



TANZANIA

SUPPORT TO THE GOVERNMENT OF TANZANIA'S ANTI-CORRUPTION PROGRAM

**World Bank
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GOVERNMENT FISCAL YEAR

July 1- June 30

CURRENCY EQUIVALENTS

Currency Unit: Tanzania Shilling (T Sh)

Exchange Rate: US\$1.00 = T Sh 662 (June 1, 1998)

ACRONYMS AND ABBREVIATIONS

APL	Adaptable Program Lending
AU	Anti-corruption Undertaking
CAG	Controller and Auditor General
CAS	Country Assistance Strategy
CPC	Central Procurement Cell
CSRFP	Civil Service Reform Program
CTC	Central Tender Committee
EDI	Economic Development Institute of the World Bank
EMCP	Expenditure Management and Control Program
EA	Executive Agency
FDI	Foreign Direct Investment
GCA	Global Coalition for Africa
IDF	Institutional Development Fund
LIL	Learning and Innovation Loan
MSD	Medical Supplies Department
MOF	Ministry of Finance
MOH	Ministry of Health
MOW	Ministry of Works
AU	No Bribery Pledge
NGO	Non-governmental Organization
OAG	Office of the Auditor General
PAC	Public Accounts Committee
PMO	Prime Minister's Office
PCB	Prevention of Corruption Bureau
SAC	Structural Adjustment Credit
TIN	Taxpayer Identification Numbers
TIC	Tanzania Investment Center
TRA	Tanzania Revenue Authority
UNDP	United Nations Development Programme
UNCITRAL	United Nations Commission on International Trade Law
USAID	United States Agency for International
VAT	Value Added Tax
WR	Warioba Report

Report of a World Bank Mission to Support the Government of the United Republic of Tanzania's Anti-corruption Program

Executive Summary

1. A World Bank mission visited Tanzania earlier this year at the invitation of the Office of the President, to assess the effectiveness of the Government's anti-corruption program and suggest areas for World Bank assistance to the anti-corruption effort. A specific objective was to examine the feasibility of incorporating anti-bribery mechanisms, in particular, an Anti-corruption Undertaking (AU), into International Development Association (IDA) financed procurement as an element of the anti-corruption program. The mission benefited from the report of the Warioba Commission headed by the Honorable J. S. Warioba, which presents a frank, comprehensive and detailed survey of corruption problems in Tanzania.¹ The work of the mission in the field was essentially to review progress to date and problems encountered in addressing the areas of corruption identified in the Warioba Report (WR).

2. The World Bank has become increasingly concerned about the problem of corruption and its impact in member countries. The Bank defines corruption as the abuse of public office for private gain. The Bank sees corruption as a symptom of the breakdown of performance in the public sector, which should be addressed as part of a broad program of reform in public sector management, including both policy reform and institutional strengthening. In the Bank's view economic reform and liberalization can play an important role in the fight against corruption because many opportunities for corruption of the "rent seeking" form are provided by distorted economic policies and excessive regulations. While systemic corruption presents a long-term challenge to any government, the Bank firmly believes that significant progress can be made in reducing corruption if there is strong commitment at the highest levels of government.

3. That Tanzania today suffers from widespread corruption at all levels in the Government is amply documented by the WR. The roots of the country's present problems can be found in Tanzania's recent economic and political history. The socialist model of development introduced a multitude of controls on economic activity which afforded innumerable rent-seeking opportunities for civil servants. Budgetary over-commitment led to sharply falling real wages of civil servants, thereby fostering the need for additional income, sometimes obtained through corrupt practices. The Government's internal control systems were inadequate, or were insufficiently enforced, to prevent abuses. Single-party rule blurred the lines between party and state and between the resources of the two, and created a culture in which the "voice" of civil society, i.e., the willingness and ability of citizens to criticize governmental misbehavior, was muted.

¹ Government of the United Republic of Tanzania, *Report of the Presidential Commission of Inquiry Against Corruption*, (two volumes), November 1996.

While the economic liberalization and political opening of recent years have eliminated or reduced some opportunities for corruption, they have also presented, in the absence of adequate enforcement of the existing laws and rules, opportunities for “grand corruption” on a scale not known in the past.

4. Tanzania has a comprehensive body of laws, regulations and oversight agencies intended to prevent, or investigate and sanction, corrupt practices. This framework should be adequate to deal with corrupt activities at all levels. However, as the WR makes clear, it is the failure to enforce these rules, or the willful circumvention of them, and the weakness of the institution set up to deal with corruption, that are responsible for the current situation. And while a number of reform efforts are ongoing which are relevant for the fight against corruption such as civil service reform, public enterprise reform and privatization, deregulation, tax reform, and legal/judicial reform, many of these are longer-term in nature and will only serve to reduce opportunities for corruption over time. Finally, while the Government has dismissed some corrupt civil servants and a few senior officials, and is strengthening some anti-corruption regulations and institutions, there is a general perception in the country that the actions taken since publication of the WR have been insufficient to seriously impact corruption. There is thus a risk that corruption could spread further and become more deeply entrenched if people come to believe that few are caught and even fewer are punished.

5. The World Bank mission assessed the problems of corruption and ongoing reform efforts in several sectors—public sector revenues and expenditures (with a special emphasis on the Government’s procurement system), deregulation of the economy and privatization of the public enterprise sector, the civil service, and the legal/judicial and political systems. The mission’s assessment is based on the WR findings, information available to the World Bank, published reports, and extensive interviews with persons in Government, public enterprises, the private sector, the media, and the academic and donor communities. Many recommendations in this report coincide with those of the WR, and some relate to reform ongoing programs, and are set out in the Executive Summary Table.² Recommendations are as follows: specific actions that could be taken almost immediately are labeled as (I); in the next 3-6 months as (ST), and those requiring longer preparation or sustained action over the medium- and long-term as (MT or LT). Actions or programs of highest priority are labeled (HP) because they confront the most serious breakdowns in transparency and accountability in the public sector or they could have the highest “payoff” if successful. Other important actions desirable for improving public sector performance, but whose anti-corruption impact would be either indirect or of a lesser magnitude, are indicated as having medium or lower priority are labeled (MP or LP). For the Government to demonstrate to the population that the anti-corruption drive is serious, it will be of critical importance to move quickly with immediate- or short-term measures directed at high priority or high payoff targets.

² In the Executive Summary Table, recommendations are presented with limited or no commentary. For a full understanding of the basis for the recommendations, see Section IV.

6. The World Bank is prepared to assist the Government of Tanzania in many ways in its anti-corruption campaign. Several ongoing World Bank activities are linked to anti-corruption, or support reforms of policies and institutions, which will reduce the scope for corruption. The Bank intends to continue funding these efforts which include:

- reform of public sector financial management (Public Expenditure Reviews, Country Procurement Assessment, support for Tanzania Revenue Authority, the accounting profession and the Controller and Auditor General)
- privatization and public enterprise reform (support for the Presidential Parastatal Sector Reform Commission, for managing private sector entry into the minerals sector, for the Bank of Tanzania in bank supervision, for the restructuring and privatization of the National Bank of Commerce, and for the Loans and Advances Recovery Trust)
- civil service reform and institutional capacity building in various sectors
- legal and judicial reform (Office of the Attorney General, Judiciary, Registrar of Companies, Law Reform Commission, Legal Sector Task Force)
- on governance and increasing public awareness of corruption and “voice” in anti-corruption, the World Bank, through the Economic Development Institute, has financed sample surveys of the population on delivery of public services and related corruption, has conducted National Integrity Workshops for government officials and members of civil society, seminars for journalists on investigative reporting, and has contributed funds for the translation, publication and dissemination of the Warioba Report. The EDI will remain active in these areas.

7. In addition, the World Bank is prepared to offer direct support to the Office of the President and officials in that office with responsibility for coordinating anti-corruption efforts, and to key institutions engaged in the fight against corruption, such as the Prevention of Corruption Bureau. The Bank is ready to enter immediately into a dialogue with Government on possible modalities for such support. The Bank is also prepared to share the findings of its research on the sources and costs of corruption and measures to reduce it, as well as to conduct further research in Tanzania, if desired by the Government. However, in the final analysis, the war against corruption must be waged by the Government and the people of Tanzania; and it is an effort which must be given highest priority with strong backing by the Government’s leadership.

8. Finally, the mission has recommended a strategy and a series of actions pertaining to the adoption of an AU in IDA-funded procurement. The World Bank would be willing to help Government incorporate an AU into Tanzania’s public procurement processes if Government agrees to adopt and implement this strategy and put into place the enabling legislation, related anti-corruption reforms and other measures required to make this approach feasible and credible.

