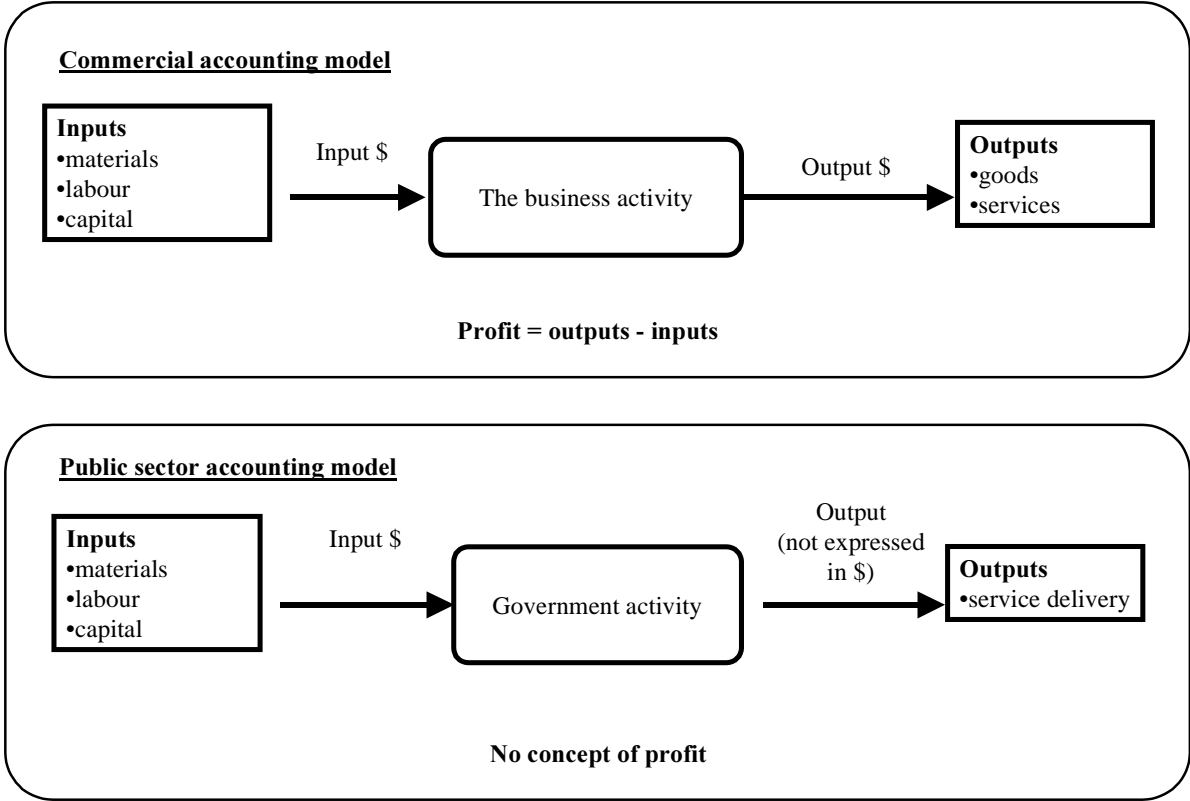
1. Accounting as an input-output model

(239) Financial management in government has not achieved the same status as it has in the private sector. There are many reasons, but one critical difference between the private and public sector is the absence of money measures of outputs in the public sector. This is explained by contrasting government and commercial entities.

(240) For commercial entities both inputs and outputs, i.e. purchases and sales, are automatically defined in money. Thus the accounting system provides a comprehensive input – output model which is universally applicable to all businesses, together with a widely understood performance measure – profit. Accounting has therefore become the dominant method by which business performance is judged. The primary objective of commercial management is to maximise profit.

(241) Government entities face a different model. Inputs are also automatically defined in money terms, but outputs, generally service delivery, cannot normally be expressed as money. Hence there can be no concept of profit. Furthermore, government revenues are not normally dependent on government expenditure – they are non-required. Thus money, and hence accounting, provides an input only model. Outputs must be defined in non-financial terms. This is illustrated in Exhibit 1, below. This lack of a simple input-output model must be seen as a major problem of applying financial management to any public sector organisation, including national governments.

Exhibit 1: Public compared to commercial financial management



(242) In the public sector, if performance is to be measured, then non-financial performance measures need to be introduced. Performance budgeting provides such an approach.

