

TANZANIA'S PUBLIC EXPENDITURE REVIEW (PER) PROCESS

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Introduction

The government gathers money (revenue) and then spends it (expenditure) for the greater good of the nation. But there is not enough money to do everything that needs to be done. There is no easy way of deciding what is most important ie of setting the budget. But people have to decide on priorities and, in a democracy, all stakeholders should be involved. Everyone should help to decide what is most important and they should watch carefully to see that agreed plans are being carried out and that the actions are having the expected results.

But different people have different priorities. There are rarely enough ‘facts’ to make sound decisions. There has to be negotiation. The process is political. There is need for openness and accountability and a systematic way of making policies and decisions.

The Public Expenditure Review (PER) is a process which has been designed to help build not only efficiency and effectiveness, but also openness and accountability into Tanzania’s participatory democracy.

The evolution of the PER

Before 1988 the PER was an external activity driven by the World Bank with large missions from Washington engaging in 2-3 week events. Local ownership and participation was weak and insignificant, and the results of the PER were not effectively used as feedback to the processes of planning and budgeting and therefore of controlling public expenditure.

Since 1988 the PER has been reshaped into a locally-owned, broad-based and participatory evaluation exercise which provides support to the government’s budgeting process. The PER now tries:

- to develop a system that allows the public to *hold the government to account* for how it gathers and spends our money. This involves designing a system that allows a widening range of people to take part in evaluating the budget process.
- to encourage a *more strategic approach* to how the government decides to gather and spend our money. This includes setting clear priorities and maintaining macroeconomic stability.
- to *make the budgets of the different parts of government more coordinated and predictable*. This involves making plans for three years at a time (ie developing and being guided by a Medium Term Economic Framework (MTEF).
- to improve the budgeting system by *building up the institutions, laws and people that are involved* with it, and,
- beginning in FY01, to make *poverty reduction* the main thrust of the budget.

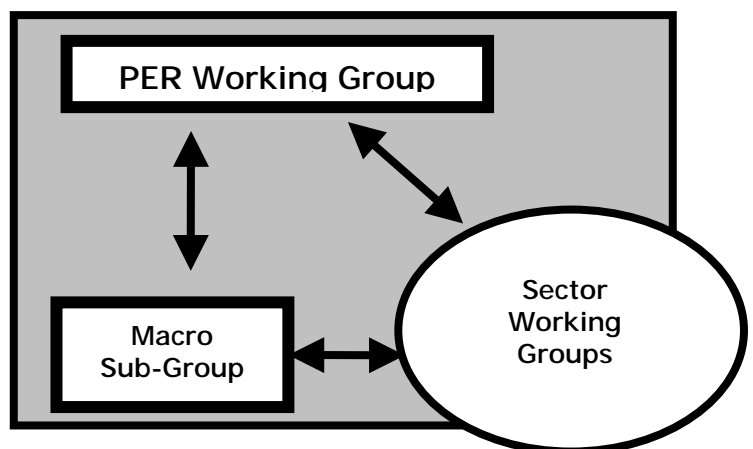
How the PER is organised

The diagram shows the basic structure of the PER. The three groups are serviced by a secretariat.

PER Working Group

The **PER Working Group** is responsible for overseeing the two phases (see below) of the PER process. It meets once a fortnight throughout the year. The group is chaired by the Deputy Permanent Secretary in the Ministry of Finance. Membership of the group has gradually been widening. It now draws members from a broad range of stakeholders

including central and local government, bilateral and multilateral donors and lenders, research and academic institutions, private sector, civil society and NGOs. The PER-WG now has about 45 members and most meetings have attendances of over 30. TGNP and TASOET have had seats at the table for some time and recently Haki Elimu has joined representing the NGO Policy Group.



Macro Sub-Group

The Macro Sub-Group is responsible for many of the details of the process. The Sub-group is also chaired by the Deputy Permanent Secretary in the Ministry of Finance. Government members of the Sub-group include the Commissioner for Budget, Commissioner for Policy Analysis, Commissioner for External Finance, a representative from the President's Office – Planning and Privatisation, and from the Bank of Tanzania. Non government members are drawn from the World Bank, IMF, European Commission, UNDP, UNICEF, DFID, SDC, CIDA, Norway, Sweden, Denmark, the Netherlands and JICA/Japan.

