Helpdesk Report

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The impact of Public Finance Management (PFM) reforms on education in Tanzania

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Question

What is the evidence of how Public Finance Management (PFM) needs and reforms have affected the education sector in Tanzania?

(If limited amounts of evidence are available from Tanzania, similar developing countries can be included. The same applies for limited amounts of evidence on impacts on the education sector, then other public service delivery areas e.g. health can be included.)

Contents

The K4D helpdesk service provides brief summaries of current research, evidence, and lessons learned. Helpdesk reports are not rigorous or systematic reviews; they are intended to provide an introduction to the most important evidence related to a research question. They draw on a rapid desk-based review of published literature and consultation with subject specialists.

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1. Summary

This rapid review synthesises the literature from academic, policy, and knowledge institution sources on how Public Finance Management (PFM) needs and reforms have affected the education sector in Tanzania, in particular for primary education. The review uses the framework of Piatti-Fünfkirchen and Schneider (2018) to explain the evidence, as it analyses service delivery along efficiency, equity, quality and accountability. By doing this, the review concludes that the way the government manages resources within the education system generally has had a limited, but positive impact on education service delivery outcomes, mainly due to the priority status of the education sector by the government. However, the mechanisms through which PFM affects service delivery remain underexplored in general and in particular for Tanzania.

Tanzania scores good based on PFM performances, however, during the last 15 years the country seems to have stalled or reversed its overall PFM performance in comparison to other countries in sub-Saharan African countries that started from a lower base. The main reform in Tanzania was the Local Government Reform Programme that included PFM reforms and legal sector reforms with a focus on political decentralisation, fiscal decentralisation, administrative decentralisation, service function decentralisation, and legal harmonisation.

Main challenges in Tanzania regarding PFM performances remain budget credibility, mismatches between approved budgets and expenditure outturns, misuse of public finances, inadequate enforcement of procurement and financial regulations, inadequate financial allocations to development budget, low mobilisation of local government authorities' own revenue, and unsecured funding for priority investments. There is also a reluctance of some employees to change mind set and become demand and results oriented in service delivery. Furthermore, advances in budget transparency and accountability are mainly top-down efforts with limited results on genuine institutional reform to increase the power of independent oversight bodies, particularly the resistance of the government to engage with civil society organisations.

- **Efficiency:** There is some empirical evidence that shows substantial inefficiencies in most districts in Tanzania, which are mostly related to local managerial effectiveness and teachers' incentives (Lee, 2015). Furthermore, the budget system is too rigid to efficiently allocate additional funds for unexpected demand to services.
- **Equity:** Budget formulation is insufficiently informed by equity criteria. Numerous studies confirm that the application of formulas is far from perfect and other factors continue to play a role. Adjusting the full budget, including human resources by area – specific equity criteria, would provide greater budgets to facilities in disadvantaged areas that generally find it problematic to attract staff to work there.
- **Quality:** The government's policy of free education in pre-primary, primary and lower secondary schools could make it more complicated to achieve the goals for quality learning outcomes. The main challenge is the inadequacy of the funds and the insufficient PFM system for the increased demand for education. Research shows that the quality of education service delivery was impacted through deficiencies in the budgeting and execution processes. The degree to which budgets were honoured by the Tanzanian government was found to be inadequate and the government disbursed funds late in the year affecting learning and teaching programmes.
- **Accountability:** The accountability gap between school managers (mainly responsible for learning outcomes not financially) and local government authorities (mainly responsible for financial management, not for learning outcomes) is still problematic, but

has been reduced now school managers are receiving directly funds from central government and now have more incentives to be financial accountable.

2. Country variations in Public Finance Management performance

Public Finance Management (PFM) is the processes through which public funds are managed. Piatti-Fünfkirchen and Schneider (2018) mention the three overarching objectives of PFM as: aggregate fiscal discipline, operational (or technical) efficiency, and allocative efficiency. Before this review explores the evidence how PFM needs and reforms affect the education sector in Tanzania, this section shows first where Tanzania stands within the overall PFM dynamics for developing countries. Fritz et al. (2017) have worked on one of the most recent PFM performance analysis by region, income level and country specific variations since 2000 for developing countries. Fritz et al. (2017) mention the following overall conclusion based on Public Expenditure and Finance Accountability (PEFA) and Country Policy and Institutional Assessment (CPIA) indicators:

