

**FIDUCIARY SYSTEMS ASSESSMENT**  
**February 22, 2023**

**A. INTRODUCTION**

1. The operation in mainland Tanzania will use the PforR financing instrument guided by the Policy for Program for Results Financing issued in July 2017, while Zanzibar will use the IPF financing instrument in accordance with Bank Policy on Investment Project Financing issued in November 2017. This section summarizes the main conclusions of the Fiduciary Systems Assessment (FSA) in mainland Tanzania.

**B. FIDUCIARY SYSTEMS ASSESSMENT OF THE PforR OPERATION IN MAINLAND TANZANIA**

2. **The FSA was carried out with the objective of determining whether the Program's fiduciary systems provide reasonable assurance that the financing proceeds will be used for the intended purposes**, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. The assessment was carried out in line with the Operational Policy (OP) for Program for Results Financing issued and effective in July 2017 and its directive of July 2019.

**Conclusions**

3. **The overall fiduciary risk rating is assessed as Substantial.** The proposed mitigation measures aim to strengthen fiduciary system's capacity and performance to adequately provide reasonable assurance that the funds will be used for the intended purposes with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability.

4. **The financial management risk for the Program is assessed as Substantial.** Key risks identified and proposed mitigation measures on financial management are as follows: (i) low budget ceilings provided for the sector resulting resource constraints; (ii) agriculture sector governance structures and responsibilities at LGAs which may impact accountability on the use of funds whereas agriculture budget consolidates fisheries, livestock, agriculture and co-operatives operations as they fall in one department within the structure of LGAs, and warehouses and irrigation schemes are owned by villages and irrigation organizations; (iii) limitations in MUSE to generate required project financial reports resulting manual interventions in reports preparation; (iv) delays in release of funds to the implementing entities; (v) project investments not having value for money, for example construction and rehabilitation of warehouses which are not in use, acquisition of equipment which are not fit-for the purpose and hence abandoned and vandalized, irrigation infrastructure works not completed and abandoned by contractors; (vi) limited knowledge of IFMIS in use, MUSE, from the Accountants and Auditors; (vii) internal audit departments at LGAs are resource constrained both by headcount and finance; and (viii) poor implementation of internal and external audit recommendations. The following mitigation measures will be addressed by the program. PforR program will be identified as a development project within the government budget framework. The program will need to (i) clearly identify program activities for each implementing agency and identified beneficiary LGAs. Activities to be financed will be established in program annual budget under development budget and recorded in budget systems PLANREP and CBMS; (ii) There will be two program bank accounts maintained at BOT for Ministry of Agriculture and for PO RALG. The program will be registered in D-fund system and follow DFUND disbursement policies and procedures. Disbursements from World Bank will be made to these bank accounts upon achievement of results; (iii) MoA and PO-RALG will disburse funds to other implementing agencies under their jurisdiction. Other implementing agencies will be producing financial reports on the progress of execution of program activities and submit to central ministries (MoA and PO-RALG) for disbursement purpose. (iv) MoA and PO-RALG will be responsible to produce annual financial reports for the program. MUSE needs to be defined to generate required program financial reports. Capacity building of accountants

and auditors continue to be offered by MOFP; (iv) program financial statements will be prepared, audited and submitted to WB within six months after the end of fiscal year. Each ministry (PO-RALG and MoA) will prepare financial statements incorporating funds disbursed to the implementing entities which are under their mandate. Therefore, two separate audit reports will be submitted to the World Bank.

5. **The procurement risk of the participating entities in the Program is Substantial.** Key risks identified on the capacity of the implementing entities are: (i) PMUs staff have inadequate knowledge of procurement planning, preparation of bidding & request for proposals documents, evaluation of bids/ proposals, customization of draft contract documents and contract managements; (ii) frequent transfer of the procurement staffs, making newly appointed/recruited staffs taking time to get acquainted with issues related to sector's procurement activities and procedures; (iii) inefficiencies in processing procurement activities in terms of preparation of terms of references (ToRs), specifications, bidding documents, request for proposals, bids/proposals evaluations and lack of adequate internal monitoring in some of the LGAs; (iv) inadequate records keeping and management system at the ministries and LGAs levels (v) limited guidelines for hiring skilled workforce to execute works under force account arrangement; and (vi) delays in paying vendors on time per the terms of the contracts. Required mitigation measures include (i) need for additional staff in PMUs and Internal Audit units; (ii) Training in procurement process and contract management; (iii) Training of Tender Board members, user department and PMUs officials; (iv) provision of more space for staff and record keeping; (v) liaise with PPRA to provide necessary training and simplified guidelines to govern outsourcing skilled manpower for carrying out works using force account; and (vi) provision of office working tools and equipment.

6. **Procurement Exclusions:** The Program is not expected to procure any high value contracts<sup>1</sup> valued at or above Operational Procurement Review Committee (OPRC) thresholds (US\$115 million for works, US\$75 million for goods and non-consulting services, and US\$30 million for consultant services). Based on sampled procurement activities data from six LGAs and four Agencies under MOA (table 3), the highest contract price is around TZS 15billion (US\$ 6.5 million approximately) and is not expected to increase substantially based on the Program. High value contracts under the Program shall be monitored during the supervision missions to ensure that the Program is in conformity with the Bank's policy on high value contracts in Program for-Results Financing.

## Scope

7. **The assessment covered the MoA, PORALG, TARI, ASA, NIRC, TOSCI and selected six LGAs.** Selected LGAs were Mkalama District Council, Hanang District Council, Meru District Council, Kilosa District Council, Kilolo District Council and Mbarali District Council. TARI headoffice, Tengeru, Selieani, Ilonga, Uyole, ASA headoffice and Tengeru center. A sample of existing warehouses and irrigation schemes operating in these LGAs were visited. This program being the first PforR program for MoA, fiduciary systems were assessed at all levels including Program's institutional and implementation arrangements, fiduciary management capacity, and implementation performance along with desk reviews the Tanzania PEFA Report 2022, CAG's Report for the Local Government Authorities (LGAs) and Central Government, Annual Performance Evaluation Report of the Public Procurement Regulatory Authority (PPRA), Internal Audit Reports, the Procurement and Value for Money Audits Reports of the implementing entities and selected districts. The assessment also considered how existing systems handle the fraud and corruption risks. Legal and regulatory framework for this Program's fiduciary systems was found to be comprehensive and in line with international principles and standards for public procurement and financial management.

8. **The implementation of TFSRP is guided by the Government institutional arrangements organized for sector dialogue, strategic leadership, and program implementation at national and LGA levels.** Two sector-lead ministries, Ministry of Agriculture (MoA) in the Mainland and Ministry of Agriculture, Irrigation,

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<sup>1</sup> High Value means contracts with estimated values exceeding the monetary amounts that require mandatory review by the Bank's Operations Procurement Review Committee (OPRC)

Natural Resources and Livestock (MAINL) in Zanzibar will jointly lead implementation and coordination of the Program at all levels. Other implementing agencies for the program will include the Ministry of Finance and Planning, President Office Regional Administration and Local Government (PORALG), the Local Government Authorities (LGAs), the National Irrigation Commission (NIRC), Tanzania Agricultural Research Institute (TARI), Tanzania Agricultural Seed Agency (ASA) and Tanzania Official Seed Certification Institute (TOSCI). A national Project Implementation Team (PIT) will be established in MoA Mainland, led by its Director of Policy and Planning, assisted by senior management from TARI, ASA, TOSCI, NIRC and PORALG, and comprise of specialists in financial management (accountant), procurement, safeguards (one environmental and one social with Gender-Based Violence knowledge), monitoring and evaluation, inclusion and diversity, one staff from the Directorate of National Food Security (DNFS), one from Directorate of Management Information Systems (DMIS) responsible for ICT and two technical staff from Directorate of Crop Development (DCD) and Directorate of Training and Research (DTR) responsible for extension and training. The PIT will be responsible for the management and coordination of the TFSRP PforR. The legal status and roles of the various agencies are given below.

