Tanzania Governance and Public Finance Systems

Assessment of Domestic Resource Mobilisation, Public Finance Management, Statistical Capacity, and Anti-Corruption

Chr. Michelsen Institute & ITAD

Bergen, December 2025

Foreword

This report is developed under the "Framework Agreement for the provision of consultancy services for procurement of consultancy services related to Norad's Governance and Public Finance Portfolio and economic governance engagement".[1] The framework agreement between Norad and CMI includes desk-based studies covering Malawi, Mozambique, Somalia and Tanzania. The studies cover, to the extent possible given the available documentation and dialogues, the most relevant partner analyses, programs, and assistance in the following thematic areas: (1) Domestic Resource Mobilization (DRM), (2) Public Finance Management (PFM), (3) Statistical Capacity, and (4) Anti-Corruption. The purpose of these studies is to provide contextual knowledge that informs priorities relevant to Norway as well as other partners engaged in the thematics covered in the reports, as well as specifically for Norad within the portfolio of Governance and Public Finance. It establishes a foundation for tracking developments over time and identifies potential contributions from the portfolio to such developments.

CMI's study team consisted of Senior Researcher Elling Tjønneland (project leader); Senior Researcher Ingrid Hoem Sjursen (deputy project leader); Research Professor Odd-Helge Fjeldstad (main author of the Tanzania report and co-author of the Malawi report); Senior Researcher Aslak Orre (main author of the Mozambique report and co-author of the Malawi report); and Post Doctoral Fellow Gayatri Sahgal (main author of the Somalia report and co-author of the Malawi report). Rob Lloyd (ITAD) has been responsible for the quality assurance of the reports.

The study team would like to thank the staff of Norad's *Section for Governance* and *the Norwegian Embassies in Dar es Salaam, Lilongwe, Maputo, Mombasa, and Nairobi* for constructive discussions during our work and for their valuable comments on earlier drafts. The country reports do not reflect the policies or views of the Norwegian Ministry of Foreign Affairs or Norad. The opinions expressed are solely those of the authors. Responsibility for the reports' content and any errors rests entirely with the study team.

Bergen, December 2025

[1] Ref. Call off Contract no. 1 2025 case no 2401730-17 between Norad and CMI.

Contents

Acronyms

- **ACA** – Anti-Corruption
- **AC** – Anti-Corruption
- **ACT** – Australia for Cedar Tanzania
- **ADF** – African Development Fund
- **AfDB** – African Development Bank
- **AGOA** – African Growth and Opportunity Act
- **AML** – Anti-Money Laundering
- **BoT** – Bank of Tanzania
- **BRT** – Bus Rapid Transit system (Dar es Salaam)
- **BUFDIR** – Norwegian Directorate for Children, Youth and Family Affairs
- **CAG** – Controller and Auditor General
- **CAP** – Chapter (of Tanzanian Laws, e.g., PCCA CAP 329)
- **CGD** – Center for Global Development
- **CIF** – Climate Investment Funds
- **CMI** – Chr. Michelsen Institute
- **CSO** – Civil Society Organization
- **DPG** – Development Partners Group
- **DPO** – Development Policy Operation
- **DRM** – Domestic Revenue Mobilization
- **EAC** – East African Community
- **EFD** – Electronic Fiscal Device
- **ESAAMLG** – Eastern and Southern Africa Anti-Money Laundering Group
- **EU** – European Union
- **EWURA** – Energy and Water Utilities Regulatory Authority
- **FATF** – Financial Action Task Force
- **FCDO** – Foreign, Commonwealth & Development Office (UK)
- **FY** – Fiscal Year
- **GCF** – Green Climate Fund
- **GDP** – Gross Domestic Product
- **GEF** – Global Environment Facility
- **GFG** – Good Financial Governance

- **GoT** – Government of Tanzania
- **GRB** – Gender Responsive Budgeting
- **HMRC** – Her Majesty's Revenue and Customs (UK)
- **ICT** – Information and Communication Technology
- **IDA** – International Development Association
- **IFMIS** – Integrated Financial Management Information System
- **IGC** – International Growth Centre
- **IMF** – International Monetary Fund
- **INTOSAI** – International Organization of Supreme Audit Institutions
- **JICA** – Japan International Cooperation Agency
- **LGA** – Local Government Authority
- **LNG** – Liquefied Natural Gas
- **MDAs** – Ministries, Departments, and Agencies
- **MTEF** – Medium-Term Expenditure Framework
- **MTRS** – Medium-Term Revenue Strategy
- **NACSAP IV** – National Anti-Corruption Strategy and Action Plan Phase IV (2023–2030)
- **NAO** – National Audit Office (UK)
- **NCMC** – National Carbon Monitoring Center
- **NBS** – National Bureau of Statistics
- **NGACS** – National Governance and Anti-Corruption Survey
- **NSS** – National Statistical System
- **NSA** – Non-State Actor
- **NTA** – Norwegian Tax Administration
- **OCGS** – Office of the Chief Government Statistician (Zanzibar)
- **PCCA** – Prevention and Combating of Corruption Act
- **PCCB** – Prevention and Combating of Corruption Bureau
- **PEFA** – Public Expenditure and Financial Accountability
- **PFM** – Public Financial Management
- **PFMRP VI** – Public Finance Management Reform Programme, Phase VI
- **PO-RALG** – President's Office, Regional Administration and Local Government
- **REA** – Rural Energy Agency
- **TANESCO** – Tanzania Electric Supply Company

- **TPDC** – Tanzania Petroleum Development Corporation
- **PSA** – Production Sharing Agreement
- **PS3+** – Public Sector Systems Strengthening Plus (USAID program)
- **RCN** – Research Council of Norway
- **REPOA** – REPOA (an applied, policy oriented research institute in Tanzania)
- **RGoZ** – Revolutionary Government of Zanzibar
- **RSF** – Resilience and Sustainability Facility
- **SADC** – Southern African Development Community
- **SARA** – Semi-Autonomous Revenue Authority
- **SME** – Small and Medium Enterprise
- **SSA** – Sub-Saharan Africa
- **TADAT** – Tax Administration Diagnostic Assessment Tool
- **TI** – Transparency International
- **ToC** – Theory of Change
- **TRA** – Tanzania Revenue Authority
- **TRAB** – Tanzania Revenue Appeals Board
- **TRAT** – Tanzania Revenue Appeals Tribunal
- **TSMP II** – Tanzania Statistical Master Plan Phase II
- **TZS** – Tanzanian Shilling
- **UNECA** – United Nations Economic Commission for Africa
- **UNICEF –** United Nations International Children's Emergency Fund
- **UHC** – Universal Health Coverage
- **UNODC** – United Nations Office on Drugs and Crime
- **UNU-WIDER** – UN University World Institute for Development Economics Research
- **URT** – United Republic of Tanzania
- **USAID** – United States Agency for International Development
- **VAT** – Value Added Tax
- **WAJIBU** – WAJIBU Institute of Public Accountability
- **WB** – World Bank **ZanPBRS** – Zanzibar Planning and Budgeting Reporting System
- **ZRA** – Zanzibar Revenue Authority

Executive Summary

This report assesses Tanzania's governance and public finance systems across four key areas: **Domestic Resource Mobilisation, Public Financial Management, Statistical Capacity, and Anti-Corruption**. It establishes a reference point for Norad's portfolio engagement, highlighting progress, persistent weaknesses, opportunities for reform and areas where reform momentum is most at risk. The analysis reflects the situation in Tanzania up to the end of October 2025, i.e. before the national election 29 October.

Context

Tanzania faces a challenging domestic and international environment. Declining aid, tightening fiscal space, including rising debt pressures, and mounting climate risks increase the urgency of mobilising domestic resources and strengthening governance systems. The October 2025 election and its aftermath, coupled with clear signs of authoritarian drift, heighten political uncertainty, with risks of weakened enforcement, growing tax exemptions, and increased political control over oversight institutions. At the same time, reform frameworks exist across all four domains, offering potential for meaningful progress if backed by political will and donor alignment.

Cross-Cutting Challenges

- ***Election cycles*** weaken enforcement and fuel exemptions.
- ***Centralised political control*** undermines independence of oversight institutions.
- ***Donor engagement*** is essential but fragmented, especially in mainland Tanzania.
- ***Digitalisation*** provides opportunities to enhance administrative efficiency and reduce discretion, but technology alone cannot replace robust systems and effective management.
- ***Gender and climate considerations*** remain weakly integrated across fiscal and governance systems.

Key Findings

The table below summarises Tanzania's performance across the four thematic areas - **Domestic Resource Mobilisation (DRM)**, **Public Financial Management (PFM)**, **Statistical Capacity**, and **Anti-Corruption** - using a **four-point A–D scale**. The scale reflects both institutional strength and reform momentum (see Annex 4 for details):
A = Strong, **B = Moderately Strong**, **C = Moderately Adequate**, **D = Weak**.

The table presents the overall assessment, key drivers and barriers to change, and areas where Norad is currently engaged or supporting reform.

Overall Assessment

Across all four governance areas, Tanzania's systems are assessed as **moderately adequate (C)**. Reform frameworks exist and some progress is visible - particularly in revenue administration and fiscal discipline - but implementation is uneven and constrained by political interference, weak institutional independence, and fragmented donor coordination. The potential for progress is considerable - especially through targeted technical assistance, improved donor coordination, and strengthened institutional independence - but the risks of stagnation remain high around elections and in politically sensitive areas.

Thematic Area	Overall Rating	Summary Assessment	Main Drivers of Change	Main Barriers to Change	Norway's Engagement (Norad, Embassy, RCN)
Domestic Resource Mobilisation (DRM)	**C – Moderately Adequate**	Revenue targets are often met, but the tax-to-GDP ratio remains low; reform potential is high but constrained by politics and exemptions.	Digitalisation of tax systems; growing SME contribution; institutional cooperation between NTA and TRA/ZRA; donor support for audit and compliance reforms.	Political interference during election cycles; widespread tax exemptions; large informal sector; fragmented donor coordination.	Institutional cooperation between **NTA and TRA/ZRA** on audit, ICT and taxpayer services; support to **IMF tax diagnostics**; tax research through **CMI, REPOA** and **UNU-WIDER**.
Public Financial Management (PFM)	**C – Moderately Adequate**	Macroeconomic stability and fiscal discipline maintained; transparency, procurement, and PEFA indicators remain weak.	PFMRP VI reform programme; credible CAG audit office; prudent fiscal management; donor technical support (IMF, WB, GIZ).	Weak budget credibility; limited transparency; poor follow-up on audit recommendations; fragmented donor programmes.	Support to **PFMRP VI** through **PEFA**, **IMF AFRITAC**, and **INTOSAI**; alignment with **gender-responsive budgeting** initiatives (UNICEF, PO-RALG), support to gender equality through **BUFDIR** (planning stage in 2025).
Statistical Capacity (NSS)	**C – Moderately Adequate**	Legal framework and infrastructure in place, but politicisation and weak analytical capacity reduce data quality and credibility.	Implementation of **TSMP II**; leadership from NBS and OCGS; donor and World Bank support; emerging digital data systems.	Politicisation of official data; weak coordination across MDAs; limited technical capacity; restrictive legal environment for non-official statistics.	Collaboration with **Statistics Norway** and **NBS/OCGS**; support to implementation of **TSMP II**; strengthening survey methods, data quality, and analytical capacity.
Anti-Corruption (ACA)	**C – Moderately Adequate**	Comprehensive legal and institutional framework (NACSAP IV) in place, but enforcement remains selective and politicised.	Ongoing implementation of **NACSAP IV**; PCCB and CAG oversight; increased digital monitoring tools; active civil society and media.	Weak independence of oversight institutions; limited whistleblower protection; fear of retaliation; corruption in procurement.	Support to **watchdog institutions (CAG)**; governance mainstreaming; civil society (**WAJIBU**), research and policy engagement through **REPOA** and **CMI**.

Table 1: Summary of assessments

- All acronyms are defined in the preceding pages.

Conclusion

While frameworks for reform exist, implementation remains uneven and vulnerable to political interference. Sustained donor support, domestic ownership, and institutional independence will be essential to strengthen accountability, transparency, and fiscal resilience. Norad's catalytic, multi-donor-aligned role positions it to contribute strategically to these efforts.

1. Introduction

This report is developed under the "Framework Agreement for the provision of consultancy services for procurement of consultancy services related to Norad's Governance and Public Finance Portfolio and economic governance engagement". The framework agreement between Norad and CMI includes desk-based studies covering Malawi, Mozambique, Somalia and Tanzania. The purpose of these studies is to provide contextual knowledge that informs priorities within the portfolio, establishes a foundation for tracking developments over time, and identifies potential contributions from the portfolio to such developments.

Consistent with the studies of the other countries, this report serves as a reference point against which future progress and changes in Tanzania's performance across key areas - Domestic Resource Mobilization (DRM), Public Finance Management (PFM), Statistical Capacity, and Anti-Corruption - can be measured. It is not just descriptive, but a benchmark for assessing reforms, identifying gaps, and guiding Norad's strategic engagement over time. This introductory section sets the stage by examining (1) the changing and increasingly unpredictable regional and global context, and (2) the current domestic situation, including signs of authoritarian drift, rising political uncertainty, stronger political control over oversight institutions, and growing climate-related challenges. It discusses the implications of these developments for domestic revenue mobilization, public finance, and anti-corruption efforts in Tanzania. **The analysis reflects the situation in Tanzania up to the end of October 2025, i.e. before the national election 29 October.**

In its Monetary Economic Report from January 2025, Bank of Tanzania gives optimistic projections for the Tanzanian economy (p. ix): "*In the fourth quarter of 2024, there was a remarkable improvement in the global economic conditions. Growth improved, inflation declined, financial conditions eased due to policy rate cuts, and commodity prices, particularly for crude oil, moderated. This improved economic conditions in the Tanzania economy*."

During the first quarter of 2025, the global, regional, and domestic context have changed substantially, with likely negative impacts on the Tanzanian economy, though it is too early to judge the full consequences. Below, we highlight aspects of the changes in the global and the domestic context relevant to the portfolio.

1.1 Global and regional context

Globally, foreign aid, particularly from USAID, UK's FCDO, and UN agencies have been reduced significantly in 2024 and the first half of 2025. Cuts from others are likely to follow. It will also be important to watch funding from the World Bank and UN agencies (if they also get less funds). In Tanzania, the US cuts has had severe impacts on the health sector, especially programmes like PEPFAR that have been crucial in combating HIV/AIDS (ACT, 2025; Kilimo Kwanza, 2025). Additionally, projects in agriculture, governance and infrastructure have been affected. In the 2025 Budget Speech (URT, 2025a), the Minister of Finance announced reforms to mitigate reduced donor support in FY 2025/26, focusing on boosting domestic revenue through tax and digital economy reforms, tightening debt management and fiscal discipline, and improving public finance management to ensure efficient use of limited resources. On 27 November 2025, the European Parliament called on the **European Commission to suspend any direct support to the Tanzanian authorities**, after the violent repression of protests that broke out in Tanzania after the elections **end of October**.