- Looking across PEFA dimensions, the lowest rated dimension is 'external scrutiny and audit' across all income levels and regions. Accounting and reporting is the second weakest cluster.
- PEFA results by region show that sub-Saharan Africa (SSA) is the weakest performing region. However, it outperforms the East Asia and Pacific region in predictability and control of budget execution and Latin America and the Caribbean region in external scrutiny and audit (see Fritz et al., 2017, figure on p.10).
- The SSA region has the lowest average rating in both indicator sets but the gap has narrowed from other regions due to modest improvements. The LAC and MENA regions remained relatively stagnant. CPIA data shows a small improvement for LICs, while showing limited declines for LMICs and UMICs.

To better understand what factors underline country performances for PFM, Fritz et al. (2017) analysed country characteristics as macro-social, economic, fiscal and political variables. They conclude that:

> *"[T]he quality of PFM systems is most significantly and robustly associated with two variables: a country's income per capita (positively) and having a high share of revenues that are obtained from natural resources (negatively). In addition, we find statistically significant associations with per capita growth (positive) and being a SIDS[1] (negative). Programmatic parties appear to possibly have a positive and strong impact. Smaller and/or less robust associations are observed with several other variables: population size, political stability, and regime type. Levels of revenue and ODA relative to GDP are not significant."* (Fritz et al., 2017, p.11-12)[2]

[1] Small Island Development States (SIDS)

[2] The study test of robustness of these results show that three political variables (programmatic parties, regime type, and political stability) remain significant, and aid and tax remain insignificant. As additional variables, the

By looking over time what factors are more significant for developing countries progress in PFM, Fritz et al. (2017) show that per capita GDP growth is highly significant. There is also a strong association that countries with initially weaker PFM systems show relatively greater progress over time. Counterintuitively, increases in tax revenue collection over time are associated with a small decline in PFM performance.

These results are for a large part consistent with other analyses (De Renzio et al., 2010 and 2011). De Renzio et al. (2011) similarly found that the type of political regime did not have a significant impact on the strength of PFM systems, but that political stability does have an impact, using a different set of variables to measure stability. De Renzio et al. (2010) conclude in a Sida evaluation that economic factors are most important in explaining differences in the quality of PFM systems. As a consequence, PFM systems are more likely to improve responding to changing economic circumstances, rather than to donor efforts. Interestingly, donor PFM support is positively and significantly associated with the quality of PFM systems.

De Renzio et al. (2010) also conclude that on average, countries that received more PFM-related technical assistance have better PFM systems. However, the association is very weak. Their study also shows that when focussing only on Lower-Income Countries (LICs), general budget support is also positively related to better performances of PFM systems. This means that in the poorest countries not just direct support to PFM reforms contribute to explaining differences in the quality of PFM systems. To create the best outcomes a longer period of donor engagement is necessary, this is more positive for donor PFM support that focus on rules, procedures and specific actors within government.[3]

Andrews (2010) introduces five PFM leagues based on PEFA analysis for African countries, with Tanzania in 2010 put in the best league with countries such as Mauritius, Mozambique and Burkina Faso. Andrews (2010, p.ii) concludes for the African PFM progress that:

> *"[E]xisting reforms face limits that can only be overcome with adjustments in reform approach; with less focus on pushing reform technicalities and more on creating 'space' in which reform takes place, less concentration of engagements with small sets of actors and more on expanding engagements, and less emphasis on reproducing the same reform models and more on better understanding what context-appropriate reforms look like."*

The study by Fritz et al. (2017) also shows that Tanzania, as one of five focus countries, performs a bit better than expected based on analysis of PEFA indicators compared to countries' income per capita level. However, as shown by Andrews (2010), Tanzania started in the early 2000s from a much higher level with the overall process deteriorating over time (see figure 2.4 in Fritz et al. 2017, p.16), in particular for budget credibility, predictability and control in budget execution, and accounting and reporting, while external scrutiny and audit saw slight improvements. In Tanzania, budget transparency has also stagnated at an intermediate level.

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authors test a variety of growth and fiscal shocks, however, neither growth nor fiscal shocks are found to have a relationship with PFM performance (Fritz et al., 2017).