**Table 1: Institutional Responsibilities**

Institution	Legal Status	Responsibilities
Ministry of Finance and Planning	Created by an act of Parliament	Approving disbursement of funds to MOA and PORALG/ LGAs. Policy and institutional reforms relating to intergovernmental fiscal relations, issuing the treasury circulars.
Ministry of Agriculture	Created by an act of Parliament	Supervision and monitoring role on the four Agencies under the Ministry (TARI, ASA, TOSCI, NIRC). Overall Program management, procurement of consultancy services, training, record keeping, guidelines, capacity building requirements, maintenance of facilities. Request for disbursement through MOFP, receiving funds from WB and disburse to TARI, ASA, TOSCI and NIRC. Maintain records of funds received in Dfund system of MOFP. Produce financial reports on the use of funds received and submitting audit reports to WB
President's office Regional Administration and Local Government Authority	Created by an act of Parliament	Supervision and monitoring role on the LGAs (City, Municipality, Town, District) level. They will be responsible for program management, procurement of consultancy services, training, record keeping, guidelines, capacity building requirements, request for disbursement through MOFP and transfer of funds to the LGAs. Maintain records of funds received in Dfund system of MOFP. Produce financial reports on the use of funds received and submitting audit reports to WB
Local Government Authorities (185 across Tanzania mainland)	Created by an act of Parliament	Responsible for procurement of good/work and service, supervision of project activities, implementation of program and reporting on progress for activities under its jurisdiction.  Day to day responsibilities for implementing various activities of the project (DLI7) under the coordination of LGA Agricultural Livestock and Fisheries Offices (DALFO)
The National Irrigation Commission (NIRC)	An agency under the MOA. Established in 1986 and become operational since May 1987	Mandated to provide irrigation services to the agricultural sector. Responsible for day to day implementing various irrigation infrastructure activities of the Program (DLI4).

Institution	Legal Status	Responsibilities
Tanzania Agricultural Research Institute (TARI)	established by the Parliamentary Act No. 10 of 2016	Mandated to conduct, regulate, promote and coordinate all agricultural research activities conducted by public and private research institutes or organisations in Tanzania. Currently TARI has 17 centres across Tanzania mainland.  Responsible for day to day implementing various agriculture research tasks under the Program (DLI-1).
Tanzania Agricultural Seed Agency (ASA) and Tanzania Official Seed Certification Institute (TOSCI)	established under the executive Agencies act [Cap.245 R.E. 2002] of June 2006	Mandated to produce, process and market sufficient high quality agricultural seeds. Currently ASA has nine seeds farm/ horticulture sites across Tanzania mainland. Responsible for day to day implementing various tasks under the Program (DLI-3).
Internal Auditor General		Carrying out the internal audit of the Program. Providing assurance to management of the entity regarding the management of key risks and to provide independent and objective advice and counsel to management to assist them in discharging their duties and responsibilities.
Office of the Auditor General		Carrying out Performance or Value-for-Money Audit for the purposes of establishing the economy, efficiency and effectiveness of any expenditure or use of public resources by Ministries, Departments and Agencies (MDAs), Local Government Authorities (LGAs) and Public Authorities and other Bodies. Audit annual financial statements of project PforR activities of MOA, PO-RALG and LGAs component.

## Review of Public Financial Management Cycle

### *Planning and Budgeting*

9. **The PforR program will be identified as a separate program under development budget.** ASDP II is mainstreamed into the existing government coordination structures and financial reporting. Planning and budgeting will be guided by PFM legal framework including (i) Budget Act of 2015 (ii) Public Finance Act of 2001 (revised 2004) and its regulations; (iii) Local Government Finance Act no 9 of 1982 (CAP 290); and other regulations and circulars issued by the MOFP.

10. **Tanzania uses three years MTEF for planning purposes, and this will also apply for the program.** Budget is documented in the centralized budget management system (CBMS) which the Ministry of Agriculture, National Irrigation Commission (NIRC), PO RALG and Regional Secretariats use to plan and monitor budgets. CBMS is on activity-based budget. NIRC is semi-autonomous institution under MoA with independent budget vote and therefore responsible to account independently for its allocated budget, while TARI and ASA directly report to MoA. TARI, ASA and LGAs uses PlanRep for budget documentation which is also an activity-based budget. PO-RALG offers technical backstopping on PlanRep for LGAs.

11. **There are two categories of revenue budgets for the agriculture sector, from own source and from central government. Budget reports generated by PlanRep can be identified by cost centre.** Funds from central government are used for recurrent expenditure and for development expenditure. Funds from external sources/ projects funded by development partners are recognised under development budget. The program would be required to clearly identify activities to be funded by each LGA under development budget and allocated budget line.

12. **Budgets for agriculture at LGA level is made up of agriculture, fisheries, livestock and co-operatives operations as its structured as one department.** Recurrent administration expenditure for the department of Agriculture, livestock and fisheries cannot be separated as they fall within one cost center. Budget for development expenditure can be further analyzed by activities of each cost centers above. Agriculture budget is mainly composed of recurrent personnel emoluments travel costs. Budget categories at LGAs PlanRep are recognised by cost centre code 506 and is split into 5 categories: (i) 506A-Agriculture, Livestock and fisheries administration, (ii) 506B- Agriculture operations (iii) 506C-Cooperatives Operations; (iv) 506D-Livestock operations; (v) Fisheries operations.

13. **Budget ceilings issued by MOFP are low, and budget released by MOFP to the sector and LGAs is low, hence the sector is generally resource constrained.** Agriculture sector received an average of 2.25% of national budget over 5 years from 2017/18 to 2021/22 (*Tanzania Agriculture Public Expenditure Review - World Bank 2022*). For the same period, 2017/18 to 2021/22, about three-quarters for the agriculture budget was allocated at the central government level and one-quarter at the local government level. Budget outturn (actual funds as percentage of budgeted funds) both in revenue and expenditure is low. The program will incentivise budget release by having a disbursement linked indicator on budget outturn.

### **Procurement Planning**

14. **The PPA and its regulations require all procuring entities to prepare Annual Procurement Plans (APPs) as part of the annual work plans and budget.** To maximize economy and efficiency in procurement, all PEs are required to aggregate their requirements within the departments of the institution. In compiling such plans, PEs are required to establish appropriate methods of procurement and timescale for each package to be calculated based on the standard processing times prescribed in the regulations. The APPs are prepared based on the annual work plans of different departments of the implementing entities and LGAs and are linked with the budget. Assessment made at MoA, PORALG, TARI, ASA, TOSCI, NIRC and the six selected LGAs of Mkalama District Council, Hanang District Council, Meru District Council, Kilosa District Council, Kilolo District Council and Mbarali District Council revealed that all LGAs published their General Procurement Notices and APPs in the procurement portal and TANePS. However, some of the packages in the APPs were not processed as per the timelines indicated in the APPs, and procurement plans are not used as a tools to monitor progress of implementation of procurement activities but rather compliance with the law. Some of the LGAs are not using procurement plan templates issued by the PPRA.