Trump's trade war and increasing tariffs is another global development that will affect Tanzania. As of August 2025, US tariffs on Tanzanian exports stood at 10% (CGD, 2025). While direct trade exposure to the US is limited, a global slowdown from higher tariffs could reduce demand from key trading partners in Asia and the Middle East, weighing on export revenues (Deloitte, 2025). Customs revenues may rise temporarily, but weaker earnings and higher import costs risk fueling inflation and slowing growth. Even so, Tanzania's economy showed resilience, with mainland GDP growth of 5.8% in Q1 and 5.5% in Q2 2025, supported by stable power, gold exports, and cement production (BoT, 2025: 8). Inflation remained low at 3.2%, within both the SADC and EAC regional benchmarks (ibid., p. 10).

Regional conflicts in the Great Lakes and northern Mozambique risk disrupting trade, investment, and regional infrastructure (World Bank, 2025b; UNECA, 2023). **Tensions with Kenya**, Tanzania's largest EAC trading partner, could further undermine market access and regional integration gains (Hersi et al., 2025). Combined, these pressures may dampen growth, heighten inflation, and strain fiscal and external balances (IMF, 2025a).

1.2 Domestic context

Election: The general election on 29 October 2025 was a key event shaping Tanzania's political context. Throughout 2024 and 2025, political space has narrowed dramatically. Opposition parties reported detentions of senior leaders, alongside widespread harassment of organisers, and allegations of abductions and extrajudicial killings targeting activists and government critics (Paget, 2025a, 2025b). This marked a **sharp authoritarian turn** that contradicted the reformist narrative of Samia's early tenure (Paget & Kwayu, 2025).

The emergence of large-scale youth-led demonstrations during the election period represents one of the most significant political developments in Tanzanian politics in decades (Minde, 2025). Unlike previous cycles of opposition-led mobilisation, the recent protests arose from widespread social frustration rather than from formal party structures (Mzalendo, 2025: 3). Their scale, coordination through digital platforms, and broad socioeconomic composition took the ruling elite by surprise. In several regions, the police responded with heavy force - an outcome documented by journalists, civil society groups, and social media actors.[2]

The October 2025 election and its violent aftermath - protests, crackdown, curfews and internet shutdowns - have introduced a **serious risk of economic disruption in Tanzania**. Key sectors that previously underpinned growth and public revenues (tourism, agriculture, trade) are now under strain. While the country's macro-economic fundamentals had been positive going into the election, **the political crisis threatens to undercut growth, depress revenues, and weaken investor and donor confidence**. How Tanzania responds - both in terms of political reconciliation and economic policy - will be decisive in determining whether this remains a temporary shock or evolves into a more protracted economic decline.

Ahead of the election, it was expected that the Union Government would avoid open conflict with the business community, particularly micro, small, and medium-sized enterprises, who constitute an important voting bloc. This suggested that the TRA might be instructed to adopt a

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[2] Demonstrations began on election day and intensified in the days that followed. As they grew, reports surfaced of widespread killings amid a curfew, an internet shutdown, and a local media blackout. Multiple accounts - including SADC's preliminary election statement - indicate that police fired on protesters. CHADEMA claims more than 2,000 people were killed, while the government has dismissed this as "hugely exaggerated" and has refused to release an official death toll, instead emphasising property damage (CNN, 2 December 2025). On 6 November 2025, *The Economist* (2025a) wrote that Tanzania was experiencing "its Tiananmen moment". In a preliminary report, the African Union (AU) election observer mission, led by former Botswana President Mokgweetsi Masisi, concluded that the "uncompetitive" elections "did not comply with AU principles, normative frameworks and other international obligations and standards for democratic elections" (Yieke, 2025).

softer and more business-friendly approach to tax enforcement, avoiding practises that could provoke tax-related protests such as those witnessed nationwide in 2024 (Karashani, 2024) and in Iringa in May 2025 (Simbaya, 2025). Such an approach is likely to weigh on tax collection. Moreover, past elections have been associated with an increase in tax exemptions, as business actors supporting the ruling party during campaigns are often rewarded with preferential treatment. Bak and Therkildsen (2022), for example, show that **around election periods** - when demand for campaign financing is particularly high - **overall tax revenues tend to decline while tax exemptions for firms and individuals increase**.

Tanzania faces mounting **climate risks** that threaten its largely rain-fed agricultural sector, which in 2023 contributed 24% of GDP, 20% of exports, nearly all food security, and two-thirds of employment (World Bank, 2024b:1). The country also has one of the world's highest deforestation rates, with worsening land degradation and pollution (ibid. 2). Water stress is intensifying, as urban growth and irrigation compete for limited resources, leaving Dar es Salaam and Dodoma - the country's economic and political centers - vulnerable to shortages and rationing, especially during droughts.

According to the latest **UNDP Gender Inequality Index** - where 0 indicates full gender equality and 1 indicates maximal inequality across reproductive health, empowerment, and labour market dimensions - **Tanzania's score of 0.504 reflects substantial gender disparities**, particularly in reproductive health outcomes and educational attainment, despite relatively strong labour force participation among women (UNDP, 2025).

1.3 Organization of the report and qualitative assessments

The remainder of the report is structured as follows. Sections 2, 3, 4, and 5 present assessments for each of the four key areas: Domestic Resource Mobilization (DRM), Public Finance Management (PFM), Statistical Capacity, and Anti-Corruption. Within each area, we identify key assessment dimensions to evaluate progress, which can be revisited over time. We also provide a qualitative assessment of the current status based on the available information. For this purpose, we apply

a **four-point A–D scale** aligned with international diagnostic frameworks such as **PEFA** and **TADAT** (see Annex 4 for details on the methodology). The scale reflects both institutional strength and reform momentum:

A = Strong, **B = Moderately Strong**, **C = Moderately Adequate**, **D = Weak**.

2. Domestic Resource Mobilisation

This section provides an overview of Tanzania's domestic resource mobilization (DRM) system. We start by describing the composition of domestic revenue. We then zoom in on taxation and describe the tax administrative system as well as tax collection, and the current structure and functioning of the tax system. The aim is to identify key drivers and bottlenecks in revenue generation, assess the potential for broadening the tax base, and examine the institutional frameworks underpinning tax collection in both Mainland Tanzania and Zanzibar. Insights from recent data and reforms are used to inform recommendations for strengthening domestic revenue capacity, with attention to the role of external support and the experiences of taxpayers.

2.1 Composition of domestic revenue

Statistics on domestic revenue mobilization in Tanzania differ between different databases such as OECD, World Bank, IMF, and the General Audit Reports from the Controller and Auditor General (CAG) of the GoT. Here, we focus on what we consider to be the most reliable, comparable and easily accessible source, namely the UNU-WIDER Government Revenue Dataset (UNU-WIDER, 2023), and complement these with more updated and detailed information from other sources where necessary.

Domestic revenue in Tanzania includes national taxes, non-tax revenue[3], and Local Government Authority (LGA) own-source collections. Figure 1 illustrates the development of domestic revenue (excluding LGA own-source collections) – in total as well disaggregated by national tax and non-tax revenue, from 1980 to 2022 as reported in the UNU-WIDER Government Revenue Dataset. Table 2 complements this picture with numbers from CAG (2025) for the fiscal year 2023/24, in which LGA own-source collection is also reflected. These numbers show that **national tax revenue has been, and continues to be, the primary source of domestic revenue in Tanzania. In the fiscal year 2023/24, national taxes contributed TZS 26.065 trillion (87%)** of the total actual domestic revenue collection. In the same year, non-tax revenue generated about 9% of total DR, and LGA own source revenues only 4% (Table 2).

Domestic Revenue Category	Budget (TZS Trillion)	Actual (TZS Trillion)	(Under)/Over Collection (TZS Trillion)	(Under)/Over Collection %
Tax Revenue	26.725	26.065	(0.660)	(2)
Non-Tax Revenue	3.512	2.636	(0.876)	(25)
LGA Own Source	1.144	1.232	0.088	8
Total	**31.381**	**29.933**	**(1.448)**	**(5)**

Table 2: Domestic revenue collection FY 2023/24 (CAG, 2025)

[3] Non-tax revenues can include various sources such as penalties, fees, dividends and other revenue sources apart from tax.

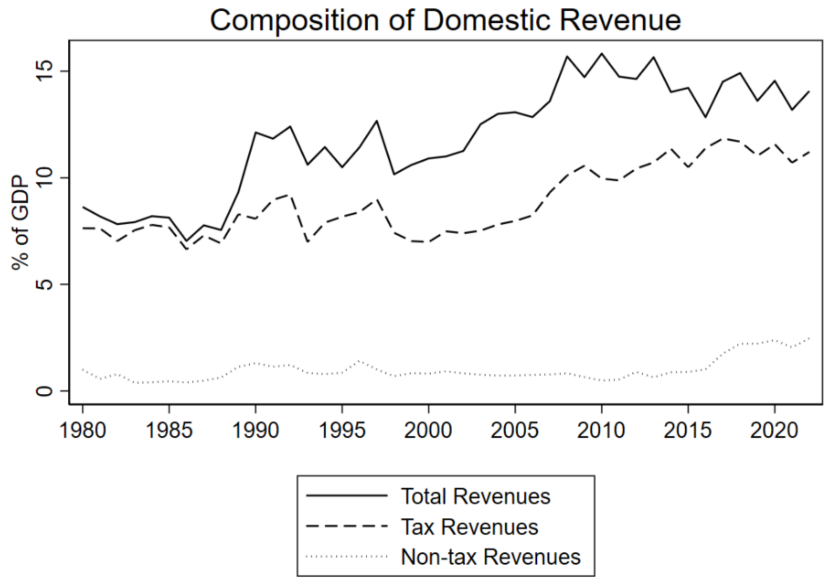

Figure 1: Composition of Domestic Revenue in Tanzania 1980-2022 (UNU-WIDER, 2023)[4]

2.2 Revenue administration

Tanzania has two national tax administrations, responsible for collection the major tax and revenue bases. Both TRA and ZRA are semi-autonomous revenue authorities (SARAs).[5]

Tanzania Revenue Authority (TRA) was established by Act of Parliament No. 11 of 1995 and started its operations on 1st July 1996.[6] TRA is responsible for administering various taxes of the central Government: PIT, PAYE, CIT, VAT, customs duties, excises, import licenses, SDL, digital service tax, withholding tax, capital gains tax, gaming tax, stamp duty in mainland Tanzania. TRA is also responsible for collecting direct taxes and customs duties in Zanzibar. By March 2025, TRA had a staff of 6,989, compared to 4,749 four years ago. According to Commissioner General (CG) Yusuph Mwenda, TRA plans to recruit an additional 1,596 staff members, which will increase the total to 8,585.

Zanzibar Revenue Authority (ZRA) is the main Agent of the Revolutionary Government of Zanzibar responsible for Revenue Administration in Zanzibar established under Act number 11 of year 2022. ZRA is a continuation of Zanzibar Revenue Board (ZRB) that became operational from July 1998 under the ZRB Act No.7 of 1996.[7] ZRA is responsible for collecting non-union

[4] Numbers for Total Revenues and Tax Revenues exclude social contributions (compulsory and voluntary social insurance contributions from employers, employees, and the self-employed), see details in Oppel, McNabb and Chachu (2021).

[5] A SARA has more autonomy than the revenue collection departments in a ministry of finance. In addition, customs and tax operations, which were previously handled by different departments, are integrated into a single-purpose agency. A SARA can, in principle, recruit, retain, and promote quality staff by paying salaries above the civil service regulations and also dismiss staff more easily. It was expected that such steps would provide incentives for greater job motivation and less corruption. It was also assumed that the revenue authority model would be less vulnerable to political interference in its operations. Currently, 23 countries in sub-Saharan Africa have established a SARA. See Jeppesen (2022), and Fjeldstad (2026).

[6] Details on TRA's current management structure can be found here.

[7] An overview of ZRA's revenue and support departments can be found here.

taxes in Zanzibar: VAT, stamp duty, hotel levy and fees, licenses and duties. In May 2025, ZRA had 433 staff members in the Unguja and Pemba offices combined. Of these 60 are interns.

In addition to TRA and ZRA, a multiplicity of government agencies collects different fees, levies and duties, including LGAs/municipalities (e.g. city service levy and business licenses), TANESCO (property tax), NHC (rental), tourist commission (hotel licenses), etc. Although each of these levies and charges may be small, in aggregate they add up to substantial amounts especially for small firms, and in general they add to compliance costs (see e.g. Asri *et al.,* 2025).

2.3 Tax revenue

In this section, we describe trends tax revenue collection over time and compare Tanzania to other countries in the region. We also describe the importance of different types of taxpayers and taxes. Given its importance to the total domestic revenue collection, and the availability of data, the main emphasis, but we also discuss Local Government Authority own revenue and revenue from other tax-like contributions because they represent a significant burden (both in terms of time and money) to many taxpayers.

Total tax revenues and performance: Figure 2 illustrates the development of the tax-GDP-ratio in Tanzania and the other East African Countries from 1980 to 2022, based on the UNU-WIDER Government Revenue Dataset (2023). It shows a steady, but slow increase in Tanzania's tax-to-GDP-ratio in the period. In 2022, the country's tax-to-GDP-ratio was 11.2% - the lowest among the East African Countries.[8] Table 3 reports corresponding numbers from CAG (2025). The CAG numbers are generally higher than those provided by UNU-WIDER (possibly because they include local government), but they paint a similar picture (Table 3): Tanzania's tax-GDP-ratio remains lower than that of the other countries in the region.[9] According to the Bank of Tanzania (BoT, 2025), the domestic revenue collection in Mainland Tanzania in the second quarter of 2024/25 reached approximately 99.5% of the target, with tax revenue exceeding the target by 2.2%. This performance was driven by increased economic activity and enhanced tax administration efforts. In Zanzibar, tax revenue is estimated to have surpassed the target by 3.9%, largely due to improved tax enforcement and taxpayer compliance (BoT, 2025).

Country	2020/21	2021/22	2022/23	2023/24
Kenya	13.70%	15.00%	14.20%	13.8%
Rwanda	16.30%	15.80%	15.00%	14.9%
Tanzania	11.70%	12.80%	12.50%	13.0%
Uganda	13.00%	13.50%	13.70%	13.5%
Burundi	17.00%	17.60%	18.00%	17.0%

Table 3: Tax-to-GDP ratios for East African countries 2020/21 – 2023/24 (CAG, 2025)

[8] Burundi: 16.2%, Kenya: 14.5%, Rwanda: 14.3%, Uganda: 11.8% (UNU-WIDER, 2023).

[9] Reported tax-to-GDP ratios vary across data sources (OECD, World Bank, IMF, UNU-WIDER, and national authorities), reflecting differences in coverage, treatment of specific revenue categories, and revisions to national accounts. Rebasing exercises, in particular, can produce substantial downward adjustments in the ratio by expanding the denominator (GDP).