Sector Working Groups

The Sector Working Groups are based in the planning departments in the priority sector Ministries. Officials along with consultants and other interested bodies are responsible for working on the PER update for their sector and for preparing the sector MTEF based on the PER. The members of the Sector Working Groups also play a vital role in taking the major findings and recommendations from the PER back to senior sector ministry officials and other relevant stakeholders. There are also cross-sectoral working groups.

Secretariat

The PER presently has an interim secretariat. This consists of two members of staff from the University of Dar es Salaam working part time from the offices of the World Bank which has made space, equipment and materials readily available. Thought is presently being given to institutionalising the PER Secretariat within the Ministry of Finance on a permanent basis.

TGNP , the PER-WG and the Gender Macro Group

TGNP first joined the PER-WG so that it might be better informed about what was going on and so that it could share the information which it gathered. It soon became obvious, however, that the PER offered opportunities for 'influencing' and that the task of representing and communicating with the whole NGO community was overwhelming. If involvement was to go beyond just attending meetings to being active actors it was necessary to help develop structures that involved other stakeholders.

TGNP is now part of the PER Gender Macro Group which includes gender officers from several local and international organisations. This broader set of actors allows a collective approach from several different angles and thus the possibility of speaking with a more informed and more representative voice. It also makes it possible to outsource some of the more technical tasks which the Gender Macro Group is called upon to handle.

Being part of a larger group means that tasks can be distributed between members and that the demands made on any one member is thus less. Various technical sub-groups have also been formed and these are networked through email to experts in other parts of the world where gender issues have already been effectively mainstreamed..

The Gender Macro Group is thus well placed to provide authoritative and timely inputs to the PER-WG and to have considerable influence through what it recommends. A challenge for the future is to develop better ways of popularising the process and allowing the voices of ordinary people to be channelled into the decision making procedures.

The PER Annual Calendar

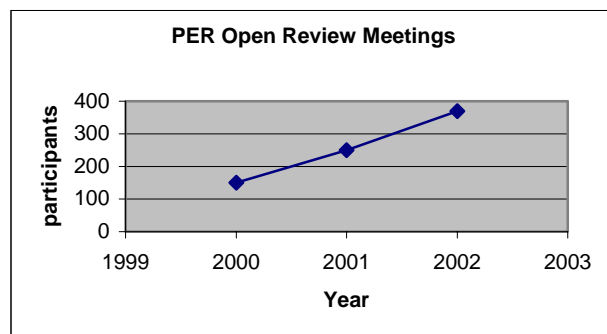
Each year the PER goes through two phases. The first phase focuses on research and technical work aimed at improving the system. The second phase focuses on a combination of evaluative work and open consultation about the future directions of the budget.

PER-WG Activity	Time slot
Phase One – Research and technical support	
1.1 Approve the timetable of events for the coming year	Aug-Sep
1.2 Commission Technical Studies & find the funds for them	Sep-Feb
1.3 Commission Peer Reviews for the Technical Studies & find funds	Sep-Feb
1.4 Joint Mission	Nov-Dec
1.5 Disseminate the results of the Technical Studies	Dec-Apr
1.6 Make inputs to the Budget Guidelines Committee	Dec-Feb
Phase Two – Consultation and evaluation	
2.1 Use the results to inform the Sectoral MTEF work	Feb-Apr
2.2 Use the results to inform the Cross Sectoral MTEF work	Feb-Apr
2.3 Organise the Open Review Process	May
2.4 Prepare the PER Report	May-Jul

Once a list of issues to be addressed has been agreed (1.1) the process of commissioning the work begins (1.2-3). This has several stages and each stage is scrutinised by the PER-WG.

- Terms of Reference (ToR) for the work
- Commissioning the work
- Commenting on interim report
- Commenting of draft final report
- Responding to final report

Note that the issues may be sectoral, cross sectoral or more exploratory and generic. Each issue passes through the PER-WG for comment five times. This puts considerable pressure on members of the PER-WG, especially NGO representatives who have to gather responses from a broad constituency of stakeholders.



The research will not do much good if nobody knows about it. The process of dissemination of results (1.5) is therefore very important and should be a major responsibility of NGO representatives on the PER. It is essential that Civil Society groups have access to these reports so that they can analyse them and respond to them before they begin to influence the work of the sectoral and cross sectoral MTEF groups.