15. **Procurement Profile of the Program:** The procurements under the Program will be governed by the Legal and Regulatory Framework i.e., the PPA, Cap 410 (Revised 2022) and the Public Procurement Regulations, 2013 GN No. 446 of 2013 (as amended in 2016). These are supplemented by the districts' (Establishment and Proceeding of the Tender Boards) Government Notice No. 330 of 2014 for procurements under the LGAs. Based on the Program expenditures framework, anticipated procurement of goods, works, non-consulting services and consulting services will include modest value contracts below the OPRC thresholds. Procurements under the Program will mainly be for development and maintenance of infrastructure for agriculture warehouses, irrigation channel/dams, basin improvement, bore holes, ICT tools and facilities, rehabilitation of seed storage facilities and cold rooms and other supplies for the agencies. The table 2 below indicate the broad list of procurable activities.

Result area wise DLI	Broad list of procurable activities	Allocation (US\$)
DLI 1. Sustainable financing for the development and dissemination of climate resilient technologies in agriculture	Research tools and facilities (TARI, MOA)	26.4
DLI 2. Extension outreach strengthened, including through ICT solutions for promoting climate smart practices	e-agriculture, extension staffs training, ICT tools and facilities (MOA)	27.8

DLI 3. Improved functional linkages in the Seed value chain	Seeds production and facilities (ASA, TOSCI, MOA)	26.5
DLI 4. Performance-based Operations, Management and Maintenance (OMM) constitutions introduced and implemented	Works: repair/rehabilitations and performance based OMM (NIRC, MOA)	31.6
DLI 5. Efficient management of public warehouse facilities	Warehouse management model, development and maintenance (DNFS, MOA)	27.0
DLI 6. Improved agricultural budget monitoring and predictability from national to local level		20.0
DLI 7. Locally sustainable contribution of financing for DADPs implementation	ICT tools	20.4
DLI 8. Scaling up soil health management policies		20.3

16. **Performance of Procurement System:** PPRA has been conducting Procurement Performance and Value for Money Audits (VfM) since FY 2006/07 on a sample basis using seven indicators to assess compliance of PEs with the Act and Regulations. VfM audits assesses achievement of the value for money in the selected contracts. The overall VfM compliance<sup>2</sup> of PORALG, MOA, TARI, Hanang DC and Mkalama DC was assessed at 90.83%, 79.2%, 63.2%, 66.59% and 72.7% respectively which is a fair performance for procurements carried out during Fy 2020/2021. Also, PPRA uses Red Flags Checklist to detect symptoms of corruption in the procurements carried out by the above IAs in the three phases of procurement; pre-bid phase; evaluation & award phase and contract management phase. For contracts which scores 20% or above on a red-flag<sup>3</sup> scale signify corruption likelihood and requires further investigations by the competent authority. Procurement performance indicators calculated based on sample procurement activities are presented in Table 3 below:

**Table 3: Procurement Data extracted based on Sample Procurement Activities**

Description	PORALG (Total Fy 2019-2022)		MOA (Total Fy 2019-2022)		MERU DC (Total Fy 2019-2022)		Mkalama DC (Total Fy 2019-2022)		Hanang DC (Total Fy 2019-2022)		Kilosa DC (Total Fy 2019-2022)		Kilolo DC (Total Fy 2019-2022)		Mbarali DC (Total Fy 2019-2022)		TARI (Total Fy 2019-2022)		ASA (Total Fy 2019-2022)	
	NO.	Amount (TZS) million	NO.	Amount (TZS) million	NO.	Amount (TZS) million	NO.	Amount (TZS) million	NO.	Amount (TZS) million	NO.	Amount (TZS) million	NO.	Amount (TZS) million	NO.	Amount (TZS) million	NO.	Amount (TZS) million	NO.	Amount (TZS) million
Goods	1524	127,282.38	1015	8,425.31	80	5,091.61	193	2,746.00	34	5,136.99	249	1,212.31	72	1,568.89	87	7,005.88	16	2,950.80	58	4,262.38
Works	6	20,304.45	19	68,081.39	33	2,525.37	0	-	65	16,034.68	2	5,600.00	2	0.24	56	5,800.00	7	9,885.68	1	33.42
Consulting Services	26	31,922.26	8	3,132.57	42	2,389.33	0	-	0	-	0	0.00	0	0.00	0	0.00	2	695.96	0	-
Non-Consulting Services	356	2,525.79	114	1,585.65	21	52.10	29	364.60	42	4,644.49	40	219.02	32	256.51	27	1,821.73	13	3.90	3	157.98
<b>Total</b>	<b>1912</b>	<b>182,034.88</b>	<b>1156</b>	<b>81,224.92</b>	<b>176</b>	<b>10,058.41</b>	<b>222</b>	<b>3,110.60</b>	<b>141</b>	<b>25,816.16</b>	<b>291</b>	<b>7,031.33</b>	<b>106</b>	<b>1,825.64</b>	<b>170</b>	<b>14,627.61</b>	<b>38</b>	<b>13,536.34</b>	<b>18</b>	<b>2,354.10</b>
<b>Performance indicator</b>	<b>PORALG</b>		<b>MOA</b>		<b>MERU</b>		<b>MKALAMA</b>		<b>HANANG</b>		<b>KILOSA</b>		<b>KILOLO</b>		<b>MBARALI</b>		<b>TARI</b>		<b>ASA</b>	
Average number of bids received	7		5		3.5		3		4.2		3		4		3		4		4	
Average Tender preparation time (days)	14		12		15		14		8.5		7		24.6		12		10		11	
Average time for Payment (days)	45		45		60		32		35		30		30		30		60		30	
Average lead time [publication till award]	100		90		90		70		75		63.5		29.5		32.5		130		64	

Based on procurement data extracted and summarized in above table, few inferences are:

- Number of bids received ranges from 3-7 bids per opportunity [45 transactions].
- Tender preparation time ranges from 7- 30 days per opportunity [45 transactions].
- Average contract amount for works contracts TZS 3.38 billion (PORALG), TZS 3.58 billion (MOA),

<sup>2</sup> Scores based on VfM indicators established by PPRA in each stage of procurement: Planning needs assessment and Tender Documentation; Procurement Stage; Contract Implementation Stage; Quality & Quantity of Supplied Goods Stage; and Project Completion and Closure Stage.

<sup>3</sup> As per PPRA's annual performance evaluation report FY2020-21, the assessment in 85 entities revealed that three contracts/projects, worth TZS 616.5 million which is 0.5 percent of the total value of TZS 123.3 billion of all contracts, had high corruption red flags (<https://www.ppra.go.tz/about-joomla/annual-reports/annual-performance-evaluation-reports>).

TZS 2.8 billion (Kilosa) while other IAs average below TZS 1 billion.