Executive Summary Table: Anti-corruption Recommendations

<i>Sector and Actions</i>	<i>Timing</i>	<i>Priority</i>	<i>Comments</i>
(a) Minister of State, Office of the President			
Establish an Accountability and Transparency Working Group	Immediate	High	Representation from Government, Parliament, civil society, private sector and donor community.
Prepare a National Accountability and Transparency Strategy and Workplan	Immediate	High	Incorporate recommendations from Warioba Report, this report, etc. into the strategy and the plan.
(b) Public Revenues and Expenditures			
⇒ Revenues			
Simplify taxes, widen tax base, harmonize mainland and Zanzibar tax rates	Medium-term	High	Ongoing activity.
Eliminate remaining discretionary tax exemptions	Immediate	High	Done? Have all past exemptions been abolished?
Simplify customs procedures	Medium-term	High	See Investor Roadmap of Tanzania and other reports.
Facilitate use of checks in tax payments	Medium-term	Medium	
Strengthen Office of Commissioner for Tax Audit and Investigations	Medium-term	Medium	
⇒ Expenditures			
Strengthen accounting and internal auditing in spending ministries	Medium-term	High	
Hold Accounting Officers accountable for overspending or misuse of resources and apply strict sanctions when violations occur	Immediate	High	
Strengthen Office of CAG and provide adequate budget resources	Medium-term	Medium	CAG staff competent but insufficient.
Remove CAG from civil service scale and pay competitive salaries	Medium-term	Medium	CAG will have difficulty competing with private sector (see CSRP discussion in text).
Strengthen capacity of PAC to review CAG reports through training	Medium-term	Medium	CAG reports and PAC hearings useless unless ministers and officials are held accountable.
PAC should hold open hearings on CAG reports	Immediate	High	
⇒ Procurement			
Give procurement management authority to Ministerial and Regional Tender Boards; CTB to have training, advisory, oversight role	Medium/Long	Medium	Some MTBs have this authority, but RTBs lack experience, require monitoring.
Bid evaluations should be done by committees of at least 3 professionals; in MOW give responsibility to CCI	Short-term	Medium	Upgrade CCI to departmental status.
Establish effective complaint mechanism for bidders	Short/Medium	Medium	Possible role for CTB.
Carry out surprise inspections of ongoing works	Short-term	Medium	Possible role for CCI.
Establish cadre of procurement specialists	Long-term	Low	
Establish Office of Inspector General; improve financial discipline	Short-term	Medium	
Disseminate tender notices widely	Short-term	Medium	
Adopt standard bidding documents	Long-term	Low	
Publish results of bid evaluations in Government Gazette	Short-term	Medium	
Adopt and monitor standard processing times for all stages of tendering	Medium-term	High	Excessive delay in contract negotiations.

Make transparent selection of consulting engineers	Medium-term	Medium	
Periodic procurement audits conducted by CTB	Medium-term	Medium	
Enforce rules regarding clearances of cost increases in contracts	Immediate	High	A major problem area, especially in MOW.
(c) Deregulation and Privatization			
⇒ Deregulation			
Continue systematic deregulation of economy	Medium/Long	High	Ongoing, but maintain or accelerate momentum.
Redefine role or privatize TIC	Medium-term	Medium	
⇒ Privatization			
Use PSRC for all privatizations, delegate responsibility for individual transactions, use transparent procedures.	Short-term	High	
More use of advisers, merchant banks to assist with major privatizations, strengthen PSRC to oversee transactions.	Medium-term	Medium	Ongoing and has been agreed to.
Audit PSRC operations annually.	Medium-term	Medium	
(d) Civil Service			
Continue CSR, further downsizing, pay reform.	Long-term	High	Ongoing program.
Open, competitive recruitment for civil service.	Short-term	Medium	Already instituted.
Reform of Pension System.	Long-term	High	
Establish greater accountability. Strengthen capacity of PSC.	Short/Medium	High	
(e) Legal/Judicial			
⇒ Judiciary			
Continue reforms underway, implement recommendations of Legal Sector Task Force	Long-term	High	Good start since WR. Resource constraint is main issue.
⇒ Prevention of Corruption Bureau			
Strengthen leadership, staffing, training of PCB.	Long-term	High	Increased staffing underway. High priority if PCB is used effectively.
Give PCB separate scheme of service.	Medium-term	Medium	See CSR discussion in main text.
Expand PCB's community education activities.	Medium-term	Medium	Ongoing
PCB should submit annual report to Parliament.	Medium-term	High	High priority if PCB is used effectively
Director General of PCB should be senior official nearing retirement.	Long-term	Medium	
⇒ Ethics Commission			
Approve measures to strengthen powers of Commission.	Short-term	Medium	
⇒ Permanent Commission of Enquiry (Ombudsman)			
Reconstitute as Human Rights Commission	Medium-term	Lower	
⇒ Police			
Implement recommendations of Warioba Report.	Short/Medium	High	
(f) Political			
Enforce Political Parties Act re: contributions, carry out annual audits	Immediate/Short	High	
Opposition to chair PAC	Medium	Low	Suggestion; see recommendation on open hearings.

Report of a World Bank Mission to Support the Government of the United Republic of Tanzania's Anti-corruption Program

I. Background

1. A World Bank mission visited Tanzania from February 16 to 25, 1998 to assist the Government in its program to combat corruption.³ The mission's objectives were to assess the effectiveness of the Government's anti-corruption program and to suggest areas for World Bank support to the anti-corruption effort. Such an assessment is a pre-condition for introducing a No Bribery Pledge (AU) in future Government procurement funded by IDA credits.⁴

2. The mission had been invited by the Office of the President and received full cooperation from the Government. This mission followed an earlier visit to Tanzania in October 1997 by Robert McNamara, former President of the World Bank and Co-Chairman of the Global Coalition for Africa (GCA), during which Mr. McNamara discussed with Tanzanian President Benjamin Mkapa the need for strong measures to address corruption and the possible use of the AU as part of the Government's anti-corruption efforts. Following Mr. McNamara's visit, President Mkapa wrote to the World Bank President, James Wolfensohn, requesting a World Bank mission to review anti-corruption efforts in Tanzania with a view to adopt an AU.

3. The mission's work in analyzing corruption in Tanzania was facilitated by the Warioba Report (WR).⁵ The Warioba Commission, headed by the Honorable J. S. Warioba, a Justice and former Prime Minister, was appointed by President Mkapa shortly after his election in November 1995. He spent a year undertaking an analysis of corruption in Tanzania. The WR presents a frank, comprehensive, and detailed survey of corruption—sector by sector and ministry by ministry. It is doubtful that any country has documented its corruption problems as openly as Tanzania. The mission's focus was to review the progress to date and the problems encountered in addressing the areas of corruption identified in the WR.

II. Corruption: A Global Concern

³ The mission was comprised of Stephen O'Brien, Mission Leader, Elizabeth Adu, Betty Bigombe, Anil Gore, Petter Langseth, Rick Stapenhurst, Mike Stevens, Iraj Talai, and Jack Titsworth.

⁴ The World Bank revised its procurement guidelines in September 1997 (Section 1.16) to incorporate the AU in the bidding documents at the request of the borrower. All bidders would be bound by this commitment. The following are pre-conditions for the introduction of the AU that the borrowing government must meet:

- the AU must be part of a broader anti-corruption program;
- the AU must be applied to public procurement, within a timetable agreed to by the Bank.

⁵ Government of the United Republic of Tanzania, *Report of the Presidential Commission of Inquiry Against Corruption* (in two volumes), November 1996.

4. The international community is increasingly concerned with corruption and its corrosive effects on economies and societies.⁶ Evidence is growing in rich and poor countries of the costs of corruption and its effect on foreign direct investment, growth of local entrepreneurs, protection of the environment, the poor, public policy, and the informal contract between government and governed. A wide range of anti-corruption activities have been launched with support from the Global Coalition for Africa (GCA), the World Bank (WB), the International Monetary Fund (IMF), the United Nations Development Program (UNDP) and others. Corruption can be most simply defined as the abuse of public office for private gain. While corruption can take many forms, including corruption entirely within the private sector, the current concern is with corruption in the public sector or at the interface between the public and private sectors. In corruption cases, two parties are usually guilty—the briber and the bribe-taker. While investigating and sanctioning corrupt practice is critical, an emphasis on enforcement and punishment will not achieve sustainable results unless accompanied by efforts to correct underlying causes.⁷ Systemic corruption is a symptom of public sector breakdown, which should be addressed as part of a broad strategy for improving public sector performance. Part of that strategy entails strengthening key institutions of the public sector, principally the executive branch, but also the judicial and legislative branches. It also involves reviewing policies to eliminate, when possible, policies that give rise to economic rents. Furthermore, combating corruption is not an end in itself, but part of a broader goal of creating a more effective government.

5. Grand corruption and petty corruption often go hand in hand. When grand corruption is practiced by politicians and senior officials, their comportment sets the standard for the people under them, and so on down the line. Should petty corruption be initiated by junior staff, the people to whom they report will either take disciplinary action or demand a share of the take. When seniors and juniors collude, corruption can become syndicated with each member of an entire hierarchy playing his role and sharing in the proceeds of corrupt practice in a government organization or enterprise.

6. Corruption also has a political dimension, which can arise from the way in which politics are financed and power is managed, either in an authoritarian or pluralistic and democratic way. When corruption is deeply rooted in a society, the fight against it is a long-term challenge, which involves both institutional and attitudinal reform. The challenge requires establishment of transparent procedures, holding both public and private sector actors accountable, strengthening the judicial system to handle corruption cases efficiently, but also the active participation of the civil society in all its forms in the anti-corruption battle. Despite the long-term nature of the anti-corruption struggle, the

⁶ World Bank, *Helping Countries Combat Corruption: The Role of the World Bank*, September 1997.

⁷ Robert Klitgaard, who has written extensively on corruption and economic development relates the scope of corruption (C) to the presence of monopoly power (M), discretion (D), and accountability (A), in the formula: $C=M+D-A$. See Robert Klitgaard, “International Cooperation Against Corruption” in World Bank/IMF, *Finance and Development*, March 1998, pp. 3-6.

government can take pro-active actions in the short-term to demonstrate to the citizenry its commitment to its anti-corruption campaign.⁸

III. The Present Situation in Tanzania with Respect to Corruption

7. Understanding corruption in Tanzania requires appreciation of the country's political and economic history since Independence. Such a history, however, will not be attempted here—rather, suffice it to say, Tanzania followed a socialist path of economic development for over twenty years, and a political regime, characterized by single-party rule for even longer. Under socialism, corruption spread because of low and declining civil service wages, combined with excess demand for public services; economic distortions arising from inappropriate policies; excessive regulation and inefficient public enterprises; and over-extension of Government programs. These factors stifled competition and efficiency, and weakened Government's internal control and the budget's credibility for managing spending. Inevitably, informal rules began to replace formal rules and, as the WR makes clear, accountability was inadequate across the public sector. The public administration controls broke down, encouraging the spread of corruption. Simultaneously, single-party rule inhibited growth of civil society institutions as countervailing sources of political power, reducing checks and balances in the system.