[3] See the following K4D Helpdesk report for more information on donor support for PFM: Mills, L. (2018). Donor support to strengthen public financial management in partner countries: Outcomes, experiences, and ways forward. K4D Helpdesk Report. Brighton, UK: Institute of Development Studies. https://assets.publishing.service.gov.uk/media/5b6c522f40f0b640b9b9e9c7/Donor_support_in_Public_financial_management.pdf

Box 1. Political economy of PFM reforms in developing countries (source: Fritz et al., 2017)

- **Transformative progress can happen, but it is rare.** Only when governments have a strong reform mandate and 'big picture' policy goals that require having a better functioning public sector, they are more likely to truly pursue transformative PFM reforms.
- **Institutional starting points influence how PFM reforms can happen.** Attempts at comprehensive PFM reforms face increased risk when PFM functions are distributed among several government agencies. Furthermore, the Parliament and local governmental authorities are critical for increasing, transparency and accountability.
- **From a political economy perspective, sequencing of PFM reforms is critical.** 'Basic' reforms are fundamental for impactful PFM reforms, however, they are also often difficult because they are focused on constraining rent-seeking. It is for this reason that they are so rarely fully achieved before moving to 'advanced' reforms, such as introducing Medium Term Expenditure Frameworks (MTEFs) or adopting advanced accounting standards. Rather than simply accepting an inverse sequence, or insisting on unachievable 'basics first', reformers and development partners should keep pursuing the basics throughout.
- **Citizen demand for PFM reforms was found to play a limited role in driving PFM reforms even in countries with relatively active civil society organisations**. When citizens care about better services and eliminating corruption, they may provide a strong reform mandate through elections. Such a mandate can open important windows for PFM reforms. Moreover, to strengthen direct citizen involvement in PFM reforms, development partners and reformers can do much more to convey what reforms are being pursued and why in easily accessible and clear terms.
- **Ensuring that previously introduced reforms are making a tangible positive impact should receive much greater attention.** Many countries have introduced new PFM systems in recent years – Integrated Financial Management Information Systems (IFMIS), newly designed budget preparation processes, new accounting rules, and so on. In many cases, there remains a disconnect between having these systems in place and real functional improvements, from more credible budgets to commitment controls to overall more efficient use of funds. Greater attention to embedding and ensuring good use of systems includes shifting the focus of monitoring further to actual use and impact.

3. Public Finance Management needs and reforms in Tanzania

Like in many developing countries, PFM reforms in Tanzania started in the 1990s, stimulated and (partly) funded by international donors to strengthen the management and control of public finances, and promote financial governance and accountability. PFM reforms are part of a broader public sector reform agenda that includes administrative reforms, legal reforms, financial reform, labour reforms and the review of information systems and accountability systems (Lufunyo, 2013).

In 2000, the government launched the Public Service Reform Programme (PSRP) as a follow up on the Civil Service Reform, which had limited impact on the quality of public service delivery (Lufunyo, 2013). The PSRP emphasised a shift towards a service-oriented administration away from an administrative control system by implementing law-ruling and regulatory administration systems. The reforms combined PFM reforms (to ensure efficient use of resources and accountability) with local government reform, legal sector reform, and other sectoral reform programmes such as in education, agricultural and health (Lufunyo, 2013). The main reform focussed on the Local Government Reform Programme that in itself also included PFM reforms and legal sector reforms with a focus on political decentralisation, fiscal decentralisation, administrative decentralisation, service function decentralisation, and legal harmonisation (Lufunyo, 2013).

One of the pillars on which PFM reforms in Tanzania are based are the five-year medium-term strategic plans for the PFM reform programme, which is currently in phase V between 2017/18 and 2021/22. Despite efforts for extensive reforms of the public sector for improved service delivery for two decades, scholars conclude that the expected outcome of improved public services is limited.[4] .Over the years, improvements have been made. According to the Tanzania government, revenue mobilisation has improved significantly, wasteful expenditure is being systematically reduced and these savings are being channelled into development expenditure. However, reform implementation has been slow and has often been hindered by limited financial management capacity and other institutional factors, especially at subnational levels, which hindered the outcomes of public services, for example in education.[5]

The Tanzania PFM strategic plan[6] highlights some PFM challenges that relate to budget credibility, mismatches between approved budgets and expenditure outturns, misuse of public finances, inadequate enforcement of procurement and financial regulations, and inadequate financial allocations to development budget. Other challenges included low mobilisation of local government authorities' own revenue and unsecured funding for priority investments.[7] Fritz et al. (2017) also highlight that Tanzania's vested interests and non-productive rents, as a close alliance between business and political interests formed in the 2000s, can be linked to the stalled PFM performance status of Tanzania.