- (d) Time for processing payments varies from 30 – 62 day per opportunity [32 transactions].
- (e) Procurement lead time (publication until award) varies from 30 days to 120 days [32 transactions].
- (f) Procurement e-portal: Use of TANEPS e-portal mandatory since August 30, 2020. However, some IAs were observed not fully utilizing the portal especially for small contracts (force account).
- (g) PP for IAs in place. However, some IAs not implementing PP as planned, thresholds not observed, use of different method of procurement from the one indicated in PP.
- (h) Contract Management: There was no Contract Management tool for the monitoring of physical and financial progress and no contract management database.

**17. Framework Agreements (FAs) for Common Use Items and Services (CUIS) under the Government Procurement Services Agency (GPSA) and Minor Value Procurement:** Most of the goods/services at PEs are procured through CUIS under Force Accounts (FAs) introduced by the Government in February 2011. CUIS are managed by the GPSA, an Executive Agency of the MoFP, established under the Executive Agencies Act No. 30 of 1997 and responsible for overseeing the implementation of the CUIS in the country. GPSA prequalifies vendors for the CUIS and PEs are required to invite mini competition among prequalified vendors and to contract vendors offering the lowest prices. This shift of paradigm has resulted in the MoA, PORALG, and LGAs preparing the APPs which include mainly CUIS and a few goods and services packages which are not covered under CUIS. Works' contracts are not subjected to this system. The preselection of the vendors by GPSA and management of the mini competitions by the MoA, PORALG, TARI, ASA, NIRC and LGAs are processed through TANePS. The use of Force Account has replaced the conventional shopping method. The FAs approach and processing through TANePS will minimize the scale of F&C practices that were entrenched in the shopping procedures. While using Force Account in construction and maintenance of facilities and PEs procure construction materials from the suppliers who have been preselected by GPSA, unless the required materials are not in the catalog of preselected vendors. However, some of the IAs were not procuring from the preselected vendors which has led to some of the PEs to procure materials at higher prices than prevailing market prices as observed by CAG in the report of March 2021 - VFM audit of projects implemented through Force Account in the education sector.

### ***Budget Execution***

#### ***Treasury Management and Funds Flow***

**18. The program funds will be disbursed by the World Bank to the program bank accounts in Bank of Tanzania (BOT).** Two bank accounts for MoA and PORALG will be maintained in USD currency at the Bank of Tanzania. Program funds will be disbursed to recipients upon World Bank acceptance of results achieved. Program will use D-Fund system for receiving and transferring of funds to implementing agencies. The D-fund system is the management information system hosted by the MOFP to capture inflow of funds to the country by development partners. Funds from USD bank accounts in BOT will be transferred to commercial bank accounts maintained in local currency by these ministries. Each ministry will be responsible to disburse funds to respective development accounts of implementing agencies under its jurisdiction. MoA will transfer funds to NIRC, TARI and ASA while PORALG will transfer funds to the Regional Secretariats and selected LGAs as per workplan and cash forecast of respective institution.

**19. Most of projects have experienced delays in disbursement of the project funds to the implementing entities even when funds are earmarked for a specific project. All government funds are maintained at BOT and disbursement requests are made regularly on need basis.** Delays for receiving funds for development projects has continually impacted implementation progress. Some institutions such as TARI has centralized its bank activities at Head office level while maintaining imprest accounts at the research centers. LGAs have bank accounts for development projects in commercial banks which funds will be transferred directly from BOT to respective LGA bank account. NIRC uses regional sub-treasury offices for

regional offices and commercial bank accounts at head office.

20. **World Bank client connection system will be used for withdrawal applications and documentation of results achievement as the basis for disbursement. There will be an option for rolling advance for program.** Identified Project Accountants will be registered as users in client connection and will be responsible to process disbursement requests and financial reporting.

### ***Accounting and Financial Reporting***

21. **Financial records for the program will be maintained using the integrated financial management system - MUSE (Mfumo wa Ulipaji Serikalini).** Central Government (MoA, PO-RALG, NIRC, TARI, ASA) has fully migrated to MUSE and LGAs migrated in 2021/22. MUSE is linked with CBMS using GFS codes based on GFSM 2014 and the international standard (GFS and COFOG) Classification. This structure facilitates monitoring of the budget against expenditure. Budgeted activities can be executed within the limits identified in the budget. Budget revisions are requested once per annum in December.

22. **The program will prepare two sets of annual financial statements by MoA and PO RALG.** Funds transferred to other implementing agencies under their jurisdiction, will be reported as transfers and usage of funds will be accounted for by the respective institutions receiving funds. All supporting accounting records and documents will be maintained by the respective institution responsible for implementation of the program. These institutions will be producing financial reports on the progress of execution of program activities and frequently submit to the central ministries (MoA and PO-RALG) for purpose of requesting disbursements.

23. **MUSE IFMIS will be tailored to generate financial reports for the program to facilitate analysis of program financial performance.** PO-RALG would be required to tailor appropriate reports to monitor program performance for local government. While reports for central government would be generated by respective institutions in Ministry of Agriculture. Currently, MUSE at LGAs can generate itemized commitment and expenditure report, however the reports are not interfaced with PlanRep for budget comparison. Budget from PlanRep is imported to MUSE by PO RALG central IFMIS unit. Itemised expenditure report from MUSE will include budget commitments and actual expenditure, which is useful to track available budget balance.

24. **MoA and PO-RALG use the International Public Sector Accounting Standards (IPSAS) Accrual Basis of accounting** as adopted by the Government of Tanzania (GoT) since 2016. Financial reports are manually prepared as assets management modules and other cash flow reports cannot be directly generated by MUSE.

25. **The MoA and PORALG have adequate number of qualified and experienced Accountants, however LGAs limited number of Accountants.** Chief Accountants of respective ministries will appoint dedicated Accountants who will be responsible for the program activities. TARI has 32 Accountants and NIRC has 12 Accountants. The responsible Accountants should have capacity and experience in managing program activities. There are shortages of Accountants at district levels to support agriculture sector. Accountants at have limited knowledge of MUSE and capacity building trainings are in progress.

### **The Procurement Legal and Regulatory Framework**

26. **The Procurement Legal and Regulatory Framework for this Program's procurement activities will be governed by the PPA, CAP 410 (Revised 2022) and its Regulations (GN 446 of 2013) (as amended in 2016).** These are supplemented by the districts' (Establishment and Proceeding of the Tender Boards) Government Notice No. 330 of 2014 for procurements under the LGAs. Under the amended Act, procurement functions



remain decentralized to PEs with the Public Procurement Regulatory Authority (PPRA) continuing to provide oversight functions in public procurement. In addition, the amended Act has maintained the definitions of fraud and corruption about coercive practices, collusive practices, and obstructive practices. The reasons for the amendments were long duration of procurement processes, issues with integrity and professionalism, constraints to commercially oriented Government companies/institutions, lack of and failure to apply approved standards for common items and services required by Government, and differences between procurement procedures used by LGAs and those used by other PEs. The need for approval of exceeded budget, previously required from approving authority, has also been amended. The amendments also emphasize submitting details, and not just a list of procurement contracts awarded and the use of Procurement Management Information Systems (PMIS). In line with the issued Regulations, various documents were issued as working tools in line with PPA including Standard Bidding Guidelines on the Technical & Financial Proposals Evaluation and Report Preparation, Guidelines for Preparing Responsive Proposals, Procedural Forms, Guidelines for Community Participation in Public Procurement and Guidelines for Carrying out Works under Force Account at all levels. All these documents are accessible on the PPRA's website free of charge.