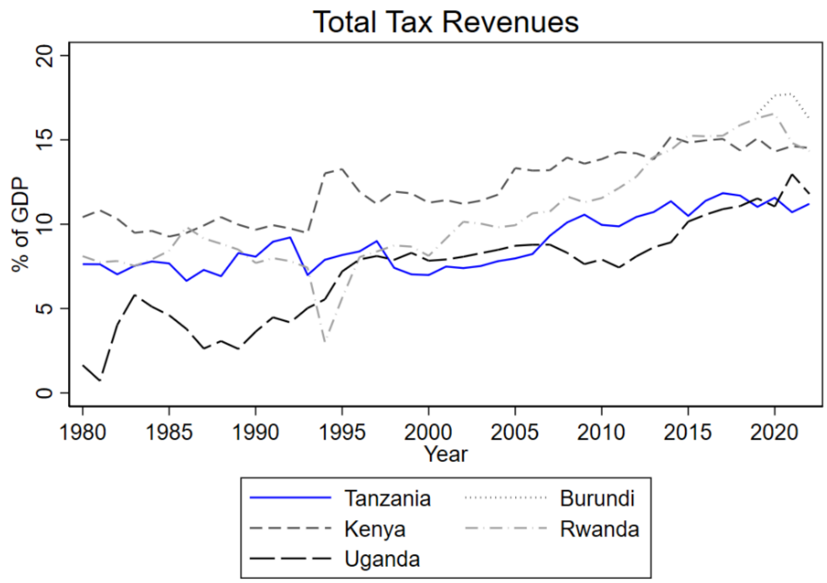

Figure 2: Tax-GDP-ratio in Tanzania and other East African Countries (UNU-WIDER, 2023)[10]

Tax revenues and performance by taxpayer department: In Mainland Tanzania in FY 2023/24, the Large Taxpayer Department accounted for 41.7% of overall actual revenue collection by the Tanzanian Revenue Authority (TRA), followed by the Customs and Excise Department with 38.8%, and the Domestic Revenue Department with 19.5% (NAO, 2025: 18). While the Customs and Excise Revenue Collection Department exceeded its revenue target, both the Domestic Revenue Department and the Large Taxpayer Department fell short of their respective targets (ibid: 19). The underperformance was primarily attributed to shortfalls in collections from excise duty, withholding taxes, Value Added Tax (VAT), individual income taxes, the Skills and Development Levy, petroleum taxes, and other tax categories. In Zanzibar, Zanzibar Revenue Authority's Domestic Revenue Department contributed 53.6% of the revenue collected, while the Customs and Excise Department accounted for 46.4% in FY 2023/24.

Tax revenues by tax type: Figure 3 illustrates the development of tax revenues, disaggregated by indirect taxes (collected by another entity an entity in the supply chain, such as taxes on consumption, sales and trade) than indirect taxes (such as personal and corporate income tax and property tax). It shows that, like other lower- and lower-middle income countries, Tanzania relies more heavily on indirect than direct taxes (7% vs 4.2% of GDP in 2022). Among indirect taxes (left panel), the Value Added Tax is the most important (3% of GDP in 2022). Looking at revenues from direct taxes in the right panel, the Personal Income Tax, followed by the Corporate Income Tax, are the most important revenue sources.

[10] Total Tax Revenues excluding social contributions (compulsory and voluntary social insurance contributions from employers, employees, and the self-employed). See details in Oppel, McNabb and Chachu (2021).

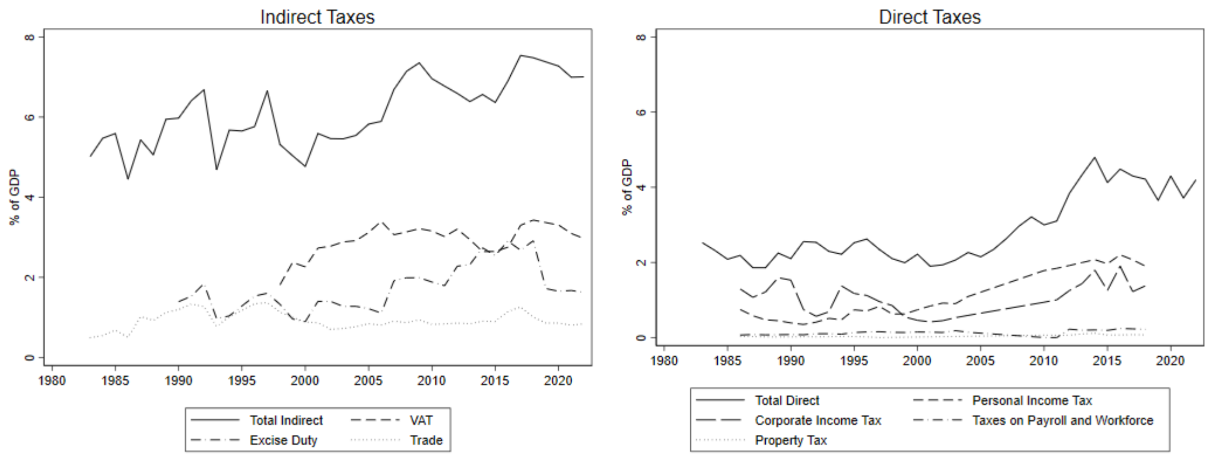

Figure 3: Revenue from indirect (left panel) and direct (right panel) taxes as % of GDP 1980-2022 (UNU-WIDER, 2023)[11]

Tax revenues by taxpayer type: The largest share of tax revenues is collected from businesses in the formal sector (not individual taxpayers), largely in the form of Value Added Tax (VAT), excises, customs duties and Corporate Income Taxes (CIT) (Asri, Fjeldstad, Katera and Nassary, 2025). The number of formal firms, registered with the Tanzania Revenue Authority (TRA) and eligible for taxation, more than doubled, rising from 145,819 in 2013 to nearly 400,000 in 2021 (Onder et al., 2023: 28). In particular, there has been a significant increase in the number of small formal firms over the past decade. However, although large firms represented only 0.2% of all formal firms in 2021, they accounted for 53.3% of formal employment (ibid). While tax payments increased across firms of all sizes, small and medium-sized enterprises (SMEs) accounted for a disproportionate share of the overall growth in tax revenue. In 2013, small firms contributed just 13.4% of total business tax revenue, but by 2021 their share had risen markedly to 22.5% (ibid.). The contribution from medium-sized firms also grew, albeit more modestly, from 16.5% to 18.8%, even as their share of formal employment halved during the same period. Although large firms remained the dominant source of business tax revenue, their share declined from 70.0% in 2013 to 58.7% in 2021. These trends underscore the increasing importance of small firms in the expansion of Tanzania's formal sector over the past decade.

Tax and gender: Tanzania's Constitution prohibits discrimination, including on the basis of sex. Current tax laws apply equally to women and men, with no differences in rates, thresholds, filing rules, or reliefs. In other words, there is no explicit gender differentiation in personal income tax, VAT, excise, or customs provisions (Policy Forum, 2020). However, tax policies can still produce **gendered effects** without being overtly discriminatory. A notable example is VAT on menstrual products: VAT on sanitary pads was removed on 1 July 2018 but reinstated on 13 June 2019, as the expected price reduction reportedly did not reach consumers. While this was not a sex-based rate, it directly affected a women-specific good (Periodtax, 2020).

[11] **Total Indirect:** comprise the sum of taxes on goods and services, international trade and transactions, and other taxes, and excludes social contributions. **Total Direct:** Includes taxes on income, profits and capital gains, taxes on payroll and workforce as well as taxes on property, and excludes social contributions. See details in Oppel, McNabb and Chachu (2021).

The Budget Speech for FY 2025/26 by the Minister of Finance (URT, 2025a) does not introduce gender-targeted tax measures, such as special provisions for women-owned businesses or menstrual health products. Instead, the proposed VAT and income tax changes focus on agricultural inputs, textiles, online payments, presumptive arrangements for small transporters, and improving collection efficiency—none of which are framed in gender terms. The speech also highlights work on new revenue sources for HIV/AIDS control and financing Universal Health Coverage (UHC), but without reference to gender-specific parameters. **Gender-responsive content is strongest on the expenditure side** of the Budget (girls' schools; maternal/newborn health; UHC rollout).

2.4 Tax base and potential for broadening the revenue base

Tanzania's tax revenue to GDP is below the SSA average and below that of several regional peers (see Section 3.3). It is also **significantly below its estimated potential**, and revenue performance has continuously fallen below budget expectations (IMF, 2024: 11). **A Tax Review Commission** was appointed by President Samia in 2024. It was composed of representatives from the public and private sector, and academia. A key component of the Commission's mandate was to increase tax revenues by broadening the tax base.[12] It was expected that the Commission would submit its report with recommendations for tax reforms in good time before the general election 29 October 2025. This seems now unlikely. It is possible that they will not diverge much from recommendations made by different other organizations, including IMF and the WB, on how to broaden the tax base and increase revenues. The World Bank's Economic Update 2024 summarizes these as follows (World Bank, 2024 p. 13):

> *The government plans to implement a series of measures to boost revenue collection in FY2024/25. Key initiatives include improving the business environment, broadening the tax base, and strengthening the enforcement of tax laws. Efforts will also target enhancements to the tax IT system, with a particular focus on property taxation. Additionally, the government aims to invest in productive sectors, promote the formalization of the informal economy, tighten controls on tax evasion, and improve service delivery at border posts.*

These are relevant recommendations, though it is noteworthy that addressing the extensive tax exemption regime in Tanzania and measures against illicit financial flows are not mentioned in the WB-report. However, in Tanzania's request to IMF for an extended credit facility program in 2022, tax policy and revenue administration efforts during the program period were incorporated (IMF, 2022). They included (ibid, p. 86): (i) broadening the tax base by reducing the informal sector through incentivizing more electronic declarations and electronic payments; (ii) bringing the digital economy into the tax net; (iii) controlling and reducing tax exemptions granted in the tax laws; and (iv) enhancing tax administration systems.

Addressing the informal sector, reducing tax exemptions and curbing illicit financial flows are complex and challenging tasks, but they offer significant potential for broadening the revenue base. It is, however, essential to recognize the limited capacity of the TRA and other relevant government agencies to implement such reforms. Without clear prioritization, realistic timeframes, and adequate financial and technical support, expectations of substantial improvements should remain cautious.

[12] The full Commission interviewed CMI's Odd-Helge Fjeldstad in December 2024 (online).

Taxing the extractive sectors: Tanzania's extractive sector has recorded significant growth and remains a key contributor to the national economy (TEITI, 2025). In 2024, the mining sector accounted for 10.1% of Gross Domestic Product (GDP) and nearly 50% of total exports. The industry includes both small- and large-scale operations, with performance continuing to improve year after year. Tanzania is endowed with a wide range of mineral resources. Key minerals include gold, iron ore, nickel, copper, cobalt, silver, diamonds, tanzanite, tin, ruby, garnet, limestone, soda ash, gypsum, salt, phosphate, coal, uranium, gravel, graphite, sand, and dimension stones. More recent explorations have also uncovered valuable industrial minerals such as graphite, rare earth elements, and helium gas. In 2022/23, extractive industries employed a total of 72,715 people, accounting for about 2.0% of total employment on Tanzania's mainland (TEITI, 2025). Employment records show that women are underrepresented across all cadre job levels, while the number of regular and casual employees is nearly equal.

The **mining fiscal regime** imposes royalties on mineral production, calculated on the gross value of minerals, with rates varying by mineral type: 6% for metallic minerals, certain gemstones, and diamonds; 5% for uranium; 3% for industrial and building materials; and 1% for salt and some minor minerals. The 2016 Finance Act introduced a dedicated corporate income tax regime for mining operations, under which mining and petroleum income is taxed at 30%. However, the Income Tax Act and related laws provide exemptions for gains arising from the realization or transfer of mineral rights when such rights are transferred to entities involving government participation (e.g., free carry shares), provided certain conditions are met (see UNCTAD: Investment Policy Hub).

The **petroleum fiscal regime** also includes royalties, cost recovery, profit sharing, bonuses, and statutory taxes and fees. For example, royalty rates are set at 12.5% for onshore production and 7.5% for offshore production. Under production sharing agreements (PSAs), the transfer of PSA interests may be subject to taxation in accordance with specific provisions.

Revenues from mining taxes have increased in recent years. According to the 2025/26 Budget Speech (URT, 2025a), mining tax revenues accounted for about 2.8% of TRA's total collections in FY 2023/24. This figure excludes non-tax royalties collected outside TRA. Nonetheless, **transfer pricing and valuation risks** persist. While the royalty on gross value helps mitigate base erosion, concerns about misvaluation and under-declaration remain (TEITI, 2025). Furthermore, the **fragmentation of revenue collection across agencies** complicates cash-flow forecasting, chart-of-accounts classification, and in-year reporting. Extractive revenues are administered by multiple entities - TRA, the Mining Commission, and TPDC—before being consolidated into the national budget (both tax and non-tax). In addition, a 0.3% profit-share transfer to LGAs is made outside the central budget framework.

Taxing the informal sector: A large share of the economic activity in Tanzania is located within the informal sector (see Annex 1, section on the economy). Much of the 'anger' about tax evaders in the informal sector centres on competition from enterprises that operate well above the margin of subsistence.[13] Survey data collected in 2019/21, shows that taxing the informal sector is important to many Tanzanians. As many as 68% or respondents agreed or strongly agreed with the statement "Government should ensure small traders and other people working in the informal sector pay taxes on their businesses" (Afrobarometer, 2021). However, the sector is hard to tax. Generally, tax administrations tend to give it little priority, because, in cash terms, returns to effort

[13] This 'anger' has in recent years resulted in tax riots among formal sector businesses. In May 2025, for instance "traders shut shops in protest over informal business invasion in Iringa" (Simbaya, 2025).

may be low and attempts of collecting the tax are likely to be unpleasant, difficult, or even dangerous. Yet, finding better ways of taxing the informal sector is receiving increasing attention by the Ministries of Finance and TRA and ZRA. TRA, for instance, has introduced a 'Block Management System' (BMS) that aims to promote compliance by registering all eligible small and medium scale enterprises within a particular sector or geographical area, and to gather relevant tax information on the level of economic activities to fight tax evasion. The BMS has simplified the registration of traders and has brought non-filers and non-payers into the tax net, through closer monitoring and collaboration with local government authorities. Thus, it is expected to widen the tax base.