The engagement of civil society organisations (CSOs) within PFM processes (e.g. accountability) have been stated as an important contributor to improvements of PFM. However, the Tanzania government resist greater CSO involvement in PFM. As Fritz et al. (2017, p.47) state: "[CSOs'] direct involvement in budget and PFM reform has been limited and had minimal impact due to capacity constraints, resistance from government, and few openings for participation." CSOs have been involved in Public Expenditure Tracking Survey (PETS) and Social Accountability Monitoring (SAM) and their engagement has focused on expenditures in particular sectors, such as education. Thus, CSOs have been able to engage more on specific aspects of sector expenditures than on core PFM reforms. As Harrison (2018) shows, CSOs are more engaged with local governmental authorities due to decentralisation processes, but also due to the resistance of the national government to involve them in decision-making processes.

Some of these challenges create PFM needs for further reforms. From previous PFM reforms the government summarises the following needs in the latest PFM medium-term Strategic Plan:[8]

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[4] Information retrieved from the Five Year Medium Term Strategic Plan for the Public Finance Management Reform Programme (PFMRP) Phase V 2017/18-1021/22 from the Tanzania government http://www.tzdpg.or.tz/fileadmin/documents/dpg_internal/dpg_working_groups_clusters/cluster_4/public_financial_management/Public_Financial_Management_Programme/PFMRP_V/Five_Year_Medium_Term_Strategic_Plan_for_The_Public_Finance_Management_Reform_Programme_V.pdf

[5] Idem

[6] Idem

[7] Idem

[8] Information retrieved from page 9-10 in the Five Year Medium Term Strategic Plan for the Public Finance Management Reform Programme (PFMRP) Phase V 2017/18-1021/22 from the Tanzania government http://www.tzdpg.or.tz/fileadmin/documents/dpg_internal/dpg_working_groups_clusters/cluster_4/public_financial

- The need to improve the effectiveness of the higher-level programme management committees and strengthen the process of high-level policy dialogue on PFM reform issues.
- Designing the programme approach around agreed PFM priority challenges and focussing on core PFM institutions.
- The need to have a more robust results-based focus in the programme and define explicitly measurable targets and identify the relationship between programme activities and the intended results.
- Ensuring that there is sufficient engagement from all implementing agencies.
- Building into programme design a stronger focus on sustainability of reforms.
- The need to take a more strategic, coordinated, sustainable and innovative approach to capacity building.
- Addressing the fact that the programme has had a strong focus on technical interventions, but has been less focussed on the critical issues of culture, attitude and behaviour change, which is the element of a reform programme which supports compliance with, and sustainability of improvements.

Lufunyo (2013) did a survey amongst 40 councillors and 80 public servants in the Dar es Salaam City council on the impact of the reforms on public service delivery. Although a small majority of the respondents strongly agree that public schools are more available and accessible by pupils and students, an improvement in quality of learning was not mentioned. The reforms did not result (according to the respondents) in timeliness and promptness on service delivery and did not improve levels of accountability and transparency significantly. The most indicative challenge in the implementation of reforms recorded is reluctance of some employees to change mind set and become demand and results oriented in service delivery. Hoffman (2013) also mentions that advances in budget transparency and accountability are mainly top-down efforts with limited results on genuine institutional reform to increase the power of independent oversight bodies (e.g. Parliament, civil society and media).

4. Evidence of the impact of PFM needs and reforms on public service delivery in Tanzania

PFM plays an important role in service delivery because it sets the framework for how public funds are used to finance the provision of public services. As such, PFM influences how service delivery contributes to service improvement objectives. This rapid review could not find much literature on PFM needs and reform impacts on the education sector for Tanzania. Therefore, this section will also draw on the needs and how reforms have impacted on other public service delivery, mainly health care.