2. Performance budgeting

(243) The emphasis of performance budgeting is linking financial inputs to non-financial output targets. The approach recognises that most government activities yield service delivery outputs. Because these are not represented in money terms (see above), the tendency is to judge performance by expenditure according to budget targets – where the expenditure leads is not considered. Performance budgeting seeks to move the emphasis away from expenditure to a focus on outputs, measured in non-financial units. This requires the identification of normative output performance indicators linked to the financial inputs.

(244) Performance budgeting therefore requires the identification of goals for budget activities, and the translation of these goals into normative output indicators. The output indicators become the performance targets against which managers are judged – the benchmarks for management. Such output indicators should be identified as part of the transparent budget process.

2.1 Non-financial performance measures

(245) Performance measures may be ex ante or ex post.

ex ante measure – used primarily to decide between decisions alternatives

ex post measures – used to evaluate performance against previously identified criteria

(246) The concept of performance also needs to be further refined. Performance must be seen in terms of achieving public policy objectives, and is usually measured in terms of economy, efficiency and effectiveness (the “Three Es”).

| | |
|---|---|
| 1 | Economy achieving the policy objective with the minimum required resources, particularly minimum financial resources |
| 2 | Efficiency achieving the policy objective in the most efficient manner (this is close to the concept of economy, but emphasises non-monetary resources) |
| 3 | Effectiveness effectively achieving the policy objective, e.g. if the policy objective was improved education in all geographic regions, large regional schools might be of economic and efficient, but they would not be effective in achieving the policy objective. |

(247) Both ex-ante and ex-post measures are properly part of financial management. Also both need to be integrated with other components of financial management, for reasons already indicated – the needs for common classification and valuation models, and the transfer of information

2.2 Ex-ante performance measures

(248) As indicated above, ex-ante measures are primarily used in deciding between alternatives. Essentially the procedures involve three stages.

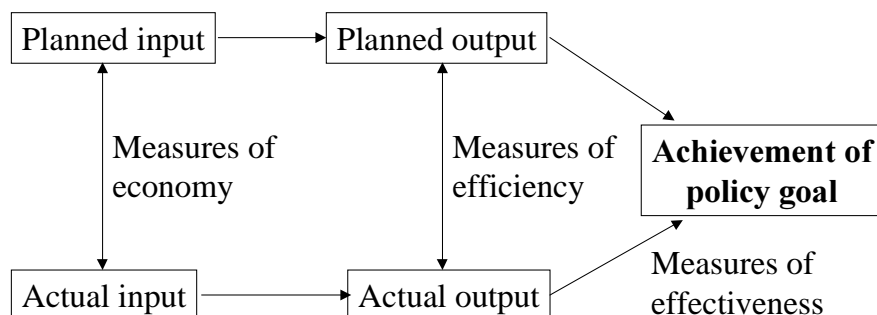
Stage 1 Identify policy issue and indecision alternatives

Stage 2 Construct an “effect matrix” to identify the effect of each alternative

Stage 3 Apply an evaluation approach to decide between decision alternatives

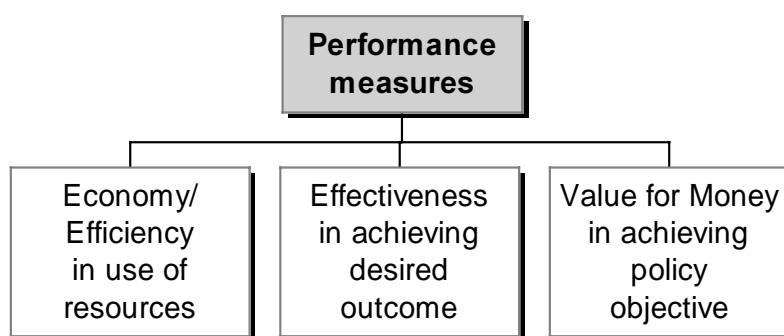
(249) The link between economy, efficiency, and effectiveness can be expressed in different ways, but may be represented as in the model in Exhibit 2, below.

Exhibit 2: Linkage between economy, efficiency, and effectiveness



(250) It is possible to argue for an alternative taxonomy of performance measures. Economy and efficiency are largely synonymous, and can be combined. On the other hand, there is an additional measure of Value for Money (VFM), which is not fully embraced by the above three descriptions. This alternative approach is summarised in Exhibit 3, below.