Tax exemptions: Tax exemptions are widespread in Tanzania. Reforming and reducing the exemption regime has been on the policy agenda for decades. A study by the African Development Bank from 2010 found that exemptions and tax incentives combined could account for up to 6% of GDP in Tanzania (ADB, 2010). According to official data, about 40% of the exemptions in FY 2009/10 were granted by the Tanzanian Investment Centre (TIC) and the Zanzibar Investment Promotion Authority (ZIPA). Exemptions granted to mining and donor funded projects represented 7.1% and 10.4%, respectively, of total exemptions although these sectors may have enjoyed additional tax exemptions through the TIC. In 2022, an IMF mission on tax system diagnostics found that widespread and poorly targeted tax exemptions and inefficient tax administration contributed to the country's weak revenue performance (IMF, 2024: 11). To address these gaps, the authorities agreed to take initial steps by approving revenue measures with an estimated revenue yield of 0.5% of GDP per year starting in FY2024/25 and committed to remove income tax exemptions provided to export processing zones and special economic zones by end-June 2025. However, streamlining and simplification of tax exemptions have proved to be challenging, largely due to influential lobbying groups.[14]

Tax appeals: A recurrent issue between TRA and taxpayers is related to tax appeals. The CAG report shed some light on this challenge, which may motivate tax evasion and contribute to erode trust in the tax system (CAG, 2025). The CAG's audit of TRA revenue statements for FY 2023/24 found that TRA had 1,186 tax cases pending at various appellate levels, with a total value of TZS 9.83 trillion for mainland Tanzania. This represents a decrease of 6.2% compared to the worth of cases pending in the previous financial year (2022/23). However, despite this progress, a significant backlog of tax disputes remains, potentially delaying government revenue collection and affecting fiscal planning (CAG, 2025: 21-22). The CAG's review has identified significant gaps in case resolution rates, which are found to be significantly below the targets of the Medium-Term Expenditure Framework (MTEF) 2023/24 – 2025/26. These targets require the Tanzania Revenue Appeals Tribunal (TRAT) to resolve 80% and the Tanzania Revenue Appeals Board (TRAB) to resolve 90% of tax disputes filed annually. According to the CAG's review, this shortfall is due to delays in appointing key tribunal and board members, insufficient budget allocations, a lack of systems to track cases, and the influx of new cases. These deficiencies could lead to delays in revenue collection and contribute to an increasing backlog of unresolved cases.

Tax evasion: Non-compliance with tax laws is identified by the CAG as a major challenge for revenue enhancement and public financial management (see CAG 2025: 25-26). The 2023/24

[14] For a case study on how such lobbying may work in practice, see Fjeldstad and Rakner (2024).

budget framework emphasizes various policies, strategies, and administrative measures aimed at improving revenue collection. These include ensuring the proper use of Electronic Fiscal Devices (EFDs) to enhance efficiency, as mandated under Regulation 28(1) of the Income Tax (Electronic Fiscal Devices) Regulations 2012. Additionally, Section 83(A) and Paragraph 4(C)(IV) of the Income Tax Act, Cap 332, require government entities to withhold 2% income tax on payments to resident suppliers, promoting early tax collection and minimizing the risks of underreporting. Failure to demand EFD receipts and deduct withholding tax undermines the government's efforts to improve revenue collection, creates opportunities for tax evasion, and hinders TRA from effectively tracking and verifying taxable transactions. See Buluba et al. (2025) for a discussion of the challenges associated with the use of EFDs and possible measures to address or mitigate them.

Afrobarometer regularly collects information on citizens' perceptions of a wide range of issues, including tax compliance and enforcement, from a representative sample of Tanzanians. Data from the 2021/22 Afrobarometer survey show that citizens perceive tax avoidance to be highly prevalent in Tanzania. As many as 45.5% of the respondents believe that people in the country avoid tax often or always - a substantial increase from 27.5% in 2012 (see left panel, Figure 4). At the same time, in data from 2021, 67% think that a good citizen should always pay taxes they owe to the government, and 77% agree or strongly agree that the tax authorities have the right to enforce taxes (middle and right panel, Figure 4).

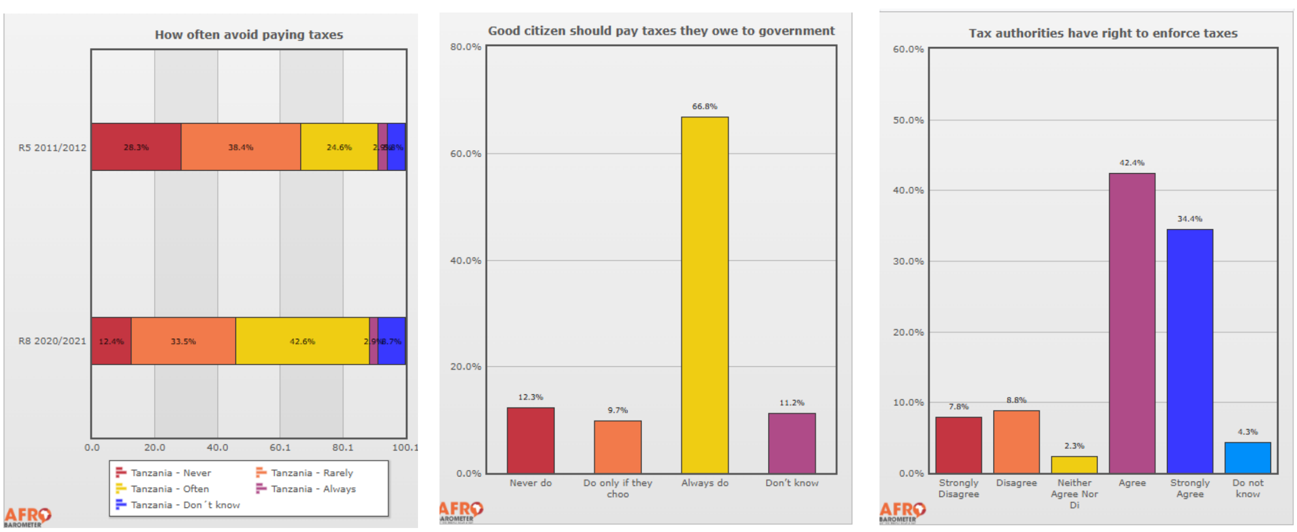

Figure 4: Perceived tax avoidance (left), behavior of a good citizen (middle) and right to enforce taxes (right) (Afrobarometer, 2012; 2022)

2.5 Qualitative assessment

In this section, we summarize the status of the DRM thematic area and provide an overall assessment of its strengths and weaknesses. Table 4 presents an evaluative summary of the status of the DRM thematic area.

Assessment Area	Short Summary/Justification	Qualitative Rating
Revenue Collection	Slow growth in tax-to-GDP ratio, performing worse than neighbouring countries	D
Revenue Target Performance (Mainland)	Exceeded target by 2.2% (second quarter 2024/25)	A
Revenue Target Performance (Zanzibar)	Exceeded target by 3.9% (second quarter 2024/25)	A
Institutional Revenue Composition	High reliance on large firms and formal sector taxation	B
Progress on Tax Base Expansion	Plans to establish a HNWI tax unit	C
Informal Sector Taxation Strategy	Slow progress	D
Exemption Reform	Political and business resistance	D
Administrative Capacity	Recruitment of staff in TRA and ZRA with skills in IT, auditing	B
External Support Coordination (Zanzibar)	Scale of donor support is limited (NTA)	C
External Support Coordination (Mainland)	Reliance on fragmented and uncoordinated donor programs	D

Table 4: Summary of qualitative assessments for DRM

The strengths and weaknesses of the DRM system can be summarized as follows.

- **Strengths**: Expanding formal sector and SME contribution to tax base; improving administrative tools like the Block Management System; some donor-backed reforms in place; increased staffing at TRA and ZRA.
- **Adequacy**: Recent revenue collection targets have been met or exceeded, but the tax-to-GDP ratio remains low relative to regional peers, and structural weaknesses persist.[15]
- **Weaknesses**: Widespread tax exemptions; weak enforcement in politically sensitive periods; large informal sector remains under-taxed; backlog of tax disputes; risk of political interference in revenue authorities; weak coordination among revenue actors in Mainland.
- **Potential vs. Risk**: Significant potential for broadening the base and improving compliance - if politically sensitive reforms (e.g., exemptions, informal sector taxation) are pursued. High risk of stagnation around election cycles due to political trade-offs and patronage networks.

[15] Revenue collection is improving relative to targets; however, the structural base remains weak due to a low tax-to-GDP ratio, widespread exemptions, and a large informal sector.

Tanzania's DRM framework shows commendable improvements in tax administration and compliance mechanisms. However, persistent challenges in taxing the informal sector, managing tax exemptions, and resolving tax disputes reduce overall performance. The system remains heavily reliant on large firms and formal sector taxation, with underutilized potential in both the informal sector and non-tax revenues. While targets were met or exceeded in many areas, shortfalls in key departments highlight operational inefficiencies that warrant targeted administrative reforms. **Overall, DRM is rated C (moderately adequate)**, with significant untapped potential but high vulnerability to political trade-offs. Broader reforms are needed to elevate capacity and efficiency to a *Strong* level.

2.6 The political economy of change of the DRM system

Analysing the **political economy of change** requires understanding not only technical and institutional dynamics but also **power relations, incentives, and resistance to reform**. Below is an analysis of the key drivers **of change** and the **main sources of opposition** within the DRM domain.

Drivers of Change:

- **President and the Executive**: President Samia Suluhu Hassan's government has indicated a commitment to tax reform, notably by appointing a **Tax Review Commission** tasked to identify measures to broadening the tax base.
- **Tanzania Revenue Authority (TRA)**: As a semi-autonomous agency, TRA plays a central role in implementation. Under its current leadership, there are ongoing efforts to enhance integrity, staff discipline, and compliance systems (e.g. EFDs, Block Management System).
- **Foreign Donor Agencies**:[16] Major multilateral agencies, especially **IMF** and the **World Bank**, are actively involved in strengthening tax systems (especially in Zanzibar), and can push for reforms via technical support and conditionalities.
- **Private sector platforms** (e.g. CTI, TPSF): Can influence tax reforms, especially those related to simplification and predictability.

Opposition to Change:

- **Political elites and campaign financiers**: Tax exemptions are often granted as rewards for political loyalty or campaign funding, particularly during election years.
- **Large business lobbies**: Some powerful firms benefit from **informal arrangements**, exemptions, or under-taxation, and resist efforts to broaden the base or close loopholes.
- **Informal sector**: Although it is large and growing, taxing it effectively is politically sensitive and technically difficult; efforts often face public backlash or tax riots (e.g. Iringa, 2025).
- **Within TRA itself**: Internal corruption and resistance from rent-seeking staff can undermine reform. Semi-autonomy has not insulated the agency from political interference in recruitment and enforcement.

[16] In Tanzania, these are generally referred to as *Development Partners* by both the government and donors.

2.7 External support to strengthening the tax system

Many bilateral and multilateral donor agencies provide support for strengthening the tax system in mainland Tanzania (see **Annex 3**). The key actors in DRM - according to a recent World Bank mapping (March 2025) - are IMF, the World Bank, the African Development Bank (AfDB), the European Union, Finland, Germany/Switzerland (through the Good Financial Governance (GFG) programme), Japan (JICA), Norway, United Kingdom, UNDP, and USAID (terminated in 2025). Weak coordination and, to some extent, duplication of efforts remain challenges.

In **mainland Tanzania**, Norad's portfolio supports domestic revenue mobilisation through tax system modernisation, institutional cooperation with the Norwegian Tax Administration (NTA), and IMF-led technical reforms.[17] An inception phase agreement between the NTA and the Tanzania Revenue Authority (TRA) is in place. The cooperation focuses on ICT and digitalisation of tax systems, customer-oriented processes, and strengthening taxpayer audits. Norway also contributes through IMF regional programmes that support the implementation of major tax reforms. In addition, collaboration with Tanzanian ministries seeks to better integrate gender considerations into tax and fiscal policy reforms.

Norad's portfolio in **Zanzibar** focuses on strengthening the Zanzibar Revenue Authority (ZRA) through institutional cooperation with the NTA. In addition, Norad supports tax research through CMI/Repoa, which is aligned with and creating synergies within the portfolio.

The support combines technical reforms (audit, ICT, and data use), organisational development, and behavioural research (in collaboration with CMI and REPOA) to enhance ZRA's capacity to collect taxes fairly and efficiently, improve compliance, and build public trust in Zanzibar's fiscal institutions.

Both the Zanzibar and mainland Tanzania portfolios emphasise the digitalisation of tax systems, improved audit capacity, and strengthened taxpayer compliance. In Zanzibar, the cooperation is deep, bilateral, and organisationally focused, aiming to develop the ZRA almost from the ground up under a new legal framework. On the mainland, reforms are broader and more multilateral, linking TRA's modernisation to wider governance priorities such as gender-responsive fiscal policy, public finance management, and anti-corruption.

Zanzibar's portfolio is a targeted bilateral programme aimed at professionalising and modernising a young revenue authority, while mainland Tanzania's DRM portfolio is embedded within a broader governance and reform ecosystem supported by multilateral partners. The two streams reinforce one another: Zanzibar serves as a pilot model for organisational transformation, while TRA reforms aim to strengthen system-wide fiscal resilience.

Linked to the institutional partnership between NTA and ZRA is the TANZAN research project (2021–2025), led by CMI and funded by the Research Council of Norway. Grounded in behavioural economics, the project examines tax compliance, trust, and business development in Zanzibar, with a particular focus on taxpayer trust and social norms. Its goal is to strengthen ZRA's capacity to mobilise domestic revenue, ensure compliance, and build public trust in the tax system. Research findings are already informing ZRA policies and routines, with NTA supporting the translation of results into practice.

NTA's cooperation with TRA and ZRA (on audits, ICT, taxpayer services, and research on compliance) complements IMF technical assistance (tax diagnostics, customs, MTRS support) and the Good Financial Governance programme (Germany, Switzerland, EU) which also works on tax data, exemptions, and informal sector taxation

[17] See Norad (2025). *Portfolio Review 2024. Governance and Public Finance.* Norad Report.

In mainland Tanzania, overlap risks exist with JICA (risk-based audit operations for TRA) and UK/HMRC technical support on tax, since Norad/NTA also focuses heavily on audits and audit training. However, Norad's bilateral model is distinctively institutional and long-term, compared to others' project-based inputs. In Zanzibar, Norad's bilateral institutional cooperation (ZRA - NTA) is relatively unique, with only limited overlap.

Norway's research-based approach (with CMI, REPOA, NTA and ZRA) fills a niche not well covered by other foreign donor agencies.

3. Public Finance Management

This section describes and assesses the current state of Tanzania's public finance management (PFM), with a focus on fiscal balance, system strengths and weaknesses, ongoing reforms, including gender responsive budgeting and climate change mitigation, and the role of external support. It aims to assess the sustainability of the fiscal framework, identify critical gaps, and provide evidence for future support and reform priorities.

3.1 Fiscal balance[18]

In recent years, Tanzania has established a strong track record of macroeconomic stability, despite significant economic shocks. The country has maintained robust economic growth, manageable fiscal balances, and single-digit inflation. Its vast natural resources and favourable demographics have supported high levels of investment, which have been key drivers of economic growth. Growth accelerated to 5.5% in 2024, driven by rising exports, a favourable agricultural season, and increased electricity supply. Stronger global demand for Tanzanian exports - such as gold, tourism, and agricultural commodities - improved the country's terms of trade. The current account deficit is estimated to have narrowed to 2.3% of GDP in 2024 - a level considered sustainable over the long term. This has also helped ease pressures in foreign exchange markets, where flexibility remains limited.