Languille (2019) explains the importance of understanding the full working processes of budget allocation in countries like Tanzania to avoid a simplification of overestimating the logics of rent-seeking and electoral politics in criticising education service providers for poor service delivery. In Tanzania the role of institutions and distribution of powers in the implementation of PFM reforms is much more complex. As such, Languille (2019) shows that Tanzania's inter-governmental fiscal system is made up of a complex web of flows of funds, which are allocated under multiple budget votes. For education (as part of social services agenda), Languille (2019) also finds that

_management/Public_Financial_Management_Programme/PFMRP_V/Five_Year_Medium_Term_Strategic_Plan_for_The_Public_Finance_Management_Reform_Programme_V.pdf government officials still consider education the outcome of economic transformation, not one of its core engines (particularly for primary and secondary education). Therefore, in Tanzania there are still tensions over the budgetary balance between education and productive sectors, which could explain the infrastructure-led development approach in Tanzania over the last decade.

One way to include institutional complexity for understanding its impact on service delivery is to focus on the three overarching objectives of PFM, as mentioned by Piatti-Fünfkirchen and Schneider (2018), which are aggregate fiscal discipline, operational (or technical) efficiency, and allocative efficiency. These are also common objectives in health and education service delivery. If implemented well, PFM, therefore, can enhance efficiency and quality health and education service delivery, and it can help keep providers accountable. For example, through budgeting it can impact operational efficiency in hospitals and schools. A hospital and school budget that is defined based on the number of enrolments of students or patients (input) will set different incentives for efficiency in resource use and service delivery than an output-oriented budget that rewards hospitals and schools for better quality care and learning (Piatti-Fünfkirchen & Schneider, 2018). Similarly, weak budgetary controls and accounting can create bottlenecks and leakages and contribute to inefficient provision of services (Piatti-Fünfkirchen & Schneider, 2018).

Piatti-Fünfkirchen and Schneider (2018, p.336) conclude that PFM in general should work as an enabler for health service delivery, but that PFM is often still a “stumbling block”, particularly for “the lack of flexibility to provide additional resources for unexpected demand for care, misalignment between budgeting and planning, fragmented funding sources, rigid internal controls, insufficient budget provision leading to arrears, and a budget evaluation system that is excessively compliance driven and gives inadequate attention to issues of equity, quality, and efficiency in service delivery”.

This report will use the structure of Piatti-Fünfkirchen and Schneider (2018) to explain evidence on impacts of PFM performance on education and health services, which analyses service delivery along efficiency, equity, quality and accountability.

Efficiency

Languille (2019) shows that the allocation of resources to ministries is supposed to be closely tied to their three-year strategic plan and annual action plans that is replicated at all administrative levels, from districts to schools. The reality in Tanzania is that the education sector budget is not the result of a multi-year costed plan computed from macro-economic and demographic assumptions, enrolment projections by sub-sector and targets for teacher-pupil ratio or book-pupil ratio. Budget estimations are the results of the compilation of costed activity plans developed by each unit or department. To cite Languille (2019, p.100):

> *“The starting point of the budget preparation is not a strategic allocation among key priorities or key departments, but the amount of fuel spent on different field visits or the amount of allowances induced by planned workshops. Far from being strategic, the budgeting process remains a bottom-up incremental exercise; the ministry’s leadership only gets involved at the very end of the process for final decisions.”*

Within such a framework, a drastic budgetary reorientation to keep pace with a strategic policy reorientation or centre budget for strategic improvements in education services with less a focus on recurrent costs (e.g. mainly wages) becomes more complicated. Lee (2015) emphasises the inefficiency of the PFM system to equally allocate resources to the districts. The study highlights empirical evidence that shows substantial inefficiencies in most districts in Tanzania, which are mostly related to local managerial effectiveness and teachers' incentives. Although Lee (2015) recommends more research on how these inequalities occur in the PFM system, he concludes that the strong relationships between spending levels in districts and learning results show clearly that unequal spending patterns matter.

Interestingly, Lee (2015) also shows that unequal spending towards districts not only is the result of inefficient PFM systems, but also that it contributes to inefficiencies in the education system. For example, comparing the cost per exam passer in Tanzania shows that it is much more efficient to invest in better education in districts that are under-funded than in the ones that already receive the most. "Efficiency and equity would be served by the same incremental changes to resource allocation, because a more equitable distribution of resources would also be more efficient" (Lee, 2015, p.125). However, this does not mean that resources need to be taken away from the districts that attract the most funding, as his research clearly shows that many primary schools in districts are inefficient. But generating more funds to least served districts has a positive outcome in learning outcomes and is efficient in value invested (Lee, 2015).