8. Over the last decade, Tanzania has undergone economic and political transformations. Economic liberalization has produced a more open, transparent, and competitive economy, and has reduced monopoly control of government regulators and public enterprises, curtailing opportunities for corruption of the "rent seeking" variety, which flourished under the controlled regime. To date, however, liberalization has been incomplete and has been accompanied by the spread of grand corruption. While political transformation may have eliminated some corruption which grew under the controlled regime, it seems to have opened the door for new, politically-linked corruption.

9. Over the last forty years, the Government has established an extensive framework of anti-corruption laws and agencies. This framework encompasses a code of ethics for leaders and senior public officials, institutions designed to permit citizens to bring complaints against public officials and to obtain redress for wrongs, and watchdog agencies to investigate and prosecute wrongdoing.⁹ Generally, this framework of anti-

⁸ One of the first steps taken to prevent corruption in international trade and investment was the 1997 U.S. Foreign Corrupt Practices Act. Among other actions are the OECD Working Group on Bribery established in 1994; the Revised Rules of Conduct to Combat Extortion and Bribery in International Business Transactions issued by the International Chamber of Commerce in 1996; the Organization of American States 1996 Convention Against Corruption; the UN General Assembly Declaration Against Corruption and Bribery in International Commercial Transactions adopted in December 1996; the OECD Convention on Bribery in International Business Transactions agreed in December 1997 and which is due to be ratified by the member states by the end of 1998; and the Eighth International Anti-Corruption Conference held in Lima, Peru in September 1997.

⁹ The legal framework includes the 1958 Prevention of Corruption Ordinance; the 1966 Permanent Commission of Inquiry (Office of the Ombudsman); the 1971 Prevention of Corruption Act; the 1973 Leadership Code; the 1975 amendment to the Prevention of Corruption Act, which provided for creation of the Prevention of Corruption Bureau (initially the Prevention of Corruption Squad); the

corruption laws and institutions is adequate, with some exceptions noted in Section IV (d). Despite the comprehensive anti-corruption framework and the probity of leaders in the immediate post-Independence decades, the Warioba Commission found that corruption, both low-level/petty corruption and high-level/grand corruption, “. . . has pervaded every aspect of Tanzanian Government and society.” The WR documented incidences of corrupt practice in the judiciary, the police, the civil service, the revenue authority, including the customs service; in the public sector procurement and resource management, in issuance of passports, residence and work permits, in land allocations, in issuance of licenses and permits for all types of business operations, and in providing access to public services such as health and education.

9. The WR expressed the view that Tanzania had been relatively free of both petty and grand corruption in the early years following Independence, but that petty corruption spread to all sectors of Government activity in the 1970s. According to the Commission grand corruption appeared in the mid-1980s, coinciding with liberalization of the economy. The Commission also concluded that the spread of all types of corruption was due not to the absence of appropriate policies, institutions, rules, regulations and procedures, but rather to the non-observance of the established rules and the ineffectiveness of the established institutions.

10. Given the existence of the WR, it was not necessary for the Bank mission to independently investigate the extent of corruption in Tanzania today. However, the mission discussed the conclusions of the WR with government officials, members of the business community, NGOs, donor representatives, academics, and members of the media. In addition, the mission reviewed a few highly visible cases of public sector expenditure, procurement or privatization which were not mentioned in the WR but which have been widely reported and criticized by the press, the business community, donors and others.¹⁰ Some of these have origins preceding the present Government, but their further consideration or actual implementation has continued up to the present. Also, most are in sectors where the World Bank has been involved over many years; thus the Bank has been aware of them and has provided generally negative assessments and advice on several occasions. *The mission does not have proof of corruption in connection with any of these projects, but each appears to represent a circumvention of established government procedures for procurement or disposal of assets.*

1983 Campaign Against Economic Saboteurs; the 1984 Economic and Organized Crime Control Act; the 1990 Presidential Circular No. 1 on Guidelines for Deterrence of Corruption; and the 1995 Law on Ethics for Public Leaders, which established the Commission on Effective Leadership or Ethics Commission.

¹⁰ These include the IPTL private sector investment in power generation, which has been examined by several outside consultants and whose adverse consequences have been clearly documented; the proposed privatizations of the Dar es Salaam water system and of the ports of Dar es Salaam, Mtwara and Tanga, which have been processed up to now without adequate regard for established procedures for privatization under the technical management of the PSRC; and importation of government vehicles financed with promissory notes inconsistent with standard procurement procedures.

11. The mission also reviewed the actions of the present Government to confront corruption problems. There is no doubt that President Mkapa, who campaigned on a “clean government” platform which was extremely well received by the country, wants to root out corruption. The commissioning of the Warioba task force and the publication and dissemination of its report are evidence of this determination. It was reported to the mission that the Prevention of Corruption Bureau (PCB) is investigating about twenty alleged corruption cases, although to date none has been brought to court, for several reasons including lack of evidence and the weak investigative skills of the PCB. Ministers were also instructed to prepare written action plans for addressing the problems highlighted by the WR in their areas of responsibility. The mission was informed that these reports were submitted but that most of them required additional work. In November 1997 the President announced that some 1,500 middle and junior level civil servants had been retired in the public interest, primarily employees of the former Revenue Departments who were let go by the newly-established Tanzania Revenue Authority. Actions have been taken or proposed to strengthen agencies which play a role in combating corruption—the Judiciary, the PCB, the Permanent Commission of Enquiry, the Ethics Commission, and the Controller and Auditor General. Recently Justice Warioba was re-employed to prepare an action program to follow up on the WR recommendations, and a new Minister of State in charge of Governance has been appointed to the Office of the President who will coordinate anti-corruption efforts.

12. There are also ongoing reform efforts which are relevant to the fight against corruption, such as civil service reform, public enterprise reform and privatization, tax reform, deregulation, legal and judicial reform, and opening of the financial sector accompanied by strengthening of the supervisory capacity of the Bank of Tanzania. The World Bank, IMF, UNDP, and bilateral donors are supporting these initiatives (see Section V). Most of these initiatives are long-term and indirect in their impact on corruption. There has also been a dramatic increase in the degree of openness and transparency in Tanzania in recent years, primarily due to the rapid expansion of the media, especially the press which has become more persistent in exposing alleged corruption. Finally, NGOs are active in the field of “good governance” and in civic education programs. These efforts and other governance initiatives, including anti-corruption programs, are also supported by the World Bank’s Economic Development Institute, UNDP, and bilateral donors (see Sections IV and V).

13. Despite these activities, there is a general perception in Tanzania that little has changed since publication of the WR. Most, if not all, of the public servants dismissed over the past two years were lower or middle-level functionaries; very few high-level officials or politicians allegedly involved in grand corruption have been sanctioned. While the President has repeatedly asserted his personal commitment to fighting corruption, there is no evidence of planning for the conduct of an anti-corruption campaign, perhaps because the magnitude of the problem and the effort required were not

perceived prior to the WR. Absence of a clear strategy has caused Government to lose credibility and the population to become cynical about prospects of reducing corruption.¹¹

IV. Problem Areas and Recommended Actions

14. This section covers key areas in which corruption has been reported: in the WR, in the media, in published reports, and from people the mission interviewed. In each subsection, the major issues and the principal recommendations made by the World Bank for addressing the problems are set out. Some recommendations repeat or re-emphasise those of the WR, and some relate to programs of action which the Government has already begun. The following areas are covered: public sector revenues and expenditures, including procurement; deregulation and privatization; civil service; legal/judicial; and political. The section concludes with a discussion of measures to increase public awareness and mobilize civic action against corruption.

(a) Public Revenues and Expenditures

15. REVENUES. In July 1996, the Government established the Tanzania Revenue Authority (TRA) in an effort to improve revenue administration and collections.¹² The TRA inherited the staff and functions of the previous Revenue Departments. Several hundred staff of the Revenue Departments suspected of corruption or with poor performance records were dismissed, but it is acknowledged that the time allowed prior to start-up was inadequate for a thorough vetting of all staff. Under the new TRA rules, all employees are required to declare their assets. All top-management positions were advertised and managers are hired on annual contracts. The TRA Act gives the Minister of Finance authority to set salaries on the recommendation of the TRA Board. The initial salary scale was based on a study by Coopers and Lybrand; salaries are more-or-less in line with the private sector. Retention fees are paid to staff based on revenues collected. A Commissioner for Tax Audit and Investigations is responsible for internal audits and investigation of any allegations of corruption.

16. Since the TRA was established, total fiscal revenues have increased by more than 25 percent per year (less in real terms), and the public revenue shortfall, which occurred due to customs duty exemptions in the early 1990s, has been addressed. The business community, however, complains openly about harassment and corruption in the TRA. The organization is clearly under tremendous pressure at all levels to improve revenue performance and this can result in legitimate pressures on businesses which may have been successfully evading or underpaying taxes in the past. At the same time, many businesses complain that they are harassed for payment of back taxes of which they were never aware, that tax collectors deny receipt of previous tax payments (a charge which is difficult to refute when most payments are made in cash) and that audits by reputable international accounting firms are rejected by TRA agents. In many cases, it is alleged,

¹¹ This is indicated by a survey whose results were published in *The Express*, December 18-24, 1997. In response to the question, "Is ___ doing their best to reduce corruption in the country, the positive response rate was: President 40 percent, Cabinet 24 percent, Parliament 21 percent, Police 18 percent.