Despite an ambitious infrastructure agenda, Tanzania's fiscal deficit has recently trended toward the regional benchmark of 3% of GDP Public debt remains contained at around 50% of GDP. According to the World Bank, the inflation has been kept below then Bank of Tanzania's 5% target with a combination of prudent fiscal management and tight monetary policy.

Tanzania's public debt portfolio is characterized by a continued dominance of external borrowing alongside a steadily deepening domestic debt market. As of March 2025, external debt accounted for about two-thirds of central government debt (approximately 67-70%), while domestic debt represented around one-third (about 30-33%), a composition that has remained broadly stable despite overall debt growth (URT, 2025b). External debt is largely concessional and owed mainly to multilateral institutions - such as IDA, ADF, and the IMF - which together account for over two-thirds of external obligations, helping to contain borrowing costs and debt-service pressures. Domestic debt, although smaller in share, plays an increasingly important role in financing, driven by the expansion and maturation of the local bond market. Treasury bonds dominate domestic debt instruments, and holdings are concentrated among institutional investors, particularly pension funds and insurance companies, followed by commercial banks. While domestic borrowing supports market development and reduces reliance on foreign currency financing, it carries higher interest rates and shorter maturities than external concessional loans,

[18] The information provided in this section is based on World Bank (2025) unless otherwise is specified.

resulting in higher debt-service costs relative to its share in total debt.[19] Overall, Tanzania's debt composition reflects a balance between leveraging low-cost external financing and developing domestic capital markets, within a framework that remains assessed as at moderate risk of debt distress (TICGL, 2025).

In its *Debt Sustainability Analysis* from 3 July 2025, IMF concludes that Tanzania remains at a **moderate risk of debt distress** under the Low-Income Country Debt Sustainability Framework (LIC-DSF), reflecting its **medium debt-carrying capacity** (IMF, 2025b). According to the IMF, all external debt burden indicators remain below the policy-relevant thresholds under the baseline scenario, and the present value of total public debt continues to stay below the 55% of GDP benchmark. However, liquidity indicators have weakened relative to the previous Debt Sustainability Analysis (DSA), driven by higher repayments on short-term domestic debt and lumpy amortization of external loans. Stress tests indicate that external debt dynamics are **particularly sensitive to export and exchange-rate shocks**, while **contingent liabilities and climate-related shocks** pose additional risks to overall public debt sustainability.

Since some indicators are approaching their respective policy thresholds, the CAG raised concerns of signals of emerging risks to debt servicing capacity in the Annual Report for the financial year 2023/24 (CAG, 2025).[20] In particular, the debt service-to-exports ratio stands at 12.8%, nearing the 15% threshold, while the debt service-to-revenue ratio is at 15.5%, compared to the 18% benchmark (World Bank and IMF, 2025a, p. 21). When these ratios near their upper limits, the economy becomes more vulnerable to external shocks - such as exchange rate depreciation, reduced export earnings, or declining government revenues - which could push debt service burdens beyond sustainable levels and heighten the risk of debt distress. While the overall risk of debt distress remains moderate, as noted in the most recent assessment, the narrow buffers underscore the need for close monitoring and continued prudent debt management (CAG, 2025).

Like many other low-income and lower-middle-income countries (LICs/LMICs), Tanzania faces challenges in accessing external financing and has experienced a recent decline in foreign aid - a trend expected to persist over the medium term. For instance, annual grants as a share of GDP have fallen to less than one-sixth of the average recorded over the past two decades (IMF, 2025a, p. 11), as illustrated by Figure 5.

[19] Manger et al. (2025) argue that Tanzania and Uganda exemplify cases where the expansion of domestic debt has been accompanied by clear progress in domestic market development, alongside peers such as Nigeria, Rwanda, and Mauritius. In these countries, domestic market development has been further supported by increased participation of private and subnational public issuers, who are increasingly relying on domestic securities as part of their funding mix. In a recent article on *"Africa's other debt crisis",* The Economist (2025b) highlights the IMF's warning that rising domestic government debt poses risks to local banks, particularly through financial repression, as inflation can erode the real value of banks' government securities holdings.

[20] At that time, both the debt service-to-export ratio (11.7%) and the debt service-to-revenue ratio (14.5%) were further above the threshold than the most recent estimates from July 2025.

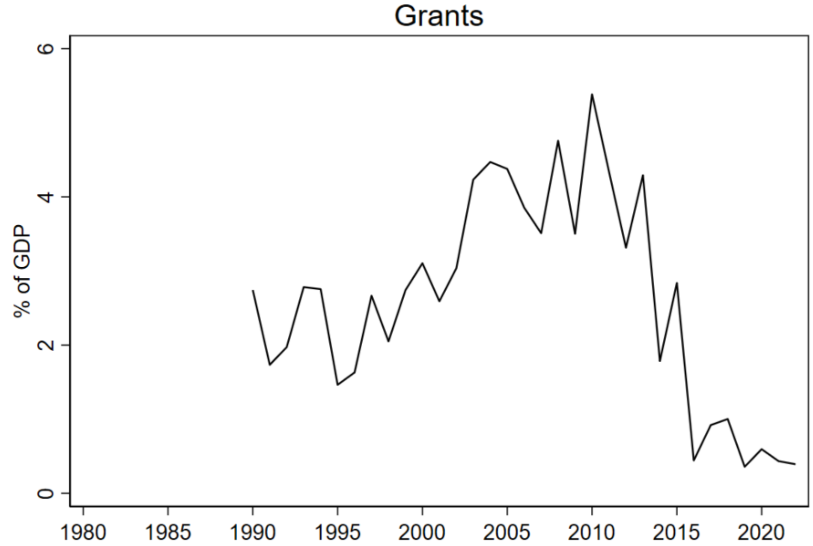

Figure 5: Grants-to-GDP ratio in Tanzania 1980-2022 (UNU-WIDER, 2023)[21]

3.2 Strengths and weaknesses of the PFM cycle

Accurate revenue forecasting is critical for maintaining budget credibility. Overly optimistic forecasts can lead to unrealistic expenditure allocations, resulting in budget deficits or cuts to essential social and economic programs. Conversely, underestimating revenues may create room for unplanned or ad hoc spending, undermining fiscal discipline. However, the 2022 Country's Annual State of Financial Accountability Report (CASFAR), prepared by the WAJIBU Institute of Public Accountability using the Public Expenditure and Financial Accountability (PEFA) framework, highlights seven indicators that received a rating of D or D+ - the lowest scores in the PEFA assessment (WAJIBU, 2024a). These indicators include: budget reliability, revenue management, asset and liability management, alignment of financial operations with policy-based fiscal strategy and budgeting, predictability and control in budget execution, and transparency in public finance. The CASFAR report further notes that weaknesses in these areas - particularly in revenue and expenditure management - remain persistent, as also evidenced in the Controller and Auditor General's (CAG) reports for the fiscal year 2023/24 (CAG, 2024).

3.3 Ongoing reform efforts

The government is currently implementing the sixth phase of its Public Financial Management Reform Programme (PFMRP VI) for the period 2022/23 to 2026/27 (URT, 2022). A key objective of the program is to strengthen financial management systems to enhance the efficiency, transparency, and accountability of public resource use across all levels of government. To support this goal, the government has introduced a range of mechanisms and systems aimed at improving revenue collection and strengthening overall fiscal management.

[21] Grants include transfers from other government units (foreign) and international organisations. See details in Oppel, McNabb and Chachu (2021).

The PFMRP VI emphasises **gender, climate change, and green procurement as cross-cutting issues in PFM** that must be addressed to foster equitable and sustainable socio-economic development (URT, 2022: 24). Within this framework, **gender-responsive budgeting (GRB)** is formally recognised and promoted through recent guidance and assessments. GRB provides an approach to budgeting that explicitly considers the impact of fiscal policy, PFM, and public administration on gender equality, the development of girls and boys, and the inclusion of specific groups of people. In line with gender mainstreaming principles, PFMRP VI underscores the need to consider minority interests—such as people with physical and/or mental disabilities—when allocating budget resources. It also stresses the importance of allocating resources to **measures aimed at minimising the disruption caused by climate change** and incorporating adaptive strategies for communities vulnerable to extreme weather events (URT, 2022: 35).

However, the implementation and tracking of these priorities remain incomplete and uneven, particularly at the local government level. For example, although no explicit legal provisions prevent women from benefiting from public spending, gaps in GRB practice mean that benefits are not always systematically aligned with women's needs (Koda and Mtasingwa, 2021). A major constraint is the limited and inconsistent collection of gender-disaggregated data, which is essential for identifying evolving gender needs and effectively integrating them into the budget process (ibid, p. 40). Furthermore, resources dedicated to implementing GRB remain inadequate, despite its explicit recognition in policy documents as a key element of gender mainstreaming.

In his Budget Speech for 2025/26 (URT, 2025a), the Minister of Finance highlights ongoing measures to **mitigate climate change** - including implementation of the Environmental Master Plan - and the establishment of the National Carbon Monitoring Center (NCMC) to strengthen **carbon-trading** management. It also points to access to climate finance via the IMF Resilience and Sustainability Facility (RSF).

The 2025/26 Budget Speech embeds climate mainly through **risk management and main-streaming** (project-level climate assessment; disaster-resilience assumptions), **targeted fiscal measures** (a carbon-based excise, **VAT reliefs** on Compressed Natural Gas (CNG) stations and related vehicle installation equipment), and **institutional/finance hooks** (such as NEMPSI, NCMC, RSF, GCF, CIF, and GEF). Adaptation-relevant spending is visible in **water**, **transport** (BRT in Dar es Salaam), and **energy** initiatives, even when not always labelled explicitly as "climate" in the text.

3.4 Qualitative assessments

In this section, summarize the status of the different areas of the PFM system and provide an overall assessment. Table 5 presents an evaluative summary of the PFM thematic area.

Assessment Area	Short Summary/Justification	Qualitative Rating
Fiscal Balance and Macroeconomic Stability	Prudent fiscal management, inflation below targets, deficits around regional benchmarks	A
Public Debt Sustainability	Moderate risk of distress	B
Revenue Forecasting and Budget Credibility	Persistent overoptimistic revenue forecasts	D
Budget Transparency and Accountability	Weak procurement oversight, limited citizen access to budget information	D
PEFA Indicator Scores	Low PEFA scores: Multiple "D" &"D+" ratings	D

Assessment Area	Short Summary/Justification	Qualitative Rating
Implementation of PFMRP VI	Align with good practices, but implementation gaps	B
External Support and Coordination (Zanzibar)	Some donor-backed support, but scale is limited compared to Mainland	B
External Support and Coordination (Mainland)	Fragmented donor programs	D

Table 5: Summary of qualitative assessment for DRM

Strengths and weaknesses of the PFM system can be summarized as follows:

- **Strengths**: Stable macroeconomic indicators; moderate debt distress risk; credible audit function via CAG; structured reform program (PFMRP VI); donor engagement.
- **Adequacy**: Fiscal discipline has been maintained, but PEFA ratings show persistent weaknesses in core budget functions and transparency.
- **Weaknesses**: Low revenue limits fiscal space; overoptimistic forecasts undermine budget reliability; weak procurement compliance; slow implementation of audit recommendations; patronage and political allocation distort spending; weak implementation of priorities related to gender and climate.
- **Potential vs. Risk**: Potential for efficiency gains through ongoing reforms and digitalization. Risk of stagnation if political interference in procurement and budget execution persists, especially at LGA level.

Tanzania's PFM system has maintained macroeconomic stability and sustainable debt, supported by prudent fiscal management and PFMRP VI reforms. Yet, weaknesses in revenue forecasting, budget credibility, and procurement oversight persist, reflected in low PEFA ratings. Donor engagement is extensive but fragmented and weakly coordinated in mainland. **Overall, PFM is rated C (Moderately Adequate)**. Prudent fiscal management and coordinated technical assistance could shift this trajectory toward *Strong*.

Fiscal policy has been managed prudently, with Tanzania maintaining macroeconomic stability and keeping debt at a sustainable level. However, low revenue performance and declining donor grants pose long-term risks. Emerging pressures in debt-servicing indicators point to the need for intensified efforts to increase domestic revenues and protect fiscal buffers.

Tanzania's PFM cycle shows important institutional weaknesses, especially in execution, transparency, and budget realism. While the framework for reform exists, implementation gaps continue to undermine fiscal accountability and public trust. Strengthening forecasting and improving transparency are urgent priorities.

Reform initiatives are well-aligned with good practices and donor priorities, but tangible outcomes remain uneven. Continued donor engagement, capacity-building, and leadership commitment will be essential to translate reform intentions into measurable improvements.

External technical assistance continues to be critical, particularly in areas of fiscal governance and local government finance. However, gaps in donor coordination and Zanzibar's limited access to support hinder overall impact. A more strategic alignment of donor programs could enhance reform coherence and effectiveness.

3.5 The political economy of change of the PFM system

Analysing the **political economy of change** requires understanding not only technical and institutional dynamics but also **power relations, incentives, and resistance to reform**. Below is an analysis of the key drivers **of change** and the **main sources of opposition** within the PFM domain.

Drivers of Change:

- **Ministry of Finance and Planning**: Leads on budget formulation, implementation, and fiscal reforms. Has a strong influence on donor engagement and national policy alignment.
- **Controller and Auditor General (CAG)**: Has emerged as a credible institution, producing robust audit reports that expose inefficiencies and corruption in procurement and spending.
- **Parliamentary Public Accounts Committees (PACs)**: When empowered, they can scrutinize budget execution and hold ministries accountable based on CAG reports.
- **Foreign donor agencies**: Through a combination of financial and technical support, institutions such as the IMF, World Bank, GIZ, and others influence PFM policies, particularly through their engagement in the Public Financial Management Reform Programme VI (**PFMRP VI**, 2022/23–2026/27).

Opposition to Change:

- **Political patronage networks**: A significant portion of procurement and budget allocations is used for patronage, especially in LGAs and public works.
- **Weak enforcement**: Despite audits and recommendations, implementation and follow-up of corrective actions remain limited.
- **Local Government Authorities (LGAs)**: Often lack capacity and incentives to manage funds transparently, especially in rural areas where oversight is weak.
- **Resistance from vested bureaucratic interests**: Some civil servants benefit from opaque systems and may resist transparency-enhancing reforms such as IFMIS expansion or e-procurement systems.