The Macro Sub-group is responsible for feeding the outputs from the PER into the process of setting the Budget Guidelines (1.6). These direct not only the proportion of the budget going to different sectors and cross sectoral issues but also the main sub-sectoral priorities - especially as these relate to various aspects of poverty reduction.

The number and variety of people attending the Open Review Meetings has increased dramatically over the last three years (see box). There are obvious logistical limits to this growth in attendance. A possible response is to have several smaller, themed meetings in advance of the big open review meeting so that some of the issues have already been explored and resolved. If this happens then Civil Society organisations will have to gear themselves accordingly.

PER Research and Technical Support

In FY01 the PER-WG arranged for the following supportive technical studies:

Economic options

The Fiscal Aggregates Study had four main objectives:

- to review the fiscal options given recent decisions on debt relief and the macroeconomic context as set out in the FY00 PER
- to clarify issues surrounding the cash budget system and to increase its flexibility
- to study options for fully funding priority sector programmes
- to study Tanzania's revenue potential in terms of macroeconomic stability and funding the PRSP

Integration of donor aid into the budget

70% of donor funding does not pass through the official development budget system. This study looked at ways of encouraging donors to feed more of their funds through the official government channels.

Tracking spending on poverty reduction

This study checked to see if the spending targets set in the PRSP were being met and if the funds which were released were doing what they were supposed to be doing. The focus was on primary education and health care.

Updating PER and linking to PRSP and MTEF

Support was given to designing the cross-sector MTEF and seven sectoral MTEFs (education, health, water, roads, agriculture, the judiciary, and lands). There was a focus on costing poverty reduction measures. Guidelines were produced to help future work. The main idea was to define clear, timed activities and targets, and to cost them.

HIV/AIDS financing mechanisms

This study looked at the strengths and weaknesses of the past system of planning for and financing the national response to HIV/AIDS. It also developed an MTEF for a multi-sectoral HIV/AIDS response.

Local Authority Debt

Many local authorities spend more than they have in their budgets and are therefore in debt. This means that they cannot provide the services that they should. This study looked at ways of getting round this problem.

Open Review – the Annual Consultation event.

This review of budget performance included:

- analysing whether government spending went according to plan
- assessing the efficiency of the government spending system
- identifying areas of concern about how public expenditure is managed
- reviewing the poverty focus of the MTEF in the light of PRSP targets
- assessing the budget and financial management abilities of local governments

The decision on the topics for research and technical support is made during phase one of the PER annual calendar cycle (ie August/ September). This would be a good time for CSOs to put forward well argued cases in favour of topics and issues of particular concern.

Major PER Themes

The PER FY02 Consultative Meeting¹ reflected on the lessons that had been learned from 1 ½ years of implementing the poverty reduction strategy. Eighteen themes emerged and they have been summarised here under five main headings:

Wealth Creation

1. Agriculture Sector Development is the cornerstone for growth and poverty reduction
2. Small to Medium Enterprises should be encouraged
3. Foreign Direct Investment should be encouraged
4. Competition and efficiency must be fostered in the financial sector

Budgeting for revenue and expenditure

5. Domestic revenue levels must be increased
6. External debt management must be improved
7. Donor support should be better integrated into the budget
8. Development Budget performance must be improved
9. The Wage Bill should be integrated into the MTEF
10. There should be better tracking of expenditure and service delivery
11. Objective criteria are needed for allocating funds to local authorities

Capacity Building for Good Governance

12. There is need for capacity building in government
13. Public economic management must be improved

Improved Processes

14. The Poverty Reduction Strategy (PRS) review process must be better harmonised with other initiatives
15. The PER process should be strengthened

Emerging Issues

16. There should be more effort to understand micro-macro linkages and especially the impact that the PRS is having at the grass roots level
17. The link between poverty and the environment must be dealt with
18. Social safety nets must be put in place

¹ Karimjee Hall, Dar es Salaam, May 2-10, 2002

The impact of PER/MTEF

The PER report for FY01 concluded that the PER and MTEF processes could be said to be in part responsible for the following observable changes:

Better focus on priorities

- There is now more spending directed towards the social sectors, regions and local government.
- There is a particular focus on spending which will reduce poverty. Some of the PER studies helped to focus the Poverty Reduction Strategy Paper (PRSP) targets, activities and indicators and to develop a poverty monitoring system. With better information the issue of poverty is now more clearly in focus.
- Information gathered as part of the PER and MTEF processes has made evidence-based decision making more common.