¹² Under the Tanzania Revenue Authority Act No. 11 of 1995.

the tax collector solicits a bribe as the price for ending the harassment. This entire area of revenue administration is made difficult by the fact that Tanzania simply has too many taxes, many of them of a “nuisance” variety, too narrow a tax base, and, as a result, high tax rates for the principal revenue sources, all of which can lead to strong incentives for tax evasion and associated corruption. Moving to lower, more uniform tax rates and a wider tax base is a way to achieve both higher revenues and lower corruption.

17. One area of concern in Tanzania is customs, which falls under the TRA. The Government employs a pre-shipment inspection firm (SGS) for valuation of imports, but the firm does not appear to have reduced bribery in customs. Customs procedures are complex and time-consuming, inducing importers to offer “speed payments” to reduce the time required to clear goods through the port, as well as more significant bribes for under-valuation of goods.¹³ One source of duty evasion is the importation of new vehicles declared as used. Another is the “Zanzibar route” which is reported to be a source of duty evasion on goods imported by Zanzibar and then re-exported to the mainland. Customs duties have been harmonized between Zanzibar and the mainland and customs duties are collected by the TRA on both the mainland and Zanzibar, but some other taxes are lower in Zanzibar and some commodities are reportedly smuggled into Zanzibar and then trans-shipped to the mainland. Also, the mission was informed that while discretionary authority to grant import duty exemptions has supposedly been eliminated, the granting of exemptions is still commonplace.

18. Despite the above-mentioned problems in revenue administration, efforts at tax reform are ongoing. A Value Added Tax (VAT) was introduced in June, 1998 and a system of Taxpayer Identification Numbers (TIN) is being developed for implementation during 1998. Several donors are providing on-going support to TRA in computerisation, introduction of TIN numbers, preparatory work for the VAT and, more generally, for facilities, equipment and training. A review of the tax structure is underway with the participation of the private sector. Some seven or eight taxes have been eliminated over the past few years and some tax rates have been reduced, e.g., the corporate income tax from 40 percent two years ago to 30 percent in 1997/98. The introduction of the VAT affords an opportunity for further tax rationalization and simplification.

Recommendations:

- **Simplify taxes, widen tax base, and harmonize mainland and Zanzibar tax rates.**
- **Eliminate discretionary tax exemptions.**
- **Simplify customs procedures.**
- **Facilitate the use of checks in payment of taxes.**
- **Strengthen the Office of the Commissioner for Tax Audits and Investigations.**

¹³ For a description of customs red-tape, average delays, and the regulatory framework, see *The Investor Roadmap of Tanzania*, prepared for USAID Tanzania by Coopers & Lybrand, December 1996.

19. EXPENDITURES. A gap has existed between the Government's commitments and its ability to meet these commitments with budgetary resources. In a larger sense, the planning and budgeting system has not performed the critical task of keeping demand for government programs in line with resources. One result has been an overly ambitious investment program (to which aid donors have contributed) in which too many projects are initiated, sometimes without adequate evaluation, leading to delays in completion. Further, allocations for operations and maintenance are inadequate, and civil service wages cannot keep pace with inflation. This failure to maintain a balance between commitments and resources has undermined budget integrity and forced public officials to manage budgets opportunistically and, in some cases, dishonestly. Budgetary ceilings are regularly exceeded, expenditure records are poorly kept, and funds are routinely diverted from planned allocations to alternative uses. Under the rules and procedures, neither accounting and internal auditing officers in the implementing ministries nor the Ministry of Finance exercise oversight to prevent such abuses. The World Bank's efforts to improve financial management through Public Expenditure Reviews have so far had little success. The Government has recently introduced cash budgeting and has centralized payments in the Treasury to restore fiscal balance, but these measures do not stop the overspending; in fact, they interfere with effective implementation of ongoing programs. The Government has TSh 60 billion in domestic arrears as evidence that ministries operate without regard for budget constraints. *Weak expenditure management is not evidence per se of corrupt practices, but it is an important example of disregard for established rules and procedures, and it can open the door for "informal" practices and corruption as has happened in numerous cases documented in the WR.*

20. Accounting Officers (Permanent Secretaries) are accountable for the management of spending in accordance with budgetary ceilings. Experience has demonstrated that this accountability is weakly enforced. The Public Accounts Committee of Parliament, which relies on the annual audit reports of the Controller and Auditor General (CAG) is the "public watchdog" on improper financial management and corruption in public expenditures. This oversight function has been ineffective, despite the fact that CAG adheres to high standards, has competent staff, and produces objective reports. The CAG, however, has inadequate resources and staff: against an establishment of 563 (99 auditors and 464 examiners), the CAG was reported in the WR to have only 385 staff (65 auditors and 320 examiners). These deficiencies and the failure of ministries to submit accounts on time have caused the annual reports to Parliament of the CAG to have been delayed, although recently an effort has been made to bring these reports more up to date.

Recommendations

- **Strengthen accounting and internal auditing functions in spending ministries. Hold Accounting Officers (Permanent Secretaries) accountable for overspending or misuse of resources and apply strict sanctions when violations occur.**
- **Strengthen the CAG and provide adequate budget resources. The Government should consider providing greater independence and incentives for staff of the CAG by removing them from the civil service and paying competitive salaries. (See Civil Service salary reform below).**

- **Strengthen the Public Accounts Committee’s capacity to review the CAG reports through training workshops. The Public Accounts Committee of the Parliament should hold open hearings on the CAG report.**

21. **PROCUREMENT.** The procurement system is a vital part of the public management system, and ensuring that public procurement operates transparently and in the public interest is a vital element in any anti-corruption program. Unfortunately, some of the worst examples of mismanagement and corruption cited in the WR are in government procurement, especially in the Ministry of Works (MOW). This report devotes considerable attention to this because it has been identified as a major source of corruption and because it is directly linked to the AU. Recently, the Government’s procurement system has been studied extensively—the 1995 Crown Agents study, the World Bank’s 1996 Country Procurement Assessment, and the World Bank’s 1998 Procurement Audit (still in draft).¹⁴ These studies recommended specific improvements, as did the WR, but few have been implemented.

22. Tanzania’s procurement guidelines have been established, but failure to observe them has opened the door to corruption and wasted public resources. The major problems are inadequate advertising of tenders; lack of transparency and delays in bid evaluations; weak supervision during implementation; collusion between consulting engineers and contractors in certifying cost escalations and approving sub-standard work; and failure of oversight mechanisms to ensure compliance with procedures, such as approval of contract variations and cost escalations. Delays in the evaluation process—up to fourteen months as cited in the WR—can make bidding assumptions obsolete, especially for roads.¹⁵ The responsibility for bid evaluations in the MOW is given to ad hoc committees rather than to standing committees of technical experts. Pre-qualification of contractors has been sometime improperly done, and, as a result, contracts have been awarded to unqualified contractors. Weak technical implementation management has led to cost escalations beyond those justified by inflation, and poor quality of work. Consulting engineers have not always performed as expected, and given MOW’s weak supervision capacity, dealing with this problem has been difficult. With regard to cost escalation, government regulations allow an Accounting Officer to approve variations up to 10 percent above the original contract; for larger amounts, authority must be obtained from the Ministry of Finance, Attorney General, and the Central Tender Board (CTB).

¹⁴ A more recent procurement audit conducted for the World Bank “identified very few (only four) cases of procurement that failed to conform with Development Credit Agreement terms and IDA guidelines” although “the situation was less clear as regards compliance with local rules.” This is interesting in that it demonstrates a capacity in Government ministries to administer procurement in quite close adherence to the “formal rules” when the administrative environment requires it (the auditors, Messrs. SGS, also remarked that IDA procurement in Tanzania demonstrated much more conformity to the formal rules that in certain other countries in which they had conducted similar audits). *Procurement Audit, Tanzania, SGS, August, 1998.*

¹⁵ Government is aware of roads as a problem area and is shifting the responsibility for execution of the roads programme to a new executive agency, TANROADS. As responsibilities are transferred to TANROADS, it should be assured that it has an appropriate legal, procedural, managerial and administrative framework in place to undertake efficient and cost-effective procurement.

The WR has cited repeated violations of this rule. Finally, no appeals channel exists for bidders who wish to question the Government's actions in handling tenders. The Government is, however, considering a proposal whereby respective Tender Boards would conduct an administrative review of any complaint. In summary, the cases documented in the WR provide evidence that the procurement system has broken down and system-wide corrective measures are necessary to prevent further abuses.

23. The system of procurement and distribution of consumable supplies also needs substantial tightening to establish accountability. The Supplies Department of the MOW handles procurement and distribution of a wide range of supplies for the Central Government and the Regions. The MOW system suffers from various problems including substantial leakage in the distribution pipeline. Availability of qualified supplies officers throughout the Government is also a problem which is constrained by inadequate civil service pay. A proposal is under consideration to convert the MOW Supplies Department into an Executive Agency which would compete with private suppliers. Whether adequate incentives could be provided to enable an independent supplies agency to compete effectively with the private sector, and whether such a move would reduce losses in the distribution system remains to be seen. The Government is also reported to be considering the establishment of a separate cadre of procurement specialists under the professional and administrative leadership of the CTB.