3.6 External support to strengthening the PFM

Several development agencies - most notably the IMF and the World Bank, but also others - provide support for strengthening public financial management (PFM) in mainland Tanzania (see **Annex 3**). GIZ works with PO-RALG to enhance PFM in local government authorities (LGAs) and also provides technical assistance to the Controller and Auditor General (CAG), with a focus on follow-up actions to CAG reports. Several donor agencies also support NGOs and the media in advocacy and monitoring of public spending. UNICEF focuses on gender-responsive budgeting, expenditure monitoring, and sectoral spending. In 2025, the Norwegian Directorate for Children, Youth and Family Affairs (Bufdir), with funding from Norad, is preparing a new gender equality programme with counterparts in Zanzibar and on the mainland.

Norad supports PFM reforms through multilateral channels such as PEFA, IMF AFRITAC, and INTOSAI. These efforts are broadly complementary to the World Bank/UK-supported PFMRP VI, as well as EU and AfDB budget support. The focus is on evidence-based assessments (e.g., PEFA) to identify strengths and weaknesses in national PFM systems and to use these findings for reform design and monitoring.

4. Statistical Capacity

This section assesses the current state and institutional capacity of Tanzania's statistical system, focusing on the production, coordination, credibility, and use of data for decision-making in domestic resource mobilisation (DRM) and public finance management (PFM). It also examines ongoing reform efforts and external support, identifying areas for further strengthening.

4.1 Capacity of statistical offices

There is no shortage of statistical data in and on Tanzania, including information related to taxation and public financial management (PFM). However, data on corruption is less readily available. The Controller and Auditor General (CAG) reports do provide case-specific information where public funds or regulations have been misused. Additionally, the Tanzania Revenue Authority (TRA) publishes annual figures on 'disciplinary cases,' although these encompass a range of issues, with corruption being just one among them. Data on DRM is provided by a wide range of sources, both domestic and international (see Table 6).

Domestic providers (not complete)	International providers (not complete)
• National Bureau of Statistics (NBS). • Ministry of Finance • Bank of Tanzania • Tanzania Revenue Authority (TRA) • Zanzibar Revenue Authority (ZRA) • Office of the Chief Government Statistician Zanzibar • Sector ministries (e.g. Ministry of Health, Ministry of Education, Ministry of Works, Transport and Communications, Ministry of Energy and Minerals • PO-RALG Regional Administration and Local Government	• IMF & Tanzania and the IMF • World Bank and WB in Tanzania • OECD Global Revenue Statistics Database • United Nations UN Statistics Division • UNU-WIDER Government Revenue Dataset • GTED Global Tax Expenditures Database • EU Tax Observatory • The Atlas of the Offshore World

Table 6: Domestic and international providers of DRM statistics

By law each ministry and government authority are obliged to have a statistical unit, but there is no system in place to secure consistent formats of the datasets. National Bureau of Statistics can request data from the ministries and agencies and shall serve as a coordinating body for data production.

One challenge lies in the inconsistencies between various data sources - both among domestic statistics providers and between domestic and international sources. Domestically, the quality of datasets differ substantially between different government agencies. While, for example TRA has a fairly well-developed system for compiling and publishing revenue data, the datasets (e.g. on VAT) are often tainted by inconsistencies and errors. In ZRA, senior managers refer to the revenue data as useless for analytical purposes and has requested the Norwegian Tax Administration for assistance to improve the databases. While the NBS is reasonably well capacitated with statisticians, most other public agencies, including TRA and ZRA, suffer from a shortage of statistical and econometric expertise to analyse and interpret the data.

Data and statistical information play a crucial role in informing decision-making processes. However, there have been reports of Tanzania Revenue Authority (TRA) staff manipulating datasets to present more favourable findings to their superiors. Additionally, Tanzania has a documented history of politicizing statistics. While interaction between statistics and politics is inevitable, there are instances where political agendas have influenced the production and presentation of data. One notable example is the controversial inflation of GDP growth figures from 2015 onwards, reflecting the misuse of statistics for political purposes (Tkalec & Umbach, 2020).

The IMF and World Bank argued that Tanzania's official growth figures were likely inflated, citing conflicting economic indicators such as declining tax revenues, stagnant public sector wages, reduced lending to the private sector, and decreased foreign direct investment—all of which suggested that the reported growth was counterintuitive (The Economist, 2020). While GDP measurement is inherently complex and prone to errors in data quality and methodology, the Tanzanian case appeared to carry strong political undertones. Two developments support this claim. First, in 2019, the late President John Magufuli blocked the release of an IMF economic report (Financial Times, 2019). Second, in 2018, the Tanzanian government amended the 2015 Statistics Act, introducing severe penalties—including imprisonment—for the collection and dissemination of statistical information deemed to "invalidate, distort, or discredit official statistics" (Reuters, 2018). However, under pressure from the IMF and World Bank, the law was amended again in 2019. Currently, statistical information from non-governmental sources must be reviewed by the National Bureau of Statistics before publication (The Citizen, 2021).

4.2 Mechanisms for data sharing

The National Bureau of Statistics (NBS) is an autonomous public office responsible for producing timely and accurate official statistics for use by the government, business community, and the general public. Its statutory functions are outlined in the Statistics Act No. 9 of 2015 (R.E. 2019), which also mandates NBS to serve as the coordinating agency. within the National Statistical System (NSS), ensuring the production of high-quality official statistics.

In Zanzibar, statistical operations are governed by the Statistics Act No. 9 of 2007. This Act mandates the Office of the Chief Government Statistician (OCGS) to provide official statistics to the government, the business community, and the general public. Initially functioning as a department within the Zanzibar Planning Commission, the OCGS was later transformed into a semi-autonomous public institution. Similar to the reforms on the Tanzanian Mainland, this transformation aimed to enhance the effectiveness and efficiency of statistical production and coordination in Zanzibar.

The National Statistical System (NSS) comprises various actors, including data producers, providers, suppliers, and users, as well as statistical training institutions (see NBS, 2021). These actors include Ministries, Departments, and Agencies (MDAs); Local Government Authorities (LGAs); Public Institutions and Statutory Corporations (PISCs); and Non-State Actors (NSAs). The apex bodies responsible for coordinating the NSS are the National Bureau of Statistics (NBS) for Tanzania Mainland and the Office of the Chief Government Statistician (OCGS) for Zanzibar.

4.3 Coordination and reform efforts ongoing

According to NBS (2021: vii), weaknesses within the National Statistical System (NSS) have, in some instances, resulted in the production of poor-quality data. These weaknesses include insufficient coordination among statistical actors, limited awareness of the importance of statistics among decision-makers, and the generally low priority accorded to statistical activities. The Tanzania Statistical Master Plan II (TSMP II) was developed to address these shortcomings. It provides a comprehensive framework aimed at strengthening the NSS through institutional development and legal reform, human resource and capacity development, and the enhancement of statistical infrastructure. Further, TSMP II is designed to improve coordination, increase statistical awareness, and ensure the consistent production of high-quality statistics across the country.

TSMP II aims to build trust in official statistics by ensuring the production of timely and high-quality data. This will be achieved through the provision of, and adherence to, statistical guidelines grounded in quality principles and good international practices. The plan underlines that particular emphasis will be placed on strengthening the capacity of emerging data producers—such as businesses and social media platforms—that are generating vast amounts of data. When properly coordinated and integrated, this data has the potential to address some of the most persistent information gaps.

4.4 Qualitative assessments

In this section, we summarize the status of the statistical system and provide an overall assessment of its strengths and weaknesses. Table 7 presents an evaluative summary of the status of the PFM thematic section.

Assessment Area	Short Summary/Justification	Qualitative Rating
Availability of DRM and PFM-related Data	Key fiscal and revenue data available, but timeliness and accessibility vary	B
Quality and Consistency of Revenue Data	Inconsistencies across agencies reduce reliability for policymaking	D
Statistical and Econometric Capacity (TRA/ZRA)	Limited analytical and modelling skills	D
Independence and Credibility of Statistics	Politicization of data has reduced credibility and public trust	D
Legal Framework for Data Sharing	Formal provisions exist, but weak enforcement	B
NSS Coordination and Integration	Coordination structures exist, but fragmentation and poor integration weaken system coherence	C
TSMP II Reform Framework	Provides a comprehensive roadmap for reforms	A
External Support and Technical Assistance	Donor engagement has supported surveys and training, but fragmentation limits sustainability	A

Table 7: Summary of qualitative assessments for statistical capacity

The strengths and weaknesses of statistical capacity can be summarized as follows:

- **Strengths**: NBS relatively well-resourced; presence of reform plan (TSMP II); donor support; growing role of non-state data actors.
- **Adequacy**: Problematic - capacity is uneven, politicization has undermined credibility, and data fragmentation reduces utility for decision-making.
- **Weaknesses**: Inconsistent data quality across agencies; politicization (e.g., inflated GDP); poor coordination and sharing; lack of analytical capacity in many MDAs; restrictive legal environment for non-official statistics.
- **Potential vs. Risk**: High potential if TSMP II is implemented fully with political buy-in and stronger coordination. Risk of stagnation if political control over statistics continues and capacity constraints remain unaddressed.

Tanzania's statistical system benefits from relatively strong institutional infrastructure, a comprehensive reform framework (TSMP II), and significant donor support. These provide a solid foundation for strengthening the National Statistical System. Nonetheless, weaknesses in data quality, analytical capacity, and politicisation of statistics undermine credibility and effective use in policymaking. Legal frameworks and coordination mechanisms exist but remain weakly enforced, and agency silos remain a challenge. **Overall, the statistical system is rated C (moderately adequate)**. Contingent on consistent reform implementation and strengthened independence statistical capacity could shift from fragmented and politicised to credible and robust.

Building statistical integrity and institutional independence remains a critical reform priority. Legal frameworks for data sharing exist and NSS structures are in place, but institutional linkages and data integration mechanisms remain underdeveloped. Harmonising systems and strengthening inter-agency collaboration will be key to improving data accessibility and usability.

The Tanzania Statistical Master Plan II (TSMP II) provides a robust framework for reform, but success hinges on political support, consistent implementation, and improved accountability mechanisms across all NSS stakeholders. The plan's full potential has yet to be realised.

External partners have made critical contributions to statistical system development, especially in capacity building and technical system reform. However, fragmented support and limited domestic ownership risk undermining long-term impact. Improved donor coordination and stronger follow-up mechanisms are needed.

4.5 The political economy of change of the statistical system

Analysing the **political economy of change** requires understanding not only technical and institutional dynamics but also **power relations, incentives, and resistance to reform**. Below is an analysis of the key drivers **of change** and the **main sources of opposition** within the statistical domain.

Drivers of Change:

- **National Bureau of Statistics (NBS)** and **Office of Chief Government Statistician (Zanzibar)**: Statutorily mandated to coordinate data systems and improve data quality.
- **Tanzania Statistical Master Plan II (TSMP II)**: Provides a reform blueprint with support from the World Bank and others.
- **Foreign donor agencies:** Through a combination of financial and technical assistance - particularly in support of censuses, household surveys, and reforms of administrative data systems - donor agencies influence the design and implementation of statistical reforms.
- **Afrobarometer and non-state data producers**: Play a growing role in public debate and accountability.

Opposition to Change:

- **Politicization of data**: Past inflation of GDP figures and legal restrictions on non-official statistics (e.g. the 2018 amendment to the Statistics Act) highlight the **executive's control over statistical narratives**.
- **Lack of capacity and prioritization** in MDAs and LGAs to generate, share, and utilize quality data.
- **Fragmentation and poor coordination**: Many government institutions operate data silos with limited incentive to harmonize or standardize formats with NBS.

- **Fear of exposure**: Improved data on service delivery or public finances may reveal inefficiencies or corruption, reducing incentive for transparency.

4.6 External support to strengthening the statistical system

The World Bank has provided significant support to Tanzania's National Bureau of Statistics (NBS), with a focus on strengthening the country's statistical system and enhancing its capacity to implement the Tanzania Statistical Master Plan (TSMP). This support includes reinforcing fiduciary, administrative, and project management functions within both the NBS and the Office of the Chief Government Statistician of Zanzibar (OCGS). GIZ supports PO-RALG and TRA to develop systems for cooperation and exchange of data.

Norad supports strengthening national statistical systems globally. In Tanzania, a nationwide field survey on access to sustainable energy was implemented in 2020/21 by the NBS and **Statistics Norway** (SSB) in collaboration with the Ministry of Energy, Tanzania Electric Supply Company (TANESCO), Rural Energy Agency (REA) and Energy and the Water Utilities Regulatory Authority (EWURA). The survey was jointly funded by the Government of Tanzania and Norad through Statistics Norway. The results are made publicly available, providing data for energy policy development (NBS, 2023).

Other donors (e.g. GIZ, UNICEF) generate sectoral expenditure and service delivery data, but Norad fills a gap by supporting system-wide national statistical capacity.

5. Anticorruption Efforts

This section assesses Tanzania's anti-corruption landscape by examining the country's ranking in international indexes, citizens' perceptions, institutional capacity, and the effectiveness of ongoing reforms and external support. It presents an overall picture by identifying strengths and weaknesses in Tanzania's anti-corruption architecture, with particular attention to the implementation of NACSAP IV, institutional performance (PCCB, TRA, CAG), and coordination mechanisms.

In terms of **international rankings**, Tanzania is considered moderately corrupt and ranked 82 out of 180 countries in Transparency International's corruption perception index (2024), Tanzania (in comparison, Malawi is ranked 107, Mozambique 146, and Somalia is ranked 179 of 180; all three defined as high corrupt countries). In the Global Innovation Index (2023), Tanzania is ranked 103 out of 132 countries, where its most positive aspects relate to the strength of its institutions. According to the Economic Freedom Index by the Fraser Institute (2024), Tanzania was the 95th freest economy out of 165 in 2022, considered 'mostly unfree', doing particularly poorly on the legal system and property rights.

Late President Magufuli (2016-21) held a strong stance on anti-corruption. He directed the Prevention and Combating of Corruption Bureau (PCCB) to tackle corruption head-on and without bias, even if that meant indicting members from his own CCM party (see TI, 2019). The current Government seems to have maintained a focus on anti-corruption, though there are concerns.