Exhibit 3: Alternative taxonomy of performance measures



(251) It should be noted that there is a distinction between performance measures and performance indicators. Measures are used where performance can be measured on a scale with a degree of precision, e.g. average female participation in primary education. Indicators imply a lower level of measurement ability, e.g. establishment of an effective primary education management structure in 70% of districts.

(252) There are a number of approaches to evaluation:

1. Cost-benefit analysis – this involves the qualification in monetary terms of costs and benefits, and then discounting them to their present value. Where costs or benefits are not expressed in money units, then “shadow” prices are created. This approach has been used extensively but suffers from the fact that shadow prices are based on subjective assumptions
2. Cost-effective analysis – seeks to identify the minimal cost method of achieving a given policy objective.
3. Score-card approach – a matrix is constructed which identifies costs and benefits of decision alternatives, expressed in different units, and allows decision makers to use this in making a decision, without formally assigning weights.
4. Matrix-criteria analysis – the approach takes the score card approach, and assigns weights to the various elements of the score card approach.

(253) As indicated above, ex-ante performance measures, and their application to decision making, is a large subject beyond the scope of this paper. The brief description above serves to identify the issues and indicate some possible approaches.

(254) Ex-ante performance measures should ideally become the basis of ex-post performance measures. Thus, for example, when a national planning body uses ex-ante measures in deciding on a project, those measures should become the basis on which ex-post performance measures are established.

2.3 Ex-post performance measures

(255) Without indicators of achievement, financial measures are of limited value. Also in many developing countries, both planning bodies and donors are de facto using performance measures for project. The need is to integrate these into the financial management system but in a flexible manner. Therefore the following practical guidelines are suggested.

1. The starting point should be any existing system, e.g. a monitoring system established by the planning body
2. Ministries should be encouraged to include within the budget a broad statement of their policy objectives
3. Indicators should ideally be set when a project is initiated, and followed through the project's life
4. Wherever feasible, monetary measures should be used. In a surprising number of cases, monetary measures are available of efficiency (e.g. costs per hospital operation, examination fees compared to costs), but cannot be calculated because of deficiencies in the accounting system
5. The focus should be on indicators that are simple, and easily measured e.g. primary education participation rates are easy to calculate, whereas effectiveness of the education is much more difficult to evaluate.
6. Measures can be used which require an element of judgement, e.g. establish an operational and effective health care management unit in X% of districts.
7. It is necessary to "stand back" from a system of performance indicators and ask how they relate to policy objectives.
8. Performance measures should be set by the manager responsible for their achievement

2.4 Problems in introducing performance measures

(256) The first problem is likely to be organisational resistance, often exacerbated by previous bad experience of attempts to introduce programme budgeting. Also, the linkages between financial management and performance targets may not be perceived.

(257) Secondly, in many government organisational structures responsibilities for achieving outputs are not clearly defined, and so it is difficult to link performance measures to management responsibility. Managers may change, again diluting responsibility for performance.

(258) Thirdly, in many developing countries systems for gathering, recording and reporting the information are inadequate and unreliable. Indeed, in many cases even basic financial information is difficult to acquire in a useful format. Performance indicators are of limited value in a system which fails to provide basic reliable timely financial data.

(259) Finally, there is the need to establish routine procedures for publishing criteria, and then gathering and reporting information on performance as compared to the criteria. This will require the establishment of an appropriate database, lined to the budget and accounting systems.

(260) Reporting of performances should be integrated with routine financial reporting. In addition, at a more macro level, there is a need to include with government financial statements some indication of performance. This latter is discussed later in this paper.

(261) If a computer based budget-accounting system is being developed, it should be capable of holding performance indicators, out-turns against them, and including these within routine reports.

2.5 Conclusions on applying performance measures

(262) Performance criteria cannot be avoided, and always exist, at least subjectively. The object should be to integrate them with financial measures. Any reforms in financial management should take account of the need for performance criteria, and allow for their eventual incorporation. Such criteria are within the capacity of most developing countries, and indeed the concept may be easier to systems already geared up to handling development projects and donors.

(263) Ultimately, performance criteria must be integrated within a financial management system. Without such criteria, the system lacks any good orientation. Such criteria should be set as part of the planning/budgeting process, and then reported on in parallel to financial reporting.

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