24. The health sector is one area of procurement independent of the CTB and the Supplies Department of the MOW. The problems found in the Ministry of Health's (MOH) procurement and distribution system are found throughout Government. The Medical Supplies Department (MSD), already an Executive Agency with its own governing board and salary structure, handles procurement and distribution of \$20 million per year of medical supplies for government health care facilities. The Ministry of Health (MOH) tender board handles all procurement for the MSD. Two problems in procurement and distribution of medical supplies are, (i) contracts are not always awarded to the lowest evaluated bidder; and (ii) substantial leakage of supplies exists in the distribution system. Regarding the first, the reliability of some bidders is a legitimate concern, but this should be addressed through pre-qualification criteria spelled out in the bidding documents. The Government is in the process, however, of establishing a pharmacy board, which will register suppliers of drugs, and set up a drug-testing laboratory. The second is world-wide problem, which arises when goods in high demand in the commercial market are provided free through public facilities—much greater accountability and discipline must be instilled in the system.

Recommendations

Organizational Measures

- **Increase accountability by giving authority for managing procurement to Ministerial and Regional Tender Boards, as has been done in MOW, Education, Health, and Defense, with the CTB retaining a training, advisory, and oversight**

role. Other Ministerial and Regional Tender Boards need to demonstrate capacity to manage procurement before thresholds are increased.

- Bid evaluations should be carried out by committees of at least three professionals. Responsibility for bid evaluations in the MOW should be given to the Contracts Control and Inspection Section (CCI) which, as the WR recommends, should be upgraded to Department status reporting to the Permanent Secretary.
- An effective complaint mechanism for bidders should be established. This could be the CTB if its role is redefined as proposed here. [The Government is considering a proposal whereby the respective Tender Board would conduct an administrative review of any complaint. This procedure will work only if the procedures for complaint resolution are well publicized and complaints are handled in a transparent manner.]
- The Department of Roads and supervising consulting engineers should continue to carry primary responsibility for day-to-day management and monitoring of implementation of civil works contracts under the MOW, but procedures should be developed to carry out surprise inspections to check the quality of work and technical supervision. The CCI should be given this responsibility.
- A cadre of procurement specialists should be established by the CTB.
- An office of Inspector General should be established in the MOW. A senior financial officer should be appointed in the MOW, with a reporting relationship to the MOF to develop and implement financial discipline.

Systems/Policies

- Improve local advertising of tendering opportunities to encourage participation of local firms. Timely posting of notices in local media and in offices of the CTB, Ministerial, Regional and District Tender Boards should be required for civil works contracts.
- Enhance transparency by adopting standard bidding documents. The National Construction Council has developed a sample document for civil works contracts. Also, the NCC or the MOW should establish a data bank on standard construction costs.
- Results of bid evaluations should be published in the Government Gazette.
- Standard processing times should be developed for all stages of the bidding and contract award process in all sectors and then tightly monitored.
- Selection of consulting engineers should be subject to a transparent, competitive process as in the selection of civil works contractors. Opportunities should be advertised with spelled-out criteria; selection should be competitive, from short-lists of qualified candidates, and the results should be publicized. The CCI should be responsible for managing the selection process. The CTB should consider instituting a system of performance evaluation for consulting engineers.

- **The CTB should carry out periodic procurement audits, in particular for medical supplies procurement and for the MOW Supplies Department, to ensure procurement procedures are correctly applied by implementing agencies.**
- **The rules regarding clearances of cost increases under contracts should be strictly enforced.**

(b) Deregulation and Privatization

25. DEREGULATION. Over the last decade, liberalization of the Tanzanian economy has occurred and yet the country maintains a complex and burdensome administrative and regulatory structure, which affects all aspects of private sector activity. The Investor Roadmap study has documented the nature of controls facing the investor in obtaining access to land and utilities, building permits, work permits, import clearances, and other licenses and permits. The study illustrates 160 pages of forms which must be filled out by a new business, and 120 additional pages for specialized approvals in sectors, such as, forestry, mining, fishing, and tourism. An established business must submit at least 89 returns and filings each year (285 for a bank and 454 for a hotel.)¹⁶ These excessive regulations impose an extremely high opportunity cost in both time and money on any business and discourage any new investment. Of the four countries where “Roadmap” exercises have been carried out—Ghana, Namibia, Tanzania, and Uganda—Tanzania has the most extensive and time-consuming, and least transparent, regulatory framework. Establishing a business in Tanzania can take as long as 36 months, compared with a maximum of twelve months in Namibia, and 24 months in Ghana and Uganda. Tanzania’s 89 annual returns compares with 21 in Ghana, 29 in Namibia, and 48 in Uganda. Over-regulation inhibits formal sector growth and is a breeding ground for corruption of the rent-seeking variety. To quote the study, “The combination of the ambiguous environment and high taxes creates a hothouse for corruption. Business people need to pay bribes to survive and remain competitive. Not surprisingly, civil servants perceive business people as corrupt, which leads them to erect more controls and more stringent screening processes, resulting in even longer start-up delays. In reaction, businesses resort to bribes to accelerate the process. As a result, a vicious circle of increasing delays and corruption is created.”¹⁷ Finally, the Tanzania Investment Center (TIC), established in 1990 to facilitate investment is largely ineffective and is, in fact, another obstacle which investors must overcome. The TIC operates under civil service rules and low public sector salaries have made it difficult to attract competent and motivated staff. International experience shows that public sector agencies such as the TIC are rarely effective in investment promotion. The Roadmap study recommends that the TIC should be made autonomous, perhaps as a joint venture with the private sector.

Recommendation

- **Continue systematic deregulation of the economy, especially in areas highlighted in *The Investor Roadmap of Tanzania*. Redefine functions of the Tanzania**

¹⁶ *The Investor Roadmap of Tanzania*, op.cit.

¹⁷ *Ibid.*, pp. v-vi.

Investment Center to become a true facilitator of new investment projects rather than a hurdle for potential investors, or alternatively, privatize or contract out its functions.

26. The financial sector is an important area of deregulation which was opened up to private banks and other financial intermediaries in the early 1990s. Today 25 financial institutions are operating in Tanzania. In general, the process of deregulation and supervision by the Bank of Tanzania (BOT) has proceeded well. The banking supervision capabilities of the BOT are being strengthened to cope with the more diverse and complex financial sector. The task ahead is the privatization of the former monopoly National Bank of Commerce (NBC), which has been converted into two institutions scheduled for privatization in 1998. *It is critically important that the privatization of the successor institutions to NBC be carried out in a fully transparent and competitive manner.* To restore the financial soundness of these new institutions, a proportion of non-performing assets, as well as those of other Government-owned banks, have been transferred to the Loans and Advances Recovery Trust (LART), which is responsible for recovering these debts. The success of LART in establishing a track record of effectiveness and probity, demonstrates what is possible when sound management and professionalism are supported by the political leadership.

27. PRIVATIZATION. The Government has been implementing a privatization program since 1993, through the Presidential Parastatal Sector Reform Commission (PSRC) established under the Public Corporations Act of 1993. To date the PSRC has successfully carried out over 150 privatizations or liquidations from the initial list of 425 public enterprises, of which 380 were initially slated for privatization. Most of the privatizations to date have been of smaller enterprises and a substantial number have been liquidations; 110 have been actual sales. The Commission has ten members and the Secretariat has fourteen technical staff, all employed on contract at market-based salaries. The PSRC uses external consultants to assist in bid evaluations and negotiations. While the record of the PSRC has been generally commendable, there have been difficulties with the process. Reliance on out-of-date book value of assets can render pre-bid valuation of companies unreliable. The process of bid evaluation is complex because of the use of multiple evaluation criteria which sometimes makes it difficult to compare competing bids on entirely objective grounds. The process of evaluation and approval of bids is extremely cumbersome, involving, for each individual privatization, review and approval at various stages by the sector Minister, Minister of Finance, the Commission itself, the Inter-Ministerial Technical Committee, Cabinet Secretariat and, finally, the Cabinet. These layers of review and decision-making actually dilute accountability in what should be a professionally managed technical and commercial process for determining the economically and financially most effective sales strategy and selecting the winning bidder based on price alone. Thus, *vis-à-vis* the private sector, transparency and efficiency are considerably impaired. In future, it has been agreed that more of the privatizations—especially of the larger public enterprises—will be contracted to outside agents such as investment advisors or merchant banks.

28. After launching the privatization of commercial public enterprises, the Government decided in March 1996 to proceed with privatization or commercialization of the “strategic” enterprises or sectors—the public utilities such as telecommunications, electric power, water supply, airline, shipping, and harbors. In these sectors it is important to develop a regulatory framework to ensure that, in cases where former public monopolies become private monopolies, the interests of consumers are protected. In some sectors, Tanzania does not yet have an independent regulatory system. However, rules on tariffs and tariff adjustment principles, dispute resolution, and service standards can be built into licenses and contracts with operators, thus reducing the possibilities for future disputes. What is even more important is that the Government should have a clear strategy for the entry of private investors, grounded in open competition (opening these markets to multiple private investors). The Government should demonstrate high-level political commitment to open entry and a level playing field which are essential to attract serious private investors and operators. *Unfortunately, there is growing evidence of ministerial interference in privatizations which the PSRC has been handling, and of attempts to by-pass the PSRC in negotiation of private entry into certain strategic sectors. It is widely suspected that high-level corruption is involved in certain of these arrangements. This is an extremely worrying trend, given the many large and potentially profitable privatizations/commercializations remaining to be undertaken. If the past effective performance of the PSRC is ignored and these cases are handled in a non-transparent fashion the potential cost to Tanzania, in economic terms, in undermining investor confidence, and in lost goodwill, could be enormous.*