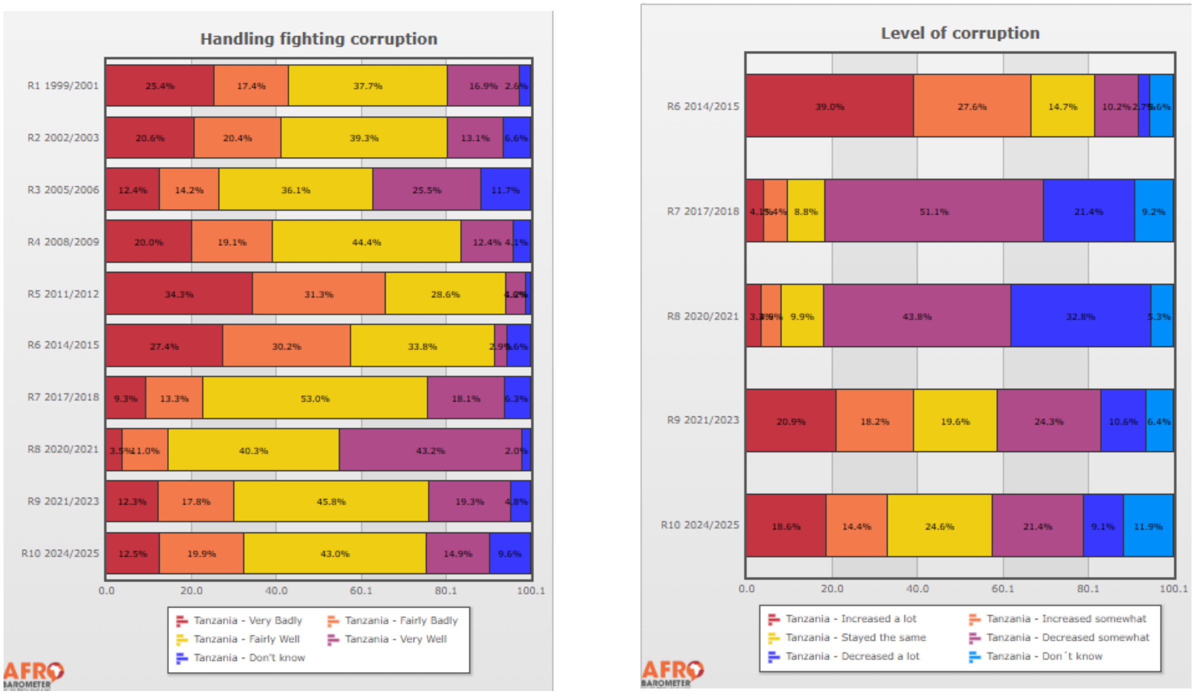

Figure 6: Perceptions of how government is handling fighting of corruption (left) and level of corruption (right) (Afrobarometer, 2025)

The latest Afrobarometer survey conducted in 2024/2025 shows that that a majority of Tanzanians (58%) believe the government is handling corruption either very well or fairly well (see left panel, Figure 6).[22] This level is comparable to survey findings from the early and mid-2000s, but substantially lower than the record high of 85.4% recorded during Magufuli's presidency.[23] In line with this, about one-third of the respondents in the most recent round (2024/25) reported that corruption has increased or increased significantly (see right panel, Figure 5). Moreover, a large majority (75%) believe that reporting corruption to the authorities carries a risk of retaliation or other negative consequences. Afrobarometer also gathers information on perceptions of corruption among people in different formal and informal roles. Figure 7 presents results from the 2021/23 survey, showing that police, civil servants, judges, tax officials and business executives are viewed as the most corrupt, while religious and traditional leaders are seen as least corrupt.

Despite these concerns, the proportion of Tanzanians who perceive widespread corruption in key public institutions has declined significantly over the past decade. For instance, perceptions of widespread corruption among tax officials and judges/magistrates have fallen by about half compared to 2014, although they have risen somewhat between 2021 and 2024.

[22] "How well or badly would you say the current government is handling the following matters, or haven't you heard enough to say? Fighting corruption in government?"

[23] Most of the data was collected prior to Magufuli's death 17 March 2021.

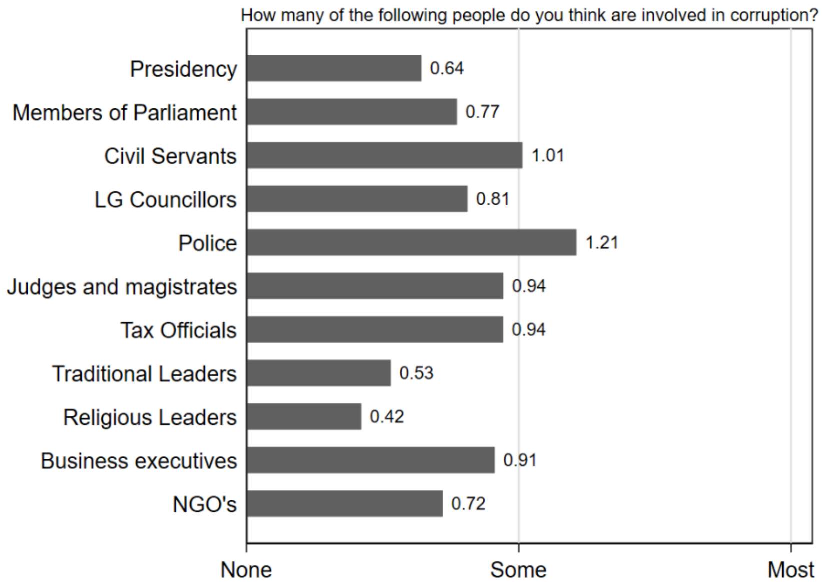

Figure 7: Perceived involvement in corruption (Afrobarometer, 2023)

5.1 Anti-corruption capacity and coordination in the country

The study focuses on the following components of the anti-corruption framework:
(1) National Anti-Corruption Strategy and Action Plan Phase IV (NACSAP IV) 2023-2030
(2) Prevention and Combating of Corruption Bureau (PCCB)
(3) Controller and Auditor General Reports
(4) Integrity Survey Report in Tanzania Public Service
(5) Regional and International Conventions, Protocols, Treaties and Other Commitments
(6) Tanzania Revenue Authority (TRA)

As part of its efforts to improve public service delivery, the Government of Tanzania has undertaken a series of reforms, including the formulation and implementation of the National Anti-Corruption Strategy and Action Plan (NACSAP). This initiative seeks to enhance productivity and efficiency in service delivery by fostering transparency, accountability, and integrity across public institutions.

In 2020, a National Governance and Anti-Corruption Survey (NGACS) was conducted to assess the state and dynamics of corruption in Tanzania. The survey examined various dimensions, including public understanding of corruption, perceptions of corruption as a societal vice, identification of the most corrupt institutions, the level and trends of corruption, personal experiences with soliciting or giving bribes, key drivers and initiators of corruption, institutional performance, and emerging patterns and dynamics of corruption. Partly informed by findings from this survey, NACSAP Phase IV (2023-2030) was developed and is currently being implemented.

(1) National Anti-Corruption Strategy and Action Plan Phase IV (NACSAP IV) 2023-2030

The ultimate goal of NACSAP IV (2023-2030) is "to build a prosperous society founded on strong systems of integrity and zero tolerance for corruption" (URT, 2023: 18). This vision is driven by active citizen engagement, including the involvement of non-state actors (NSAs), high levels of accountability and transparency among NACSAP IV stakeholders, the adoption of ICT systems, and the strengthening of watchdog institutions (WOIs) and electoral management systems. Achieving this outcome requires committed leadership at all levels, the enactment of sound legislation for the administration of justice, effective information sharing and coordination, mutual partnerships among stakeholders, and the digitalization of service delivery by both the State and NSAs.

Key interventions under NACSAP IV will include capacity building for implementers, raising public awareness of anti-corruption initiatives, reviewing the legal framework, and enhancing information sharing. Stakeholders will ensure the provision of adequate resources to support the successful implementation of these interventions. The strategy prioritizes sectors that are considered to be particularly vulnerable to corruption, including revenue collection, public procurement, recruitment processes within the public service, community services such as health and education, the administration of justice, and land allocation.

(2) The Prevention and Combating of Corruption Bureau (PCCB)

As the Prevention and Combating of Corruption Act (PCCA) CAP 329 provides, PCCB is mandated to take necessary measures to prevent and combat corruption in the public, parastatal and private sectors (PCCB, 2022; URT, 2024).

Late President Magufuli has been credited with strengthening the PCCB, which had previously been described as a "*toothless dog*". He appointed Valentine Mlowola, a former senior superintendent in the Tanzanian Police, as acting Director General, in 2015. He held that position until 2019. Current Director General Crispin Chalamila handed over PCCB's performance report for FY 2023/24 to President Samia 27 March 2025. According to the report, Tanzania ranks second among the ten East African Community member states for having the lowest number of incidents of corruption. In FY 2023/24, PCCB investigated 728 cases, including 17 grand corruption cases. From 285 allegations, 145 were closed and 140 were prosecuted.

In FY 2023/24, PCCB conducted an analysis of the withholding tax collection and submission system across 101 councils and found that 52 councils collected the tax. Among these, 41 were fully compliant with their submissions, while 11 submitted inadequate amounts. Additionally, out of the 49 councils that had not previously submitted the tax, 35 had made the necessary submissions to TRA in FY 2023/24.[24]

(3) Controller and Auditor General Reports

In recent years, there has been a steady increase in the proportion of public institutions receiving unqualified audit reports, reflecting improved compliance with established policies, laws, and regulations governing public resource management. This trend indicates that the government's efforts to strengthen governance and implement anti-corruption initiatives are yielding positive results. However, annual audit reports continue to highlight recurring issues that require more focused attention - particularly the need for strict adherence to procurement procedures and accurate accounting of disbursed funds for both development and recurrent expenditures. See, e.g. CAG (2025).

Approximately 70% of the annual national budget is spent on public procurement, underscoring the need for the government to establish strong and effective oversight mechanisms (Wajibu, 2024a: 28). Given the substantial portion of expenditure involved, such oversight is essential to promote transparency, ensure accountability, and guarantee value for money. The

[24] Source: Milestones in anti-corruption efforts – Daily News (28 March 2025).

CAG-report for public procurement for FY 2022/23 revealed that public procurement transactions worth TZS 440.49 billion exhibited indicators of corruption and fraudulent practices (Wajibu, 2024b: 28). These red flags were primarily the result of non-compliance with public procurement laws and procedures, including purchases made without budget approval and procurements conducted outside the government's official procurement system. Still, the CAG finds a continued decline, for the third consecutive year since FY 2020/21, in the total expenditures flagged for potential corruption and fraudulent activities in public procurement (WAJIBU, 2024a: 28).

Although the total value of expenditures flagged for potential corruption and fraud has consistently declined over the past three years since 2020/21, data from 2022/23 indicates an increase within the Central Government and Local Government Authorities (LGAs). This trend suggests a failure by both levels of government to fully comply with public procurement regulations, highlighting the urgent need for stronger enforcement and monitoring mechanisms. However, the analysis also highlights a concerning increase in such flagged expenditures within the Central Government and Local Government Authorities (LGAs) during the 2022/23 fiscal year. This suggests non-compliance with public procurement laws and regulations by both the Central Government and LGAs, underscoring the need for strengthened enforcement and monitoring mechanisms. The CAG Annual report of the CG for FY 2023-24, of procurement and contract management for the 2023/24 financial year uncovered financial mismanagement and weak oversight, which resulted in delayed project execution, cost escalations, and financial losses (CAG 2025: xvii).

(4) Integrity Survey Report in Tanzania Public Service 2022

The Public Service Integrity Survey Report disclosed a rise of integrity behavior in Tanzania public service by 9.8% as compared to the same survey conducted in 2014 (URT, 2022b). The observed improvement of integrity in the public service was attributed to multiple Government interventions that include adoption of e-government in various government service delivery. The survey recommended among others to continue with efforts of educating public servants on their roles of providing services to the expectations of stakeholders and citizens. Furthermore, it recommended that mass communication programs aimed at making citizens well informed of their right to good public service are sustainably implemented.

(5) Regional and International Conventions, Protocols, Treaties and Other Commitments

Tanzania is obliged to keep on improving transparency and accountability of leaders and institutions by complying with international commitments such as the Sustainable Development Goals (SDGs), which have made an explicit link between corruption and peaceful, just, and inclusive development of societies. Measures taken include the ratification of regional and international treaties and protocols that aim at fighting corruption and promoting good governance. These include the United Nations Convention Against Corruption (UNCAC), adopted by the United Nations General Assembly in 2003 and came into force in 2005; UNDP's assistance to governments to strengthen anti-corruption institutions and systems, supporting the implementation of 14 UNCAC, mitigating corruption risks in essential sectors, and strengthening collective actions of governments, civil society, and the private sector in fighting corruption. See also Tanzania Anti-Corruption Network (TACN) | UNCAC Coalition.

(6) Tanzania Revenue Authority
TRA's 6th Corporate Plan 2022/23 – 2025/26, include a section on Integrity and Anti-corruption Policy (TRA, 2024: 73- 75). The anti-corruption policy affirms a zero-tolerance stance toward all forms of corruption and emphasizes the importance of compliance with laws, regulations, and guidelines (p. 74). It also underscores the need to maintain integrity among staff across all functional areas. Furthermore, the policy promotes strong internal controls and encourages the active involvement of external stakeholders in the fight against corruption.

The establishment of semi-autonomous revenue authorities in mainland Tanzania and Zanzibar has not protected the tax administrations from political interference in the day-to-day operations (see Section 3.2 above). In some respects, it might even have made it a more attractive target because the revenue authority offers considerable rent-seeking opportunities, including relatively well-paid jobs. Thus, both TRA and ZRA - like many other SARAs in SSA - are vulnerable to political interference and nepotism in the recruitment process. In a recent interview (12 March 2025), TRA's CG Yusuph Mwenda informed about measures to improve discipline among staff. He mentioned that there have been 15 staff members dismissed for various disciplinary reasons, 6 have had salary reductions, 12 have been demoted, and 22 staff members have received written warnings.

5.2 Qualitative assessments

This section summarizes the status of the statistical system and provides an overall assessment of its strengths and weaknesses. Table 8 presents an evaluative summary of the status of Anti-corruption efforts.

Assessment Area	**Short summary/justification**	**Qualitative Rating**
Legal and Strategic Framework (e.g., NACSAP IV)	NACSAP IV provides a comprehensive and ambitious strategy, aligned with international standards	A
Institutional Capacity (PCCB, CAG, TRA)	Key institutions relatively active and resourced, but capacity constraints and political interference limit effectiveness	B
Enforcement and Prosecution Effectiveness	Investigations have increased, but prosecution-to-investigation ratios remain low with judicial bottlenecks undermining deterrence	B
Procurement Oversight and Compliance	Procurement remains a high-risk area, with widespread non-compliance and recurring audit red flags.	D
Citizens' Perceptions and Reporting Safety	Public perception of gov. AC-efforts is moderately positive, but fear of retaliation hampers whistleblowing	C
Coordination Across Institutions and Planning	Some improvement is visible under NACSAP IV, though institutional silos and weak monitoring reduce consistency	C
Independence of Oversight Institutions	Oversight bodies remain vulnerable to political influence, especially in high-level or politically sensitive cases	D
Use of ICT and E-Government in Anti-Corruption	E-procurement and digital tools are expanding, reducing discretion and opportunities for rent-seeking	A
External Partner Support	Donor TA plays a role in strengthening investigative capacity, systems, and reforms.	C

Table 8: Summary of qualitative assessments for anticorruption efforts

The strengths and weaknesses of anticorruption efforts can be summarized as follows:

- **Strengths**: Comprehensive NACSAP IV; relatively active PCCB; improving audit outcomes; civil society engagement; donor technical assistance; targeted sectoral focus.
- **Adequacy**: Mixed - institutional frameworks are in place and some progress in perceptions and audit outcomes, but systemic vulnerabilities remain.
- **Weaknesses**: Political interference in sensitive cases; weak enforcement of procurement rules; judicial bottlenecks; limited whistleblower protection; patronage and nepotism in semi-autonomous bodies.
- **Potential vs. Risk**: Potential for gradual improvement if NACSAP IV reforms are sustained and enforcement strengthened. Risk of stagnation or regression if political space narrows further and high-level corruption remains untouchable.