For the health sector, Piatti-Fünfkirchen and Schneider (2018) come to many of the same conclusions by examining PFM in Tanzania and Zambia for health service delivery on efficiency:

- Budget system rigidities slow down additional allocations to finance unexpected demand for care.
- Budget ceilings can lead to cuts without prioritising health activities, population groups, or expected outputs and outcomes.
- Fragmented funding sources undermine effective planning.
- Rigid internal controls limit flexibility in budget execution.
- Insufficient budget provisions lead to arrears and price increases.

In Tanzania, health facilities plan their activities to treat the expected need for services by patients. Based on this planned budget the government releases funds. Health facilities are expected to implement activities as outlined in their plans. There is evidence that when demand for health services changes the authorities start a process to release a contingency budget line to finance such unexpected demand. However, this process is often "cumbersome" and "slow", because required supplementary budgets need to be ratified by the legislature (Piatti-Fünfkirchen & Schneider, 2018, p.340). Furthermore, this bottom-up budget planning exercise in Tanzania (budget plans go from the service providers to the district authorities were they get collated and then passed on to the legislative for approval) to deliver activities to their population and achieve specific outputs and outcomes has been labelled as "too aspirational". To cite Piatti-Fünfkirchen & Schneider (2018, p.341):

> *"During legislative enactment, the proposed plans were adjusted by administrators to be within budget ceilings that were set after the planning stage and without adequate consultation with the health sector about priorities. Once actual budget ceilings were established, health facilities were not given the chance to prioritize their plans adequately. The resulting misalignment between planning and budgeting undermines the purpose of bottom-up planning. It is also inefficient because administrators who are unfamiliar with the resource needs in health facilities decide on their behalf."*

The authors admit that the situation "has improved somewhat in recent years" because of efforts to make indicative budget ceilings more realistic and by discouraging wish-list proposals from facilities. Evidence from Kenya shows that the integration of these processes through information technology investments can strengthen these processes even further (Tsofa et al., 2016 as cited in Piatti-Fünfkirchen & Schneider, 2018, p.341).

Health facility managers in Tanzania do not have the necessary autonomy to reallocate funds to changing needs, which limits their ability to allocate funds effectively. Tanzania has recently introduced a programme-based budget classification at the local government level that disburses the budget against programmes like primary health care and preventative care (Piatti-Fünfkirchen & Schneider, 2018). However, during budget execution, the commitment control still applies to inputs and activities instead of outputs. To cite Piatti-Fünfkirchen and Schneider (2018, p.342):

> *"The programme or output budget reforms are therefore not effectively utilised. Automatic virement (transfer from one part of a budget to another) for limited budgets is permitted (e.g., up to 10% between budget lines), however, this approach did not fully address the problem of insufficient flexibility imposed by the rigorous line item commitment control, but it removed some of the inflexibility by allowing for shifting some of the funds."*

Because Tanzania's health system makes use of a negative list of all items that may not be purchased with basket funds, this further could undermine effective planning, facility management, and efficiency, because the various protocols are insufficiently coordinated at the facility level and lead to rigidity in the use of funds (Piatti-Fünfkirchen & Schneider, 2018). The authors mention that an unforeseen shortfall of funds from one source cannot easily be replaced with another during budget execution. This has been found to affect drug availability in health facilities and the adequate provision of medical supplies to provide care. In Tanzania, the problem is partially addressed through investments in information systems and consolidated facility plans that should provide better oversight until purchasing reforms are implemented (Piatti-Fünfkirchen & Schneider, 2018).

Equity

There is evidence that budgets are developed with insufficient attention to equity in Tanzania. Tanzania recently introduced an output orientation to the traditionally input-oriented budget. However, budget formulation is insufficiently informed by equity criteria. For the health sector, as Piatti-Fünfkirchen and Schneider (2018) mention, relevant factors such as disease burden, poverty rates, and changes in population density are not adequately taken into consideration during the budget development stage, which contributes to inequalities over the years. Adjusting the full budget, including human resources by area – specific equity criteria, would provide greater budgets to facilities in disadvantaged areas that generally find it problematic to attract staff to work there.

Tanzania is taking steps towards improving equity of resource allocation in the education sector. One of the problems is the insufficient allocation of teachers to different districts. With the approved update to the teacher deployment strategy, it is creating a framework for better allocation of teachers across the country (UNICEF, 2018). The expectation is that the new policy will help manage significant shortages of teachers, especially in the sciences as well as their often-inequitable allocation – including allocation between administrative and teaching roles.