Better linking of initiatives

- The PER/MTEF process helps to pull other initiative together eg PRSP, Country Financial Accountability Assessment (CFAA), Sector Development Programmes (SDP) and the Poverty Reduction Budget Support (PRBS).
- Because of the PER process there is now better communication between the Treasury, sector Ministries, donors and other stakeholders. The government is now clearer about how much donor aid is coming in and it is increasingly being channelled through the budget.
- The PER/MTEF studies have gathered and distributed evidence and ideas to broaden peoples understanding of the issues and options for the patterns of government revenue collection and spending. This has led to more strategic and better informed public policy discussions.

Better budget management

- The difference between planned and actual spending has become less. This is because of better agreement about priorities and better estimates of costings. More funds are available for other charges (OC) and Development Expenditure. Government has begun to publish its spending arrangements in the media.
- A special study highlighted some of the problems and weaknesses in the local government systems for budget and financial management. The study suggested ways to overcome the problems.
- Expenditure planning, execution and control has improved through using the MTEF, the Integrated Financial Management System (IFMS) and enacting the Public Finance Act 2001 and the Public Procurement Act 2001.

Better overall economic sustainability

- The PER has helped to broaden peoples' understanding of the options for the patterns of government revenue collection and spending. This has helped the government to be more strategic about supporting the social sectors without upsetting macroeconomic stability.

NGO contributions to the PER

The PER working group of 45 people includes representatives from academic & research institutions; donors; faith organisations; government; media; multilateral financial institutions; NGOs; parliament; private sector.

Members are expected to comment on and make inputs to a wide range of initiatives. The workload for members can thus be considerable and there is often slippage in meeting what are often very tight time targets.

This problem will only be resolved when members are able to officially adjust their organisational terms of reference so that they can earmark and safeguard time for PER activity.

Much of what the PER Working Group does involves very technical and specialised data. NGO representatives who are appointed to the PER Working Group should thus have the relevant knowledge and skill base (policy and budget analysis skills) and should be well briefed.

The technical details, however, have to be used within a strategic framework which is political rather than technical. If the facts alone were enough to inform decision making then there would be no need of politicians, or reason for disagreement between 'experts'!

The 'facts' and 'statistics' have to be interpreted and given value. In a democratic system this means that there should be many 'voices' at the table. The NGO sector has an invaluable contribution to make in representing a wide range of voices from the nation.

The Tanzanian PER system is at the cutting edge of good governance procedures in the 21st century. There is a need to reflect on its evolution to date and the shape of its possible short, medium and long term future.

There seems to be general consensus that the PER is a good and worthwhile process and that it should continue. Amongst other things this will involve institutionalising the PER Secretariat, and taking time to research into and reflect on those macroeconomic, fiscal and procedural issues which will have to be developed gradually and phased in over a number of years.

A key procedural issue concerns how best to improve on the system for integrating the 'voices' of civil society into the PER process.

The government challenge to NGOs

NGOs organised a 'Policy Forum for NGOs' in November 2001. One of the invited speakers was Peniel Lyimo, a Deputy Permanent Secretary in the Ministry of Finance. He made several statements² which offer challenges to the NGO sector.

Statement	Question
In the PER process there is a strong representation by NGOs (TGNP, TASOET, TCDD), which meet on a bi-weekly basis. These CSOs are expected to share whatever information/documents they get during PER sessions with other interested organisations.	1. If the sharing is not as good as it could be, what can be done to improve it?
Why are NGOs not performing as effectively as they should?	2. If not, why not?
Can NGOs not organise themselves around a common agenda and table them in the working group?	3. If they are not good at it at the moment how can they improve? Why not several agendas?
The perception of the Ministry of Finance was that the NGOs are not coordinated and harmonised: there is no agreement on agenda and strategy?	4. If the perception is well founded, what can be done about it?
The Government wants the NGOs to be more transparent, including sharing information about the amount of resources brought in by them, and disclosure of their activities.	5. What do the NGOs feel about this – and why?
For its part, the Government has made available information on budget and expenditure levels at the district level. The information is also published in the media.	6. What noticeable effect is this having? Is there room for improvement and if so how?

² Based on Peniel Lyimo (November 2001) *The Public Expenditure Review (PER) process and NGOs*; as recorded in the report of the *Policy Forum for NGOs* held at the Courtyard Hotel, Dar es Salaam on November 2001