**27. The PPA complies with applicable obligations derived from national and international requirements.** The procurement policies are based on the need to make the best possible use of public funds, while conducting all procurement with integrity and fairness. All public officers and members of tender boards undertaking or approving procurement are required to be guided by the basic considerations of the public procurement policy including the need for economy and efficiency in the use of public funds; give all eligible bidders/consultants equal opportunities to compete in providing goods or executing works or providing services; and encourage national manufacturing, contracting, and service industries and the importance of integrity, accountability, fairness, and transparency in the procurement process.

**28. The Act also promotes local content and firms.** Furthermore, the amended Regulations stipulate that, contracts exceeding Tanzania Shillings 1 billion will need vetting by the Attorney General's Office prior to signing. This is an improvement from the previous threshold of Tanzania Shillings 50 million (USD20,000). The Act has also reduced the cool-off period from 14 to 7 days during which an intention to award the contract is communicated to all bidders, giving them the opportunity to submit a complaint, if any, on the proposed award. Furthermore, the procurement complaint review process was changed to two tiers system, with PPRA no longer being involved in the review of complaints. Thus, a substantial reduction in the overall time for handling complaints. The legal framework is quite robust and internationally acceptable.

**29. Use of the Tanzania National e-Procurement System (TANePS) for all PEs in Tanzania Mainland.** The GoT developed TANePS which was piloted in 2018 and rolled out to all public bodies. The Paymaster General on December 23, 2019, issued Circular No. 4 of 2019, which directed all PEs using public funds to use TANePS in all procurement transactions. Consequently, in June 2020, the World Bank assessed the TANePS, and the assessment concluded that the TANePS is compliant with the Multilateral Development Banks (MDBs) e-Government Procurement Guidelines. In the Program, the TANePS will be used at the central and LGAs levels. Pursuant to PPRA's Annual Performance Evaluation Report (APER) for FY 2020-21, a total of 718 entities (531 PEs and 187 delegated entities) had been connected to TANePS and 21,194 suppliers had been registered. It was noted that MoA, PORALG, and LGAs are processing procurement activities through TANePS.

**30. Standard Bidding Documents:** In line with the issued regulations, PPRA has issued various documents as working tools, including Standard Bidding Documents for Works, Goods, and Non-consulting Services; Standard Request for Proposals; Guidelines on the Tenders Evaluation (Works, Goods and Non-consulting Services); Guidelines on the Technical and Financial Proposals Evaluation and Report Preparation; Guidelines for Preparing Responsive Proposal; Guidelines for Preparing Responsive Bids; Procedural Forms, Guideline for Community Participation in Public Procurement and Guideline for Carrying out Works under Force

Account at all levels. All these documents are accessible on the PPRA's website. With the support from the Bank, PPRA has revised the Standard Bidding Documents to be in line with the amended Act and Regulations as well as to be used when using TANEPS. In May 2020, PPRA issued the Guidelines for Carrying out Works under Force Account which includes dedicated section for the Application of Force Account at the Lower Government Level. However, templates like simplified procurement plan format, invitation for quotations; comparison of quotations; standard contracts, records management, handling of complaints and contract management are missing in the guideline.

31. **Generally, MOA, PO-RALG, TARI, ASA, NIRC and all LGAs use the standard bidding documents issued by the PPRA in the procurement of contracts.** The standard bidding documents contain the evaluation criteria relating to eligibility of the bidders, qualification of the bidders and it is mandatory to disclose evaluation criteria to be used in determining the successful bid in the solicitation documents. The standard bidding documents issued by PPRA have been reviewed and found to be acceptable to the Bank with some exception on NCB procedures. The challenge has been to customize the bidding documents to suit the requirements of particular procurement. The review done to the sample bidding documents during assessment revealed that information provided in the Data Sheet and Special Conditions of Contract was adequate although improvement is required in the evaluation/qualification criteria. The assessment carried out for the sample LGAs reveals that there are legally established TBs and PMUs to manage the procurement functions.

32. **Bids and proposals evaluation:** Bids evaluations at MoA, PORALG, TARI, NIRC and all LGAs are carried out by evaluation committees constituted according to the PPA and its regulations. Normally, evaluation committees comprise a minimum of three members for works, goods, non-consulting services, and financial proposals and a minimum of five for technical proposals. Evaluation committees comprise members from the user departments, technical staff, and sometimes from outside the PE where expertise is lacking internally. Evaluations follow the evaluation/qualification criteria specified in the bidding documents although it has been noted that at times no reasons are recorded as to why particular bidders are disqualified. Evaluations are done in three stages: preliminary examination, detailed evaluation, and post-qualification analysis, and these stages are adhered to in most of the evaluation reports reviewed by the World Bank. Sometimes, however, the provisions in the PPA and its regulations have not been abided by the evaluation committees as well as the Tender Board.

33. **There are inefficiencies in preparing and approving procurement transactions.** Significant delays have been noted in preparing specifications and bidding documents, bid evaluations including adjudication of the evaluation reports and awards recommendations. Delays in getting necessary approvals lead to tenders being awarded after expiration of bids' validity period. Unsuccessful bidders are informed on the award decisions and publications of awards in the TANEPS.

### **Review and Resolution of Complaints**

34. **A two-tier system for handling procurement complaints is provided under the PPA, Cap 410 (as amended in 2016) and the Public Procurement Regulations, 2013 GN No. 446 of 2013 (as amended in 2016)** provide two levels for handling of procurement complaints which are: (a) the head of PE and (b) PPAA. PPRA is no longer involved in reviewing complaints by bidders with the aim of limiting PPRA's function to advisory and monitoring procurement activities as well as eliminating conflict of interest when it was handling both functions; advisory and complaints reviewing. However, for monitoring purposes, an aggrieved bidder is required to serve a copy of the compliant to PPRA and the AO is required to submit a copy of the decision to PPRA within seven days from the date of its delivery. Removing PPRA from the complaints handling process has led to considerable reduction in the number of days used to handle complaints from an average of 105 to 59 days. The Act provides a provision of judicial review in case the second level fails to decide within the prescribed time limit. To make review process more robust, the head

of the PE is mandated to establish a review panel based on their expertise and experience on the subject matter of the tender. Normally, the rulings of PPAA are published in the PPAA website and summary of the cases and ruling are published in the Tanzania Procurement Journal.

35. **Debarment and blacklisting of vendors.** PPA and its Regulations have provisions to debar vendors from participating in public procurement or disposal proceedings if; fraud or corrupt practices is established against the tenderer; the tenderer who fails to abide with a bid securing declaration; the tenderer breaches a procurement contract; the tenderer makes false representation about his qualifications during tender proceedings. Furthermore, the law vest powers to PPRA to blacklist and debar a bidder who has been debarred by a foreign country, international organizations such as the World Bank in cases related or unrelated to fraud and corruption. MoA, PORALG, and LGAs will use the Bank's List of Debarred and Cross-Debarred firms and individuals to check eligibility to ensure that persons or entities debarred or suspended by the Bank are not awarded contracts under the Program during the period of such debarment or suspension. The list can be accessed on the World Bank's website ([www.worldbank.org/debarr](http://www.worldbank.org/debarr)). The compliance with this requirement would be checked by the Bank and Program auditor.