Furthermore, since 2004, allocation of development funds to local authorities has been based on a formula designed by sectoral ministry. The formula guiding recurrent spending and the recurrent block grant is relatively simple and is dependent on the number of children enrolled in schools in each of the local government authorities (UNICEF, 2018). For the much smaller development grant, additional factors such as performance, level of poverty and classroom shortages are considered. Part of the funds received by local authorities are managed by the authorities themselves while others are transferred directly to schools, under, for example, capitation grant, which allocates a fixed amount of money per student. Numerous studies confirm that the application of formulas is far from perfect and other factors continue to play a role (UNICEF, 2018). However, formula for capitation grant is being reviewed to accommodate equity factors.

Quality

In general, a study by the Tanzania Education Network and ActionAid (2017) shows that the government's policy of free education in pre-primary, primary and lower secondary schools could make it more complicated to achieve the goals for quality learning outcomes. The main challenge is the inadequacy of the funds and the insufficient PFM system for the increased demand for education which consequently has resulted into inefficiency both at administrative and classroom level, mainly in already underserved districts (Tanzania Education Network and ActionAid, 2017). Therefore, it is not clear whether the budget allocated for education is sufficient enough to enable the provision of quality education, especially at a local level, to achieve the goals of the government on improving quality learning in Tanzania. UNICEF (2018, p.3) therefore concludes that "with increasing enrolment, and already insufficient resources, the observed drift away from social services towards infrastructural spending is the main concern for the [education] sector".

Furthermore, research shows that capitation grants on their own do not raise learning levels, however, when money is sent directly to school accounts it is transparent, easy to implement, and results in an increase of learning resources at school (Mahoney, 2016). The problem by funding via local authorities is that they have the authority to decide about funding priorities within the Local Council, which means that funds earmarked for schools may be reallocated to other "priority" sectors (Mahoney, 2016). Therefore, since 2016, the government disburses funds directly to schools. To implement the policy of capitation grant disbursement directly to schools, the Tanzanian NGO Twaweza was involved in engaging with schools while the ministry of local government (PMO-RALG) assisted in the implementation by providing school bank account details and the most recent school enrolment numbers to calculate the total transfers. Schools were required to publish expenditures on a public notice board and follow established government expenditure guidelines. Although there was no stand-alone impact on the short term on learning outcomes, the study found a significant positive impact if the policy was combination with teacher performance incentives (Mahoney, 2016).

Other studies show that the quality of both education and health service delivery was found to be impacted through deficiencies in the budgeting and execution processes. The degree to which budgets were honoured by the Tanzanian government was found to be inadequate and the government disbursed funds late in the year. PFM reforms did not challenge this problem sufficiently. HakiElimu (2013) shows for example that during FY 2012/13 an average of 13,266Tsh per student per year capitation grant reached secondary schools instead of the planned 25,000Tsh; while only an average of 6,025Tsh out of 10,000Tsh planned reached each primary school pupil per head per annum. Such mismatches affect schools, in particular for improving learning facilities and services, as disbursing less funds than budgeted leads to a serious miscarriage of planned activities in schools. To cite HakiElimu (2013, p.3): “Management plans, learning and teaching programmes are normally affected by this and turns into poor results”, even if the disbursed amount reaches schools late.

One explanation as to why this happens is the dependence on donors for the education budget, as donors often disburse less money and late (UNICEF, 2018). Although Tanzania has raised its domestic funds to invest in education, it is still for a large part dependent on donors. This has particularly impacted on development funds as 76% of the total education budget is set aside for recurrent expenditure and 24% of the total education budget is allocated for development expenditure (even the largest part of the development expenditure is allocated to student loans in higher education).[9] When disbursement is lower than planned or arrives late, it mainly affects the development expenditures, as the institutions maintain as much of the recurrent expenditures to ensure payment of wages.[10] It also seems that some districts, mostly the poorest districts, receive very little budget per capita for primary and secondary education and if disbursement is even lower due to PFM weaknesses, this adds to districts having teacher and facility shortages (Shyllon & Joshi, 2015; Lee, 2015).