Recommendations

- **The Government should continue to use PSRC as the agency responsible for all privatizations and commercializations. The preparation and execution of privatization transactions should be fully delegated, based on the divestiture strategy for the sector approved by the Cabinet, and with sector ministries responsible for sector policy and ensuring adequate regulatory arrangements. Competitive and transparent procedures should be employed in all cases, including in the strategic infrastructure sectors.**
- **Investment advisors and merchant banks should be selected to assist with major privatizations on a competitive basis and should be remunerated at least in part based on results. The PSRC should be strengthened to oversee these major undertakings.**
- **PSRC operations should be reviewed at least annually by independent auditors.**

(c) Civil Service

29. There has been a perceived decline in the performance and accountability of the civil service—a deterioration in public service delivery and growing corruption—beginning in the 1970s and accelerating in the 1980s and 1990s. One reason for the spread of corruption has been the decline in remuneration—average civil service pay declined in real terms by more than 70 percent between the mid-1970s and the mid-1980s. This trend has reversed since the introduction of the economic reform program in

1986, but the average real wage in 1996 was still about 40 percent below the 1974 level. Another serious issue has been the compression of the salary scale which has reduced the incentives for senior technical and managerial staff (the ratio of the compensation of the top salary grade to the lowest grade fell from 30:1 in 1969 to 6:1 in the mid-1980s).¹⁸ The morale of the public service was also eroded by the lack of resources required for effective delivery of services, and by the sharp erosion in the real value of civil service pensions due to inflation. The spread of controls and regulations opened up opportunities for rent-seeking at the same time that declining real incomes made it necessary for civil servants to supplement their government pay in order to assure family survival.

30. In an effort to address these problems, the Government launched a Civil Service Reform Program (CSRP) in 1991; implementation of the program got underway in 1994. Under the CSRP, the size of the civil service has been reduced from 355,000 in 1993 to 271,000 in December 1997 through a voluntary retirement scheme and the elimination of some 20,000 “ghost workers,” while the wage bill has been increased by 43 percent in real terms. As a result of these trends, average civil service real pay rose 75 percent between 1992 and 1997. Some widening of pay differentials has been reintroduced (to 16:1), but the improvement in salaries for the higher ranks was diluted by the elimination or monetization of a number of allowances. While compensation for the lowest ranks is now not far out of line with the private, parastatal, and NGO sectors, pay levels for technical and professional jobs in the private sector are still between two and five times those of the civil service.¹⁹ Government salaries are extremely uncompetitive for the functions where qualified staff are most needed. This problem is compounded by the fact that a significant number of civil servants employed in donor-funded projects are paid salaries well above the civil service scale. These donor interventions—in pursuit of short-term project implementation goals—have undermined civil service pay reform and sustainable capacity building by Government. *Government and donors need to agree on a strategy for eliminating this anomaly while overall civil service pay reform is pursued.*

31. In spite of progress made to date, Government needs to develop a medium-term public sector pay (including pensions) and employment strategy. Studies are underway, on further pay reform, job grading and contract employment, but the recommendations of these studies have yet to be presented. Government needs to link civil service wages more closely to the market and introduce more differentiation, with separate pay structures for different cadres. Given that there appears to be little scope for increasing the share of the civil service wage bill in GNP or for it to rise in absolute terms other than through growth in the GNP, the Government will almost certainly continue to confront a trade-off between pay and employment levels in the public service, and between raising the pay of the lower ranks and widening differentials. Therefore, if the government is to reestablish compensation for civil servants at all levels, reductions in numbers are required. Finally,

¹⁸ “Civil Service Pay Reform: Issues and Options,” by Kithinji Kiragu, Chief Technical Adviser, Civil Service Department, Dar es Salaam, January 1998.

¹⁹ Ibid., p. 11.

the CSRP has not yet focused on improvements in public services; there has been no observable improvement in the efficiency of service delivery.

32. The type of civil service Tanzania needs in the future in a market-led economy is a smaller, more differentiated, competitively paid, better trained and accountable work force. As one step in this direction the Government is moving certain activities out of the civil service by creating semi-autonomous units under the Executive Agencies Act which allows greater independence and the ability to operate on commercial principles and offer better pay and incentives than the civil service. To date thirteen organizations have been identified for Executive Agency (EA) status with another 50 as possible candidates. However, the creation of EAs is not in itself a solution to the problem of inadequate incentives for government service. It can lead to a “hollowing out” or weakening of the core civil service, as civil servants will seek to leave the service in order to benefit from the higher pay in an EA, just as occurred with the creation of public enterprises in earlier decades. Furthermore, all such agencies would still be under the oversight responsibility of some branch of the Central Government, and if the core Government is underpaid and demotivated, the necessary oversight function will be inadequately performed. It would be better if Government proceeded slowly with creation of EAs after evaluating the experience with the initial thirteen.

33. While improvements in pay and incentives are important, they are not sufficient for addressing inefficiency and corruption in the civil service. There is also inadequate accountability; sanctions are rarely applied against those who do not perform. A weak Public Service Commission has not imposed adequate discipline on corrupt or inefficient civil servants. In addition to pay reform, the Government should institute competitive recruitment, performance evaluation, merit-based promotions and pay increases, more effective checks and balances, such as internal audits and inspections, and penalties for those found guilty of corrupt behavior, including dismissal and criminal prosecution.

Recommendations:

- **Continue the CSRP with emphasis on redefinition of the role of Government in a liberalized economy, downsizing of the civil service where warranted, and pay reform, emphasizing market-linked salaries for critical skills.**
- **There should be open, competitive recruitment for all civil service positions, based on established, objective criteria. This has been agreed to in principle.**
- **Reform of the pension system is essential.**
- **Establish accountability for delivery of public services. Hold managers accountable for the performance of subordinates. Require periodic reviews of staff performance. Strengthen the capacity of the Public Service Commission to handle discipline cases.**

(d) Legal/Judicial Issues

34. JUDICIARY. The WR identified the judiciary as “rampant with corruption, especially at the lower [magistrate] level.” It also found corruption to be common in the

administrative staff of the court system. The judiciary system suffers from serious underfunding leading to low pay and lack of facilities and equipment. Most primary court magistrates, as well as administrative staff, are poorly educated and trained. However, work on judicial reform is ongoing on several fronts: revising the Judicial Code of Ethics and establishing judicial ethics committees at national, zonal and regional levels; revising the minimum qualifications for all judges and magistrates and changing the method of selection and appointment of High Court judges from automatic promotion of magistrates; instituting background checks for all candidates; and delegating supervisory authority from the Chief Justice to the judge in charge of each region. Further, the mission was informed that since publication of the WR some 40 magistrates have been dismissed for poor performance or corruption. Also, a separate branch of the High Court is being established to deal with commercial cases. A Legal Sector Task Force has studied the needs of the legal and judicial system and has submitted a report which has been largely accepted by Government. The primary problem is funding; the recommendations of the Task Force would cost \$285 million. A donor meeting held on the Task Force report in October 1997 recommended that the Government should prioritize the recommendations and a working group was formed to prepare a detailed action plan for legal reform.

Recommendation:

- **Continue with actions already underway to strengthen the judiciary at all levels, and in particular finalize and commence implementation of action plans based on recommendations of the Legal Sector Task Force.**

41. PREVENTION OF CORRUPTION BUREAU (PCB). The PCB was set up under the 1971 Prevention of Corruption Act and reports to the President who appoints the Director General and the Department Directors. Its main functions are: to advise Government on ways to prevent corruption; to educate the public about corruption; and to investigate and prosecute offenses, subject to the Director of Public Prosecutions' (DPP) approval. Deficiencies in the Prevention of Corruption Act include failure to define corruption and the PCB has been generally weak and ineffective, lacking adequate staff (at the time of the WR, only 44 of 130 positions were filled with only three lawyers), facilities, equipment, and training. Staff are paid on the civil service scale. The organization will be strengthened, however, since its past weaknesses were clearly documented in the WR. Budget has been provided to employ 77 more staff—ten to twenty of whom are expected to be lawyers. Legislation passed in November 1997 restored the PCB's powers of search, arrest, and detention. Amendments to the Prevention of Corruption Act are being prepared to give the PCB greater autonomy with its own scheme of service and salary scale. As noted earlier, raising salaries for selected agencies is not a long-term solution to the overall problem of inadequate civil service salaries; it must be accompanied by comprehensive pay reform for the core public service. The Department of Public Education, which produces publications and radio messages against corruption, is being strengthened. Nevertheless, considerable time and effort in recruiting and training will be required to turn the PCB into an effective instrument in the anti-corruption struggle.

Recommendations:

- **Strengthen leadership and staffing of PCB by: recruiting staff with requisite skills, providing training, and establishing a code of conduct and a scheme of service and salary scale separate from civil service (see discussion of civil service salary reform).**
- **The PCB should expand its community education activities.**
- **Best practice from other countries suggests that oversight by a Parliamentary Committee would strengthen the PCB's independence and effectiveness. In any event, the PCB should submit an annual report to the Parliament on actions taken to fight corruption.**
- **The Director General of the PCB should be chosen from the ranks of Government officials nearing retirement; thus the DG would not be inhibited in the execution of his/her duties by a wish to return to Government employment.**

35. **ETHICS COMMISSION.** The Commission was established under the 1995 Public Leadership Code of Ethics Act, with the capacity to investigate the conduct of all leaders—politicians, chief executives of central and local governments, heads of organizations of defense and security, heads of public enterprises, and permanent members of commissions. Under the law, government leaders are required to file annual reports on statement of assets, which are available to the public only under limited circumstances. The Commission has proven ineffective, however, proposals to address deficiencies have been prepared by the Commission Secretariat and are awaiting Government decision.