### **Records Keeping**

36. **PPA and its Regulations prescribe procurement records to be maintained and archived by PEs in the procurement proceedings including decisions taken.** The records range from planning to contract closure and to be kept for five years after contract closure. There are inadequate records filing and management system in the MoA, PORALG, TARI, ASA, NIRC and LGAs - records are scattered and incomplete in the procurement files. As a result, it is difficult to trace complete records of a particular tender in one file. The inadequate records management system is partly attributed to the lack of office space for PMUs and a system for record keeping. With the existing working environment and infrastructure, it is difficult for procurement staff to archive and maintain complete procurement records for the periods specified in the procurement law.

### **Contract Administrations**

37. **Contract management for any procurement of goods, services or works contracts is the responsibility of PEs as mandated under PPA and its Regulations.** As per the provisions of the PPA and its Regulations, PEs are required to ensure that the contracts are implemented in accordance with terms and conditions governing those contracts, and to take or initiate steps to correct or discipline deviations from observance of contract conditions. PPA 2011 and its Regulations set out the responsibilities of the PEs and procedures during contracts implementation including technical or scientific test and issuance of good acceptance certificate. PPRA Procurement and VFM audits have observed that contract management in some of the IAs is weak due to limited capacity of human resources, knowledge, and experience in managing contracts.

38. **Procurement oversight in PO-RALG, MOA, LGAs and IAs are done by their respectively Internal Auditors.** In addition, PPRA and Controller and Auditor General (CAG) have the mandate of carrying out procurement and financial audits respectively for the programs implemented by LGAs. The results of procurement and Value for Money (VFM) audits are published in the local newspapers and PPRA's website. Non-performing procuring entities (Accounting Officer) are summoned by PPRA's Board of Directors to discuss the findings and corrective measures to improve compliance in their entities. The procurement and VFM audits carried out by PPRA feeds in the CAG annual report as a procurement chapter

39. **In the PPRA's Performance and VFM Audits and IAUs Reports FY 2019/2020 & FY 2020/2021, the following recurring weaknesses were observed in the contract management;** (i) failure to demand vendors to furnish securities and insurances as per the terms of the contract, (ii) operating with expired contracts – contracts not extended before expiry; (iii) failure to impose liquidated damages and forfeiture of

performance securities in cases of poor performance by vendors; (iv) contracts are not completed on time as scheduled; (v) delays in paying vendors as per the contracts; (vi) delayed decision making to contract variations; (vii) professional indemnities were not submitted by consultants and no action taken by the procuring entities; (viii) delays in commencement of contracts; (ix) extension of time were granted without justifiable grounds; and (x) quality assurance plans not prepared. Training will be required for both procurement and technical staff in contract management to ensure that they are knowledgeable of the requirements of contract management.

40. **According to PPRA Audit Reports**, the challenge has been to customize the bidding documents to suit the requirements of specific procurement. The review of the sample bidding documents during assessment revealed that information provided in the data sheet and special conditions of contract was adequate although improvement is required in the evaluation/qualification criteria. In terms of specifications, especially for works contract, the district relies on the specification issued by the Ministry of Works with minor modifications depending on the circumstance. The Guidelines for carrying out works under the Force Account at the lower levels spell out the procedures to be followed but do not have simplified tools: request for quotations; evaluation guidelines; and sample contracts to be signed by the parties. PORALG through PPRA are required to prepare the simplified working documents in English and Swahili for the effective use of the guidelines.

41. **Publication of Contracts:** Transparency is among the fundamental pillars of public procurement, and disclosure of information is one of the elements of transparency. PPA and Regulations require the Accounting Officer (AO), within 3 days upon receipt of the notification of award decision from the Tender Board (TB), to issue a notice of intention to award the contract to all bidders who participated in the tender. At MoA, PORALG, all LGAs and Agencies issued notices through TANEPS and published in the PPRA's website.

#### **Procurement Institutional and Implementation Arrangements**

42. **The MoA, PORALG, LGAs, TARI, ASA and NIRC will be responsible for the procurement and accountability of goods, works and services required for their operations.** The Program will be implemented under the existing legal framework operating in the IAs. Thus, the proper functioning of the procurement organs (TBs, PIUs, User Departments, Evaluation Committees, Inspection and Acceptance Teams established by the PPA and its Regulations to process and adjudicate procurement activities) is extremely critical for the effective undertaking of the procurement activities of the program because other sectors will also be relying on the same organs. The assessment carried out for the MoA, PORALG, LGAs, TARI, ASA and NIRC reveals that there are legally established TBs and PMUs to manage the procurement functions. However, deficiencies were that in some of the LGAs, the PMUs are not adequately staffed. Some of the TBs' members and PMUs staff have not attended trainings on the PPA and its Regulations.

43. **The MoA, PORALG, LGAs, TARI, ASA and NIRC will have the responsibility to oversee project implementation** and the implementation of the project will be mainstreamed to their existing institutional arrangements of the MoA, PORALG, LGAs and Agencies. The Tanzania Food Systems Resilience Program will provide technical support for the implementation of the operation. Procurement and financial management related activities will be carried out by the relevant departments in the MoA and PORALG. Besides, the MoA and PORALG will appoint/assign a team of full-time staff to oversee day-to-day management of the operation comprising of a coordinator, an administrator, a monitoring and evaluation officer, an accountant, a procurement officer, civil engineer and environmental and social development officers. In addition, focal persons from the relevant departments/units of the MoA and PORALG will be assigned to work with the teams.

#### **Internal controls**

44. **The GoT internal control framework is based on the Public Finance Act (2001) and several other**

**related regulations and guidelines issued by MoFP. LGAs are guided by the LAAM of 2009 and the LAFM of 2010.** Some guidelines issued include Guidelines for Enhancing Internal Control Frameworks in Public Sector Organizations (2014), Guidelines for Developing and Implementing Fraud Risk Management Framework in the Public Sector (2015), Guidelines for Developing and Implementing Institutional Risk Management Framework in Public Sector (2012). These documents set out detailed processes to be followed and documentation necessary for comprehensive accounting system, segregation of duties, approval hierarchies and filing of documents.

45. **There are governing boards, finance committees and audit committees in place.** NIRC has appropriate structure and offices at regional level in 25 regions, TARI has 17 centers country-wide. ASA and TARI produce quarterly financial reports and submits to the Ministry. All these institutions have key operational and financial departments in place with adequate number of accounting staff at head offices but have limited accountants at the zone offices. District Council meetings are held on quarterly basis whereas financial reports for development projects are presented.

46. **Governance structures and responsibilities at which may impact accountability on the use of funds.** The structure at LGAs level, agriculture, livestock and fisheries fall in one department. Warehouses and irrigation schemes are owned and managed by villages and irrigation organizations respectively. The role of agriculture officers at LGAs is to provide technical support to farmers organized in different associations. LGAs collect cess/ levy from farmers for sale of their produce which to some LGAs is the main source of own source revenue. Own source revenues are used for recurrent activities at LGA level. Although collections are banked at BOT, own source funds are earmarked and spent by respective LGA. NIRC charges Irrigation organizations (IOs) irrigation service fees (ISFs) for partial investment recovery of rehabilitation and construction works.

47. **Sustainability and accountability of development projects investments is weak.** Several cases of not having value for money were observed, for example construction and rehabilitation of warehouses which are not in use, acquisition of equipment which are not fit-for the purpose and hence abandoned and vandalized; irrigation infrastructure works not completed and abandoned by contractors.