For an investment to be smart, capital expenses need to be more than administrative spending, which often does not happen in Tanzania (HakiElimu, 2014). Allocating more on recurrent than development expenditures would mean addressing minor challenges. This is true because major constraints in education in Tanzania require more allocation to development projects than recurrent (HakiElimu, 2014).

Another issue is poor inspection to ensure adherence of agreed learning and teaching standards within learning institutions. HakiElimu (2013) mention that contemporary inspection reports reveal that during the financial year 2012/13, the inspection department managed to reach and inspect only 3,835 out of 7,200 planned primary schools, only 1,577 out of 4000 planned secondary schools, and only 177 teaching colleges. In total, the department inspected only 5,527 institutions out of a planned 10,528. In the 2013/14 budget allocations to the inspection department was 3 billion Tsh instead of 10 billion Tsh as recommended by experts in the field and Members of Parliament (HakiElimu, 2013).

This mismatch between planned and disbursed funds is also an issue in the health sector in Tanzania. In health, wages are usually paid, but budgetary allocations for non-salary recurrent expenditures or capital expenditures fare worse (Piatti-Fünfkirchen & Schneider, 2018, p.343).

[9] However, the recurrent budget share of local councils’ total expenditure in education is stable at 94%-96% in years 2015-2018 (UNICEF, 2018).

[10] The result is that development expenditure execution experiences much higher fluctuations. In the first three-quarters of the FY 2016/2017 budget, the Ministry of Education has spent 107% of its recurrent budget estimates and only 61% of the development budget (UNICEF, 2018). The biggest challenge for the credibility of the education budget is relatively low predictability of external funds (UNICEF, 2018). However, the fact that majority of expenditures under the budget are salaries and that education remains a priority sector, execution of the budget will remain closer to the target than in other sectors (UNICEF, 2018).

"The quality of health care suffers if facility managers do not have the necessary funds available to pay for medical material, pharmaceuticals, and facility maintenance. And staff cannot work effectively if they lack the necessary medical supplies to provide care. Stock-outs cause patients to purchase their own medical supplies and medicines from pharmacies, which can reduce equity in access to care."

Accountability

According to HakiElimu (2013), duty bearers have not been accountable enough to implement respective plans and activities that were aimed at improving education in Tanzania. This relates to the unpredictable and often underspent development budget funds that can be linked with underperformance. Where accountability seems to have improved is that capitation grants disbursements are now more transparent through direct disbursement of funds to schools and by making it impossible for local authorities to reallocate capitation funds between sectors where they deemed it appropriate. However, for monitoring learning outcomes and spending, school managers are still accountable to ward and district education coordinators.

Piatti-Fünfkirchen and Schneider (2018) come to three conclusions on accountability for Tanzania and Zambia on health service delivery:

- Facility managers are not held accountable for financial management.
- Financial accountability provides the foundation for autonomy.
- Budget evaluation focuses on compliance and gives inadequate attention to performance.

In Tanzania, also in the health sector, facility managers have now increased financial responsibility through more direct funding lines towards health facilities. The effectiveness of this policy shift has not been evaluated yet because direct disbursement to facilities was only introduced in early 2018. But the idea is that this will reduce the accountability gap of facility managers as they have become responsible for financial management (Piatti-Fünfkirchen & Schneider, 2018). Confidence in payment and reporting during budget execution is necessary to keep managers financially accountable and provide decentralised services in health facilities. Significant investments in information systems were made that have strengthened financial management. These investments were fundamental for channelling funds directly to facilities and giving them more spending autonomy. This makes capacity building in financial management and control an enabling factor for increased spending autonomy in health facilities (Piatti-Fünfkirchen & Schneider, 2018).

The budget evaluation phase should ensure accountability and value for money in financial activities. In Tanzania, budget evaluation has tended to be compliance driven, with inadequate attention to value-for-money measures, equity, and quality (Piatti-Fünfkirchen & Schneider, 2018). As a result, performance indicators on efficiency and equity in service delivery and quality of care are not used to inform budgetary decisions for the next year. To cite Piatti-Fünfkirchen and Schneider (2018, p.343):

"Public expenditure and financial accountability assessments emphasise that even when value-for-money audits are done, results are not used in the next budget formulation process and they are not communicated back to providers. This has affected service delivery because providers do not receive the necessary information and resources to adjust their performance and improve equity, quality, and efficiency. As long as governments face high

fiduciary risks, performance audits are unlikely to be prioritised. Though this area is largely understudied."

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