Recommendation:

- **The Government should approve measures recommended by the Ethics Secretariat to strengthen the Public Leadership Code of Ethics Act and the powers of the Ethics Commission to investigate allegations of ethics violations and hold public hearings. The penalty for breach of the Code of Ethics should be removal from office.**

36. **PERMANENT COMMISSION OF ENQUIRY (OMBUDSMAN).** The office of the Ombudsman was established in 1965 under the Constitution; its powers are set out in the Permanent Commission of Enquiry Act of 1966. The office has five commissioners and 80 staff. Its functions are: to advise the Government on laws, regulations, and practices which are unfair, oppressive, or violate the rights of citizens; to investigate complaints from citizens or to initiate investigations itself; and to conduct civic education programs aimed at raising public awareness of the PCE and its mandate. The PCE is under-funded and lacks the resources to carry out its mandate. As a result, the number of complaints brought to the PCE has been declining over the years. Recommendations to redefine the PCE's mandate, which would require changing the Constitution and increasing PCE's resources, have been submitted to Government.

Recommendation:

- **In addition to its Ombudsman role, the PCE should be reconstituted as a Commission on Human Rights.**

37. POLICE. The police force is identified in the WR as highly corrupt, ranging from petty corruption at the level of police constables to more serious corruption in the higher ranks. A disciplined and efficient police force is essential for enforcing the rule of law and protection of property - the foundations of a well-functioning market economy. When this protection is undermined, informal and less efficient and equitable means of adjudicating disputes and securing property rights take over, in which corruption plays a part. Reform of the police force per se is an area that the World Bank has no competence to address, but we feel that any credible program to combat corruption must include actions to address the situation in the police force.

Recommendation:

- **As recommended in the WR, leadership, recruitment, equipment, and training of the police force should be strengthened. This could be done with assistance from bilateral donors experienced in this area.**

(e) Parliamentary Oversight, Financing of Parties and Leadership Accountability

38. In an effective political democracy, appropriate checks and balances exist across different branches of government. In Tanzania, during more than thirty years of single party rule, checks and balances were weak, particularly the oversight role of the Parliament relative to the Executive Branch. Despite the recent transition to multi-partyism, the political system and Parliament exhibit weaknesses which can lead to, or fail to detect and investigate, corruption. Many members appear to lack understanding of Parliamentary rules and procedures. The ruling party (CCM) has a strong majority in Parliament—78 percent of seats. Parliamentary committees are dominated by the CCM. In the Public Accounts Committee (PAC), the CCM holds the chair and two-thirds of the seats. Hearings of this committee are held in camera. The opposition—consisting of thirteen parties, five of which are represented in Parliament—is weak and divided. A further reason for Parliamentary weakness and lack of oversight is the absence of supporting staff and complementary resources. On another front, political fund raising appears to have become a major source of corruption, despite the fact that the Political Parties Act requires all parties to report and account for all contributions, and to be audited annually. This is a difficult problem that confronts almost all countries. Many governments have found it useful, in this regard, to at least make political contributions transparent. Sometimes progress in this direction can be achieved through inter-party negotiations, or by establishing an Parliamentary commission to oversee campaign financing. Another useful measure is to set and enforce maximum contribution limits.

39. Another issue is accountability of political leaders. While the President and Vice President have publicly declared their assets, it was subsequently ruled that leaders were legally bound to make a declaration of assets to the Ethics Commissioner, not to make them public. Public declaration of assets by all leaders is a practice adopted in many countries. Whether this would be a useful anti-corruption measure for Tanzania we leave

to the Government, but at least the Ethics Commissioner should have enhanced powers to investigate allegations of abuse of office for personal gain.

Recommendations:

- **All political parties should be required to comply with the provisions of the Political Parties Act regarding reporting of all contributions by source. Accounts should be audited annually as provided for in the Act (Section 13).**
- **In most Parliamentary systems, the major accountability committees, for example the Public Accounts Committee, are chaired by the opposition and hold their sessions in public. Government should consider doing this.**

(f) Increasing Public Awareness

40. The quality of governance can be measured by the degree to which governments are accountable, their actions are transparent, and their goals serve the public interest. Good governance is promoted by a number of factors: civil liberties, including freedom of the press and other media; the probity of the judiciary; the right of assembly; the existence of competing political parties; the effectiveness of internal checks and balances within government (Parliamentary oversight committees, an effective and independent judiciary, internal auditors, local government councils, etc.). Governance is also influenced by the vigor of civil society: the presence of indigenous advocacy groups such as NGOs, farmers' associations and professional associations, the quality of the media, etc. All of the above constitute the enabling environment for effective public institutions. In Tanzania all of these factors are weak. Civil society in Tanzania has a limited "voice" and limited experience in confronting the Government on corruption or other governance issues. Yet the public is aware of the presence of widespread corruption which affects their daily lives. This has been confirmed by public opinion surveys and the publication of the WR brought corruption to the full attention of both Government and the public.

41. The World Bank's Economic Development Institute (EDI) has, since 1995, carried out sample surveys of the population on service delivery and corruption which clearly demonstrate the pervasive nature of corruption and the strongly negative feelings of the public about the problem. EDI has also conducted National Integrity Workshops for government officials and members of civil society and seminars for journalists on investigative reporting.²⁰ EDI supported the translation, printing and dissemination of the WR as well. A number of NGOs are active in governance and anti-corruption including the Tanzanian chapter of Transparency International. All bilateral donors to Tanzania have programs supporting good governance, including in some cases measures to increase public awareness of corruption. All of these efforts are worthwhile and should be

²⁰ The first National Integrity Workshop was held for government officials, NGOs and law enforcement agencies in August 1995, followed by a series of six workshops for journalists on investigative reporting with participation of the media and the PCB. A corruption survey was carried out in May 1996 with a sample size of 24,000. An Integrity Workshop was held for Parliamentarians in August 1996 in collaboration with Transparency International Tanzania, and a second National Integrity Workshop in December 1996. A third National Integrity Workshop is scheduled for late 1998.

continued. At the same time it must be acknowledged that the Government has not been particularly responsive to pressures from civil society groups.

42. It is universally acknowledged that the media can play a key role in curbing corruption by investigating and bringing instances of corruption to light, thereby increasing public awareness. The press in Tanzania is remarkably free and dynamic today in comparison with only a few years ago. However, there is a widespread feeling in Tanzania that while the press played an important role in promoting the transition to multi-party democracy it is now less effective. The view has also been expressed that the Government harasses the press by taking action against critical journalists and journals. While the Constitution guarantees freedom of expression, there is no specific guarantee of freedom of the press. Nor are public officials required to provide information to the media, while journalists can be required by the courts to reveal their sources. These constraints inhibit the ability of a relatively free press to thoroughly investigate corruption cases. The Government should seriously consider adopting legislation defining the rules under which governmental agencies would be required to make information available to the public. Nevertheless, even with less than complete openness, steps can be taken to provide training in investigative reporting for all media, not only the press, to strengthen the Public Information Department of the PCB and to expand its services, and to promulgate the WR more widely.

V. Conclusions, the Way Forward, and Possible World Bank and Donor Assistance

a) Conclusions

43. The mission's conclusions are consistent with those of the Warioba Commission. In Tanzania, both grand and petty corruption are widespread and have become endemic. The people are frustrated and angry with the petty corruption that afflicts their daily lives, and are aware of grand corruption which is discussed openly in the media and elsewhere. Government is to be commended for having given a high priority to addressing corruption and for having established the Warioba Commission to document and analyze the problem. However, the widespread feeling in the country, which the mission shares, is that Government has not yet put in place a comprehensive, effective anti-corruption program to confront the problems documented by the WR. Certain actions have been taken, as indicated above, and, quite recently, progress has been achieved on other positive steps.²¹ But these do not yet add up to a frontal attack on corruption. There is a growing danger, therefore, of cynicism increasing in the population about the seriousness-of-purpose of Government, and of further spread of corruption within society, on the grounds that "everyone does it and seems to get away with it."

²¹ These include: dismissal of senior officials in the MOW, steps taken with regard to the IPTL contract, and the decisions to reopen the tender process for the Dar es Salaam water supply privatization and to reject the Malaysian port privatization proposal. Most recently Government has reiterated its will to address corruption by inviting people to send the names of leaders and public servants suspected of corruption directly to the President, or to regional and district commissioners. The President has also indicated that he will accede to the new civil service law that would provide for the dismissal of corrupt employees without the filing of a law suit.

44. The problem Government faces is that, with corruption so widespread, unlimited intervention points exist and, as it is so deeply rooted, addressing it is a long-term challenge. Something must be done, however, and results must be obtained to demonstrate Government's commitment to reducing corruption, which requires leadership and political will—indeed a political consensus among top leadership, and readiness to apply sanctions to violators. If Government begins to address its corruption problems in a focused, strategic manner, and sustains the momentum of the program, it can succeed in returning the country to the low-corruption status it enjoyed in the past.

45. The Bank is willing to help introduce an Anti-corruption Undertaking into major international IDA-funded procurement if Government is ready, with assistance from the Bank and others, first to address a number of entrenched, system-wide weaknesses in the application of the laws and rules pertaining especially to government procurement and supplies-management. Since anti-corruption interventions in other areas would be highly complementary to those addressing procurement, the Bank is also prepared to support Government's general anti-corruption program in every way possible.

b) The Way Forward

46. As stated above, we believe that corruption can be reduced through economic policy reforms, further liberalisation of the economy, elimination of excessive regulations, promotion of competitive market conditions, and greater transparency. Such measures must be accompanied by political will and reforms to improve governance and the capacity of government institutions, including the judiciary. In particular, a way must be found to enhance the pay and incentives of public servants while establishing a higher standard of performance and accountability. The World Bank and other donors are supporting reform programs in these areas, and will continue to do so. Some of the principal vehicles for recent and current World Bank support are listed below.