48. **In addition, regular observations made in audit queries relate to noncompliance to the procedures.** Matters raised in audit reports related to funds spent for unintended activities, collection not timely banked, imprest not retired, weaknesses in maintenance and record keeping of assets, inadequately supported expenditures, noncompliance to procurement regulations and weaknesses in contract management. In addition, PEFA assessments have raised concern over commitment controls and building up of expenditure arrears which are off the IFMIS.

#### **Internal audit**

49. **The MoA and its agencies have adequate and qualified internal auditors.** MoA internal auditors performs audits of expenditure, procurement compliance, assets management, payroll audits and audits selected agencies and projects within the annual internal audit plan. In addition, NIRC has 5 internal auditors, TARI has 3 internal auditors and ASA has 1 internal auditor. Main challenge is on keeping internal auditors abreast with new information systems adopted by the government.

50. **There are shortages of internal auditors at district level.** Order 13 of the LGFM, 2009 requires LGAs to hire internal auditors who shall be performing independent appraisals of internal controls by examining and evaluating effectiveness and adequacy of such controls. Numbers of internal auditors continue to slim down with some LGAs having 1 or 2 internal auditors. Although audit reports are issued on quarterly basis, but ability to perform routine audit of health sector will be limited. The CAG audit report for 2020/21 has indicated the following gaps in internal audit function at LGAs (i) internal audit reviews were transactional

and not risk-based (ii) LGAs do not train auditors on the IT systems including Government Accounting Consolidation System, Procurement electronic system (TANePS) and Accounting System (MUSE) (iii) staff shortage of 219 Internal Auditors in 87 LGAs (iv) 79 LGAs did not provide internal audit units with adequate funds as per budgets set (v) Internal Auditors in 49 LGAs had shortage of working tools and equipment such as motor vehicles, laptops and furniture (vi) Internal Audit Units in 78 LGAs did not finalize audit works as per annual internal audit plans. All these factors contribute to lack of appropriate assurance on control environment and slow implementation of audit recommendations resulting into recurrence of audit findings.

51. **The function of Audit Committee is vital for efficient program implementation.** Audit committees are formed under Order 12 of LGFM, 2009 and Paragraph 3.5 of the Audit Committee Guideline of June 2019. Audit committees are comprised of internal and external members and meets on a quarterly basis. The audit committee is responsible for reviewing financial statements, establishing an effective risk management framework, internal controls, and monitoring of internal audit activities in line with the Audit Committee Guidelines issued by the Internal Auditor General. In addition, there are Finance committees at LGAs which reviews budgets and financial reports on quarterly basis. These committees report to the respective Accounting Officer. Areas of improvement noted by Controller and Auditor General Audit Report of 2020/21 are on inefficiencies in functioning of LGAs Audit committees in following up implementation of audit recommendations and addressing risks and root causes of recurring audit findings. Internal audits will be supplemented by the program audit conducted by external auditors and independent verification of results framework.

### ***Governance and Anticorruption***

52. **Combating and preventing fraud and corruption practices in Tanzania is governed by The Prevention and Combating of Corruption Act 2007 among others.** The objective of this Act is to provide for promotion and enhancement of good governance and eradication of corruption. The act provides for institutional and legal framework necessary for prevention and combating corruption. Other supportive frameworks include The Anti-money Laundering Act of 2007, The Economic and Organized Crimes Act Cap. 200 of 2002, The Public Services Act of 2002, The Public Services Regulation of 2003, The Public Services Guidelines of August 2015, The Public Leadership Code of Ethics Act No. 13 of 1995, and The Public Procurement Regulatory Authority Guidelines together with the Government Accounts Guidelines/ Manual.

53. **The Code of ethics and conduct for public service made under Section 34 of the Public Service Act, 2002 and Regulations 65(1) of the Public Service Regulations, 2003 further requires public servants to conduct and observe ethical behavior.** Public servants shall not offer improper favors, solicit, force or accept bribes from any person whom they have served, they are serving or likely to serve either by doing so personally or through another person. Public servants or members of their families on their behalf, shall not solicit, receive, or give gifts to persons, which might compromise or might be seen to compromise their integrity.

54. **The National Anti-Corruption Strategy and Action Plan-NACSAP III (2017 -2022) takes the fight against fraud and corruption to a further level as a mechanism for institutionalizing good governance across all sectors and institutions.** Specifically, the strategy aims at strengthening accountability in services delivery, combating and preventing fraud and corruption practices, and enhancing institutional capacity to deal with fraud and corruption. All public institutions are required to cascade this NACSAP to their respective institutions which include formation of the integrity committee responsible to coordinate and keep inquiry to all issues related to staff ethics and discipline and advise the accounting officers on institutional integrity issues. The assessment conducted recently by the Bank team confirmed that, there are fully functional Integrity Committees at the Ministry of Agriculture and all implementing institutions relevant for this program. These committees meet once in every quarter to discuss any related reported

cases and prepare reports which are reviewed and approved by the Permanent Secretary or accounting officer within respective entities and submitted to the Chief Secretary. The committees also play an important role in translating and cascading national anti-corruption strategies and guidelines to the institutional level for easy implementation. At the Ministry of Agriculture, there are also desk officers in each of the directorates and units, which act as champions and first points of contact for staff on issues related to fraud and corruption

**55. In Mainland Tanzania, the Preventing and Combating Corruption Bureau (PCCB) is responsible for taking the necessary measures for prevention and combating of corruption in the public, parastatals, and the private sector at large.** The bureau was established under the Prevention and Combating of Corruption Act Number. 11 of 2007 (PCCA 11/2007) that came into force on July 1, 2007. PCCB has offices in all regions and all local government authorities in Tanzania mainland, with a national workforce of more than 1,700 staff of which approximately half are involved in investigation. The bureau has powers to arrest, enter premises, search, detain suspects and seize property where there is a reasonable cause to believe that, an offence involving corruption has been or is about to be committed by the suspect in the premises or in relation to the property. The Bureau investigates any alleged or suspected fraud and corruption, and, subject to the directions of the Director of Public Prosecutions, prosecute offences relating to corruption. PCCB has a program to monitor expenditures on development programs to verify that expenditures are incurred for the objectives intended. Where PCCB finds out that, funds have been diverted for unintended purpose, they launch an investigation to determine whether it is a fraud or corruption incidence warranting prosecution. Where PCCB investigations reveal that a given case is primarily one of fraud rather than corruption, the PCCB refers it to the police for further investigation and prosecution. In this context, fraud and corruption allegations made in respect of Program funds will be referred by the associated implementing agencies to the closest district office of the Police and PCCB, respectively. District PCCB offices report monthly to the Regional Offices on corruption cases and action taken. The PCCB headquarters gets monthly reports from the Regional Offices on corruption and other relevant activities.