- **Public Procurement:** Within the context of a Country Portfolio Performance Review (CPPR) in 1995 and the Integrated Roads Program (IRP) the Bank has funded detailed studies through the Crown Agents (1996) and submitted recommendations for improving and strengthening public procurement practices and procedures. Additional studies and recommendations were conducted at the Bank's initiative via a Country Procurement Assessment Report (CPAR) in 1997.
- **Civil Service Reform:** The Bank is supporting civil service reform under the Public and Parastatal Reform Project (PPRP), which is about to be completed. It has contributed to: a refocusing of the role of the state toward public policy and public good activities, and away from direct involvement in the economy and productive activities. Systemic improvements have been made—in terms of a major (25 percent) reduction in the size of the civil service, substantial (75 percent) improvement in real civil-service salaries; restoration of complement controls, and launching of merit-based promotion and job re-grading. A second-phase (Civil Service Reform) project is under preparation aimed at deepening systemic reforms (full establishment of meritocracy; completion of job re-grading; adoption of a medium-term pay strategy), combined with capacity building, first-stage improvements in public services, and

public financial management reforms. Adoption of adequate remuneration incentives—especially for professional and technical grades—will be crucial to the success of these efforts. Efficiency-related work-force reductions will be required to shift resources to non-wage operations and maintenance to make public service improvements feasible. A performance-improvement fund (PIF) is to be established to support capacity upgrading in government agencies committed to hastening such reforms. Meanwhile, sectoral projects are oriented towards these objectives—in education, health, infrastructure, and agriculture.

- **Private Sector Reform:** The Bank is supporting privatization and public enterprise reform through the first Structural Adjustment Credit (SAC), and through support to PSRC under the PPRP. This has been broadened to include assistance to competitive market-opening to private operators as well as divestiture of public enterprises in all utilities and infrastructure sectors. Regulatory reform to establish a transparent, level playing-field for private entry is included in these initiatives. They will be supported by a follow-up Privatization and Private Sector Development Project including design and adoption of comprehensive policies for staff retrenchment and debt, as well as efficiency and transparency improvements in the process of government approval of divestiture transactions, and in divestiture procedures. The Bank is supporting a pro-competition regulatory framework for private entry into the minerals sector under the FY95 Minerals Sector Development Project.
- **Financial Management:** The Bank has supported public-sector financial-management reforms through Public Expenditure Reviews and the Country Procurement Assessment Report. The accounting profession and the CAG have been assisted under FILMUP. The Bank has funded equipment, training and consultant studies for the TRA. EDI has scheduled two training seminars for members of the Parliamentary oversight committees in its current work program.
- **Parliament and Civil Society:** On governance and public awareness, in addition to the activities mentioned, EDI will continue to support National Integrity Workshops and could support printing and distribution of more copies of the WR, workshops for Parliamentarians to sensitize them about corruption, additional service delivery/corruption surveys, and support to the PCB by, for example, providing lessons of experience from other anti-corruption bureaux.

c) Next Steps

47. The next steps should address the measures prerequisite to initiating an anti-corruption undertaking in public procurement, as well as a general, complementary anti-corruption program. For an AU to be effective, it needs to be credible: first, with the bidders who must commit themselves to submit tenders and, if chosen, execute the contract without paying bribes—large or small; second, with the agency that supervises the contractor; and, third, on the part of civil servants with whom the bidders have contact during all stages of the procurement cycle.

48. The Bank would thus recommend the following sequence of measures leading to the introduction of an AU into a World Bank-financed contract and, subsequently, to mainstream the AU into public procurement. The following are the key steps:

- Enact new public procurement legislation acceptable to the Bank. This could be based upon Bank-supported studies and reports which have been summarised in a *Status Report on Public Procurement Reforms*. The Bank would be prepared to finance expert legal advice for the drafting of this Bill and any subsequent regulations and bidding documents, and for the preparation of a training program. Should Parliament approve such a Bill, the Bank is willing to help Government make it operational through publishing and disseminating the resultant law, and its regulations, and training staff in their use. Given the requirements for change in the present procurement rules and organisations, the Bank's ability to proceed with the AU is dependent on such legislation being passed and on Government's committing itself to a schedule for effecting the changes therein implied.
- Government would need to establish reliable, effective complaint and enforcement mechanisms; channels would have to be put in place to report investigate complaints of fraud and corruption either during the bidding and award, or subsequent execution of the contract; enforcement mechanisms would have to be able to sanction without interference from any party determined to have engaged in fraud or corruption.
- Government would need to agree to introduce the AU in all similar procurement according to an agreed timetable.
- Government should undertake to implement, with Bank assistance, the remaining short-term procurement recommendations and to establish an agreed time-table for implementing the medium- and long-term procurement recommendations;
- Government should implement the general anti-corruption program described below—elements of which are necessary to ensure probity in public procurement.

49. The Bank's existing support to Government could be modified (or extended) to address corruption directly, and the Bank is prepared to help Government prepare and implement an anti-corruption strategy. This could take the form of assistance to the Minister of State and others in the Office of the President charged with leading the anti-corruption drive; to the Warioba taskforce, the PCB, and other organisations involved in the anti-corruption effort.

50. The strategy should accord with the recommendations made in the Executive Summary Table, and comprise measures which can be addressed in the immediate-, short-, medium- and long-term. In our view, the first step would be to develop a comprehensive, multi-year strategy incorporating, *inter alia*, the recommendations of the WR and this Report, as well as the action plans, which ministers have prepared to address the problems highlighted by the WR in their areas of responsibility. The strategy would be developed and implemented using the resources of current, planned, and, possibly, new projects of the Government of Tanzania. Some of these would be financed through Government resources, others by the World Bank, lenders, and donors.

51. The World Bank would propose to cluster its support under an Accountability and Transparency Program (ATP). Under this Program, initial support to develop the Strategy could be financed under an Institutional Development Fund grant. Furthermore, a structured, on-going, independent and transparent program of surveys and research could be initiated with support from the EDI to map and analyse the locus, nature, causes and effects of corruption and thence to help orient government policies and activities towards combating corruption over the long-term.²² Other, proposed Bank-funded interventions with elements which would relate to the Strategy include:

- In the legal sector a strategy, financed by FILMUP, has been adopted by Cabinet and the Ministry is preparing an action plan for implementation. The Bank is likely to support one particular element of this plan, the strengthening of the judiciary; support from other sources should be sought, as necessary, for other elements. In addition, the Bank will continue to organise seminars on the law and gender which seek to enhance awareness of issues which include corruption.
- With respect to financial management, the Financial Component of FILMUP will conduct studies related to accounting and auditing functions—the outcome of which could provide the basis for interventions dealing with improved accountability and transparency. More in-depth work is required in the area of public sector accounting.
- An IDF grant will support the Economic and Social Research Foundation (ESRF) to assist the Civil Service Department (CSD) and the MOF to enhance financial management capacity through merit-based recruitment and induction into the civil service. In addition, this grant will help Government establish sustainable networks formed *inter alia* around budget formulation and management, and the development of a medium-term policy framework.
- Civil Service Reform II (CSR II): The follow on Civil Service Reform Project will support : adoption of a medium-term pay strategy to provide adequate incentives for improved performance with a high priority given to professional and technical grades; implementation of meritocracy as the basis for recruitment and promotion of civil servants, to ensure transparency and accountability; capacity building in terms of skills and management systems; improvements in public service delivery in selected sectors. For this, the key next steps are: (a) review and adoption of the Medium-Term Public Service Reform Strategy; (b) review and adoption of the Medium-Term Civil Service Pay Strategy; (c) strengthening of the Civil Service Department and Ministry of Finance Budget Department capacity to manage the reform program; (d) actions to strengthen policy-coordination and implementation follow-up capacity at the centre of government—i.e., in the Cabinet Secretariat; (e) completion of design and creation of the Performance Improvement Fund (PIF).
- Private Sector Reform: The key next steps are: (a) adoption of streamlined procedures for government approval of divestiture strategies for major public enterprises (PE), including full delegation to PSRC of management of preparation and execution of transactions—by competitively selected investment advisers—

²² The Bank is also conducting research elsewhere which it will share with the Tanzanian Government since it might help inform analysis of the problems and solutions in Tanzania.

combined with regular audits of PSRC to ensure accountability; (b) adoption of consistent and comprehensive policies with respect to PE retrenchment and treatment of PE debt; (c) design and adoption of appropriate institutional arrangements for effective independent regulation of utility and infrastructure sectors—to ensure a “level playing-field” for private entry; (d) strengthened and streamlined procedures in PSRC for technical preparation of PE divestiture transactions—with bid-price being used as the main criterion for final selection of winning bidders.

- Structural Adjustment Credit (SAC II): This project will support further deregulation of the economy to facilitate private sector development. Inspired by such studies as the investor’s roadmap, mentioned above, it will help reduce bureaucratic involvement and other structural constraints to private sector response;

52. Other donors indicated during the preparation of this report that they would be very willing to participate in the ATP in support of Government’s efforts in this area. We would suggest that an ATP Working Group be established, under the chairmanship of the Minister of State responsible for governance in the OP, to collaborate on the preparation of the Strategy, to contribute to the inventory of existing projects and activities which are oriented towards anti-corruption, and to match comparative advantages and sources of support for interventions not included in Government’s or the Bank-funded program. We would suggest that the membership of the proposed ATP Working Group include representation from Tanzanian civil society and Parliament as well as from government and the donor community.