#### **Alignment with Anti-Corruption Guidelines for PforR Operations**

**56. Sharing of Debarment list of firms and individuals: The Government of Tanzania commits to use the Bank's debarment list to ensure that persons or entities debarred or suspended by the Bank are not awarded a contract under the Program during the period of such debarment or suspension.** Companies and individuals debarred by the Bank and the PPA will be posted and updated regularly on the MoW website (<https://www.kilimo.go.tz/>), and official websites for all implementing institutions. Both entities would take responsibility in ensuring that their websites are updated regularly with information on the list of debarred firms and individuals and share this information with all procuring entities in the Program, instructing them to comply by appending the debarment list to the annual transfer of Grant notification which will be made public - and go to all Health Facilities in the Program. The Bank's List of Debarred and Cross-Debarred firms and individuals can be accessed on the World Bank's website ([www.worldbank.org/debarr](http://www.worldbank.org/debarr)). In addition, the government will also include some disclosure measures in bidding documents for works, goods and services to be financed under the Program, including insisting that the firms and/or individuals declare they have not been debarred or suspended and/or have any links with a debarred entity or individual.

**57. In order to implement the Bank's Anti-corruption guidelines for PforR operations, the Government of Tanzania will immediately inform the Bank of any complaint or claim related to fraud and corruption which the Government through implementing agencies either receives or becomes aware.** Unless otherwise agreed by the Bank, the Government of Tanzania will take timely and appropriate action to investigate such allegations and indications; reports to the Bank on the actions taken in any such investigation, and, promptly upon the completion of any such investigation, reports to the Bank the findings thereof. The Government of Tanzania (through PCCB) will provide the Bank with all the records, documentation, and information that the Bank may request with respect to such issues. If the Bank decides

to conduct its own investigation, the Bank may request the government (through relevant implementing ministries and agencies) to exercise its legal rights and remedies (under the relevant contract/s) to obtain all information, records, and documentation that the Bank may request, and provide these to the Bank. This process does not limit the rights of the Bank to also make direct requests for information from individuals or firm who are recipients of Bank financing either directly or indirectly. In line with the obligations arising under the Anticorruption Guidelines, the government and all relevant implementing ministries and agencies should ensure that individuals or contractors who are recipients of Bank financing are aware that the Bank may decide to exercise this option.

58. **To further ensure the World Bank's Anti-Corruption Guidelines (ACGs) applicable to PforR operations are met**, the government has agreed to (i) share information on corruption allegations with the World Bank immediately (and a bi-annual report even if cases are not arising), while at the same time conducting its own internal investigations. At a minimum, the report should cover; Location of the incidence, Date allegation received, Complainant, Alleged Perpetrator, Description of the allegation, Stage of handling the allegation, Progress status in the investigation, Outcome of the investigation, and Source of finance for the case (ii) preserving the World Bank's right to investigate Fraud and Corruption allegations.

59. **Furthermore, the Government will ensure that all individuals and entities participating in the Program observe the highest standard of ethics.** Specifically, the Government will ensure that, all persons and entities involved in the program will take all appropriate measures to prevent and combat Fraud and Corruption, and refrain from engaging in Fraud and Corruption, in connection with the Program. If the Government of Tanzania or the Bank determines that any person or entity has engaged in Fraud and Corruption in connection with the Program, The Government of Tanzania will take timely and appropriate action, satisfactory to the Bank, to remedy or otherwise address the situation and prevent its recurrence, provided that the action taken will not be in direct contradiction of the applicable law of the Country.

#### **Program Audit**

60. **The Public Audit Act no. 11 of 2008 grants the Controller and Auditor General (CAG) exclusive powers to audit public funds, including this Program's funds.** CAG has sole responsibility for statutory audit of all MDAs and LGAs. CAG discharges this responsibility either directly or through private auditors contracted as agents. Outsourcing of the audits partly solves the challenge of staff constraints at the CAG office. The CAG has regularly carried out World Bank project audits and issued reports within the required time in Financing Agreements. CAG will conduct the audit in accordance with International Standards of Supreme on Auditing Institutions (ISSAI). Audit approach will consider sampling techniques and risk-based approach to address the constraints of time and financial resources.

61. **There will be two audit reports submitted for the program (i) audit report of funds disbursed to MoA and its agencies; and (ii) audit report of funds disbursed to PORALG and its implementing agencies (Regional secretariats and LGAs).** Alongside the audit opinions on financial statements, management letters will be issued reporting gaps in internal controls environment of the program. The audit report will be submitted to World Bank within six months after the end of fiscal year, that is by 31 December each year. The World Bank will make program audited financial statements available to the public in accordance with ***the World Bank Policy on Access to Information.***

#### ***Risks and Mitigation measures***

62. The review of the systems and staffing for implementation of procurement activities under the Program has revealed risks which may affect the smooth implementation of the procurement activities under the Program. Measure to address the risks have been proposed for MOA in collaboration with the



PO-RALG to address during the implementation of the Program. To strengthen the existing systems of the Implementing Agencies (IA) and to mitigate fiduciary risk, various action items are recommended in the Program Action Plan (PAP)

63. **Implementation Support.** An annual fiduciary assessment will be conducted for the program supported by mainly the Internal Audit Department and PPRA. Adequate budget will need to be allocated for this assessment. This assessment will be supplemented by on-site visits done by the Bank's fiduciary staff at least twice a year. Reliance will also be placed on the annual audit reports produced by the Controller and Auditor General. In addition, desk reviews will be done for interim financial reports and procurement reports received during the financial year. In-depth reviews may also be commissioned by the Bank whenever deemed necessary. Implementation support will also involve provision of capacity strengthening in procurement, financial management and governance and anti-corruption as deemed necessary.

## Proposed Program Action Plan

### PAP

Action Description	Source	DLI#	Responsibility	Timing		Completion Measurement
Measure Fiduciary Key Performance Indicators (KPIs): for procurement and contract management such as (a) procurement lead time (tender invitation to award of contract), (b) competition (average number of bidders), (c) percentage of contract award publication, (d) percentage of re-tender, (e) percentage of contracts having cost and time overrun etc. other key parameters throughout the procurement cycle. for FM: (a) audit with no material deviations (b) timeliness of audit (c) timeliness of fund release.	Fiduciary Systems		MOA and PORALG	Other	Annually	Procurement and VFM audit reports
Conduct annual independent procurement audits of the program as well as value for money (VFM) audits by IAG and CAG	Fiduciary Systems		MOA and PORALG	Other	procurement audits - after year 1 of implementation and thereafter annually, and (ii) VFM audit at mid-term and end of program	Procurement and VFM audit reports
Liaise with PPRA to provide necessary training and simplified guidelines to govern outsourcing skilled workforce to execute works under force account arrangement	Fiduciary systems		MOA, PO-RALG, PPRA		Within twelve months of project implementation	
Establish record keeping/ management system	Fiduciary systems		MOA, PO-RALG, NIRC, LGAs, IAs		Within six months of project implementation	
Deploy additional staffs in PMUs and internal Audit units	Fiduciary systems		MOA, PO-RALG, NIRC, LGAs, IAs		Within six months of project implementation	
Conduct training tailor made courses specifically to address weakness identified in areas of procurement processes and procedure and contract management to Procurement and Technical staffs at LGAs, PO-RALG and IAs.	Fiduciary systems		MOA, PO-RALG, LGAs, IAs		Throughout project implementation	
Share information on corruption allegations with the World Bank immediately and at least an annual report from Prevention and Combating of Corruption Bureau (PCCB) on reported	Fiduciary Systems		Implementing Agencies, The public, PCCB	Other	Recurrent/ semi annually	Promptly – Notification on Fraud allegation Yearly – For annual PCCB report

fraud and corruption cases  
pertaining to the program

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