Tanzania's anti-corruption framework is anchored in NACSAP IV and supported by relatively active institutions such as the PCCB and CAG, complemented by expanding ICT oversight tools. Yet, while enforcement capacity has improved, prosecutions remain limited, oversight institutions lack independence in politically sensitive cases, and procurement remains a high risk area. Public perceptions are mixed - citizens recognise some progress but remain reluctant to report due to fear of retaliation. **Overall, the anti-corruption system is rated C (moderately adequate)**, with notable progress in digital oversight and donor support, but fragile independence and weak enforcement in politically sensitive cases.

Tanzania's international rankings and public sentiments suggest moderate progress. However, gains are fragile and need reinforcement through leadership accountability and systemic safeguards. While anti-corruption perceptions are improving slowly, the gap between citizen concern and institutional trust remains significant, especially regarding whistleblower protection.

NACSAP IV is ambitious and well-structured, focusing on systemic reforms. However, its success depends on sustained political will, budget allocation, and implementation across sectors vulnerable to corruption. PCCB has increased its investigative and prosecutorial activity. However, low prosecution-to-investigation ratios and ongoing challenges in enforcement and deterrence limit its systemic impact. While CAG oversight is improving, recurring procurement irregularities and financial mismanagement indicate limited accountability and enforcement. Stronger follow-up mechanisms and sanctions are needed.

TRA's internal controls are improving, but susceptibility to political influence and the lack of merit-based recruitment hinder trust and reform depth.

Procurement remains a high-risk area. Continued non-compliance and financial mismanagement threaten service delivery and development outcomes, demanding robust monitoring and legal enforcement.

Coordination between planning and anti-corruption efforts is improving. However, institutional silos and weak monitoring mechanisms reduce the consistency and enforceability of anti-corruption targets within national plans.

5.3 The political economy of change of the anti-corruption system

Analysing the **political economy of change** requires understanding not only technical and institutional dynamics but also **power relations, incentives, and resistance to reform**. Below is an analysis of the key drivers **of change** and the **main sources of opposition** within the anti-corruption domain.

Drivers of Change:

- **Prevention and Combating of Corruption Bureau (PCCB)**: Key institution under NACSAP IV (2023–2030), showing some capacity to investigate and prosecute cases, including in LGAs.
- **Controller and Auditor General (CAG)**: Plays an indirect but powerful role in uncovering systemic issues that PCCB may follow up on.
- **Civil society and media**: While constrained, they are growing actors in exposing corruption and demanding accountability.
- **NACSAP IV**: The current strategic plan includes ICT integration, stakeholder coordination, and sector prioritization (e.g. health, education, revenue collection).

Opposition to Change:

- **Political interference**: Despite formal independence, PCCB faces pressure in politically sensitive cases, especially involving ruling party affiliates or high-ranking officials.
- **Judicial bottlenecks**: Even when corruption cases are prosecuted, delays or lack of convictions (especially for grand corruption) undermine deterrence.
- **Limited whistleblower protection**: Citizens and public servants remain reluctant to report corruption due to fear of retaliation.
- **Nepotism and cronyism**: As noted, semi-autonomous institutions like TRA and PCCB remain susceptible to **political appointments** and internal patronage, undermining impartiality.

5.4 External support to strengthening the anti-corruption architecture

In mainland Tanzania, external support is crucial and relatively well-targeted (see **Annex 3**). However, the sustainability and scalability of donor-led interventions rely on stronger domestic ownership, follow-through, and alignment with national strategies. In Zanzibar, external support for anti-corruption (AC) remains limited.

In mainland Tanzania, the UK's National Audit Office provides technical assistance to the Controller and Auditor General (CAG) on external audits. The Basel Institute on Governance supports the *Prevention and Combating of Corruption Bureau* (PCCB) on mainland Tanzania, and in Zanzibar, it works with the *Zanzibar Anti-Corruption and Economic Crimes Authority* (ZAECA). Recently, the Institute signed a Memorandum of Understanding with the Office of the Director of Public Prosecutions (ODPP) in Zanzibar, building on its ongoing engagement with ZAECA.

With support from Norad, and in cooperation with UNODC and the Open Contracting Partnership (OCP), Tanzania has adopted open contracting principles and developed a domestically built electronic public procurement system. The system is designed to strengthen transparency and accountability in public procurement and aligns with Norad's broader efforts to address corruption in procurement, enhance beneficial ownership transparency, and curb illicit financial flows.

6. Interaction and Intersection Between the Areas

The Tanzania study comprehensively examines four interconnected areas of governance: Domestic Resource Mobilisation (DRM), Public Financial Management (PFM), the National Statistical System (NSS), and the National Anti-Corruption Architecture. Below is an **analysis of how these areas interact and intersect**, with discussion on their mutual influences and dependencies.

1. Domestic Resource Mobilisation (DRM) and Public Financial Management (PFM)
Intersection:

- **Revenue generation and expenditure:** DRM provides the fiscal foundation upon which the PFM system operates. Effective taxation directly affects the government's ability to plan, allocate, and spend resources.
- **Budget credibility:** Accurate revenue forecasts (a key PFM concern) depend on DRM performance. Overestimation leads to budget cuts or deficits; underestimation reduces developmental impact.
- **Tax administration and compliance:** TRA's and ZRA's ability to increase compliance and reduce evasion directly supports fiscal balance, a core goal of PFM.

Interaction issues:

- Tax exemptions - often politically driven - undermine both DRM and PFM efforts.
- Weaknesses in DRM (e.g. inefficiencies in tax administration or low compliance in the informal sector) undermine revenue availability for effective PFM.

Example:

- The **large backlog of tax appeal cases** and widespread **tax exemptions** reduce available revenue, complicating fiscal planning and potentially leading to **inefficient or reactive budget cuts**, especially in election years when political considerations dominate.

2. DRM and Anti-Corruption Architecture
Intersection:

- **Corruption and tax evasion:** Corruption reduces tax collection efficiency through collusion, bribery, and weak enforcement. Corruption within TRA/ZRA hampers their integrity and legitimacy.
- **Exemptions and rent-seeking:** Tax exemptions and illicit flows, often shielded by political influence, are areas ripe for corruption. Strong anti-corruption measures are critical to combat these.
- **Public trust:** Perceptions of corruption in tax institutions reduce compliance and taxpayer morale, creating a feedback loop.

Mutual Reinforcement:

- Anti-corruption strategies embedded in TRA's 6th Corporate Plan show an institutional attempt to integrate integrity and revenue mobilization.
- PCCB audits and investigations into tax-related malpractices support improved DRM outcomes.

Example:

- The PCCB's audit of **withholding tax compliance across LGAs** shows how anti-corruption monitoring can uncover revenue leakages and improve collection efficiency.

3. PFM and Anti-Corruption Architecture
Intersection:

- **Public procurement and expenditure:** With about 70% of the national budget going through procurement, weak procurement systems are a key locus of corruption and inefficiency in PFM.
- **Audit institutions:** The CAG serves as a bridge - its findings support both PFM reforms and anti-corruption enforcement.

- **Transparency and accountability:** PFM systems are the operational expression of anti-corruption principles. Weak financial controls allow leakages and rent-seeking behavior.

Challenges:

- Political interference and lack of enforcement of CAG and PCCB findings weaken the PFM-anticorruption link.
- Despite improved audit outcomes, recurring procurement irregularities persist, pointing to weak implementation rather than poor planning.

Example:

- The finding that **70% of the national budget** is channeled through procurement, with billions flagged for corruption, indicates that anti-corruption systems must be embedded in the **core of PFM operations.**

4. National Statistical System (NSS) and the Other Three Areas

Intersection with DRM:

- **Tax data integrity:** Reliable data is essential for measuring the tax gap, identifying evasion, and forecasting revenue.
- **Manipulated or politicized statistics (e.g. inflated GDP growth)** can misguide tax policy and undermine donor confidence.

Intersection with PFM:

- **Budget planning:** Quality statistics guide effective resource allocation and expenditure prioritization.
- **Monitoring and evaluation:** Statistical data underpins performance monitoring and fiscal accountability.

Intersection with Anti-Corruption:

- **Transparency tool:** Access to accurate and timely statistics is a core component of open governance and a deterrent to corruption.
- **Watchdog capacity:** PCCB and CSOs rely on credible data to detect anomalies and hold actors accountable.

Cross-cutting weaknesses:

- **Limited analytical capacity** outside NBS and a fragmented data ecosystem weaken evidence-based decision-making.
- Weak statistical capacity and **politicization of** can erode budget credibility and misguide spending priorities.

Example:

- Mismatches in revenue forecasts and execution data, combined with poor statistical coordination, have resulted in **PEFA scores of D or D+** for revenue management and fiscal transparency.

5. Cross-cutting Dynamics

- **Data sharing and interoperability**: Effective coordination among TRA, NBS, PCCB, and MoF is critical. Current silos limit performance across all four areas.
- **Institutional capacity and reform alignment**: All four domains depend on **institutional capacity, incentives, and integrity**, which are often shaped by political economy dynamics - e.g., during elections, tax enforcement may be relaxed to appease key constituencies.

- **Digitalization and ICT use**: All sectors increasingly rely on digital systems (e.g., EFDs, procurement portals, statistical databases) to enhance transparency, reduce fraud, and increase efficiency - but their success is tied to the robustness of governance frameworks and coordination. Technology alone cannot replace robust systems and effective management.

6. Cross-cutting Strategic Focus Areas

- **Extractive sector governance:** DRM and ACA priorities converge in mining and natural resource taxation, where exemptions and rent-seeking remain entrenched.
- **Environmental crime:** Links to DRM (illegal forestry/fishing revenues lost), ACA (weak enforcement), and PFM (failure to integrate fines/fees into budgets).
- **Information sharing:** TRA, MoF, PCCB, and NBS/OCGS currently operate in silos. Interoperable systems are a priority.
- **Gender equality:** Tax design, procurement reforms, and service delivery improvements should consider differential impacts on women, particularly women-owned SMEs.

Summary:

The four governance pillars can be viewed as a **feedback loop system**:

- **Strong DRM** enables better **PFM**, which, when **transparent and efficiently managed**, reduces corruption risks (supporting ACA).
- **Accurate statistics** underpin all three domains, enhancing decision-making, trust, and accountability.
- Conversely, **corruption and poor data** undermine revenue, misguide budgeting, and erode trust in institutions.

A holistic governance reform in Tanzania requires simultaneous progress across all four areas, supported by coordination mechanisms, data integration, and sustained political will. Without this, gains in one area risk being undermined by weaknesses in another. Equally important is the need to analyse the **political economy of change** in Tanzania across the four thematic areas. This involves examining not only technical and institutional dynamics, but also **power relations, incentives, and resistance to reform**. Summaries of cross-cutting political economy issues and drivers and resistance for change are presented in Table 7 and Table 8 below:

Theme	Impact Across Thematic Areas
Election cycles	Reform momentum slows near elections; tax exemptions and relaxed enforcement increase to appease key constituencies.
Centralization of power	Limits autonomy of institutions (TRA, PCCB, NBS); weakens checks and balances.
Foreign Donor Agency leverage	Important, but increasingly constrained due to declining aid and rising Chinese influence.
Weak civil society space	Limits bottom-up accountability, particularly around anti-corruption and budget transparency.
Authoritarian drift	Political control over statistics, media, and oversight institutions weakens reform sustainability.

Table 9: Cross-cutting Political Economy Themes

Area	Drivers of Change	Main Resistance
DRM	TRA, Tax Commission, foreign donor agencies	Business lobbies, exemptions, political elites
PFM	MoF, CAG, PFMRP, foreign donor agencies	Patronage networks, LGAs, low enforcement
NSS	NBS/OCGS, TSMP II, foreign donor agencies	Politicization, data fragmentation, legal restrictions
ACA	PCCB, CAG, NACSAP IV, CSOs	Political interference, weak judiciary, fear of reprisal

Table 10: Drivers and Resistance

7. Theory of Change (TOC): Tanzania Governance Portfolio (2024/25)

The study gives us evidence of where Tanzania stands. A **Theory of Change (ToC)** builds on that by making explicit **how change is expected to happen**, linking inputs → outputs → outcomes → impact, while recognising assumptions and risks. Below follows a **suggested TOC** around the four thematic areas (DRM, PFM, NSS, ACA):

Impact (long-term):
More accountable, transparent, and inclusive governance in Tanzania, enabling sustainable domestic resource mobilisation, effective use of public funds, and reduced corruption — contributing to poverty reduction, gender equality, and climate-resilient development.

Outcomes (medium-term):

1. **DRM:** A broader, fairer tax base with reduced exemptions and stronger compliance, including SMEs and informal sector actors.
2. **PFM:** Improved fiscal discipline and procurement transparency, with budgets that are credible and responsive to citizens' needs (including gender and climate).
3. **NSS:** Reliable, independent, and accessible statistics underpinning evidence-based policy and accountability.
4. **ACA:** Strengthened enforcement of anti-corruption frameworks, reduced procurement fraud, and safer citizen reporting.

Outputs (short-term results of interventions):

- Capacity built in TRA/ZRA for tax audits, digitalisation, and informal sector outreach.
- Improved systems for procurement oversight and follow-up on audit recommendations.
- NBS/OCGS implement harmonised data systems and improve analytical skills in TRA/ZRA.
- PCCB and CAG increase prosecution/sanction rates, and ICT tools reduce opportunities for discretion and rent-seeking.
- Civil society and media supported to use fiscal and corruption data for accountability.

Activities (inputs / interventions):

- Technical assistance (e.g., Norwegian Tax Administration with TRA/ZRA).
- Support to PFMRP VI and procurement reform at central and local levels.
- Implementation support for TSMP II; training statisticians and promoting data interoperability.
- Capacity building for PCCB, CAG, and whistleblower mechanisms; promoting e-government tools.
- Cross-cutting: support for extractive sector governance, environmental crime monitoring, gender-responsive budgeting, and coordination among donors.

Assumptions and Risks:

- Political will exists to reduce exemptions, strengthen enforcement, and protect institutional independence.
- Election dynamics (2025) do not reverse progress through patronage, selective enforcement, or reduced civic space.
- Donor coordination improves and duplication is minimised.
- Climate shocks or regional instability do not overwhelm fiscal reforms.

Improving governance in Tanzania is not simply a matter of technical fixes. Each reform area is embedded in a **contested political economy**, where reformists compete with entrenched interests. Foreign donor agencies must navigate these dynamics with realism, patience, and strategic coalitions, while continuously investing in institutions that foster transparency, accountability, and citizen engagement.

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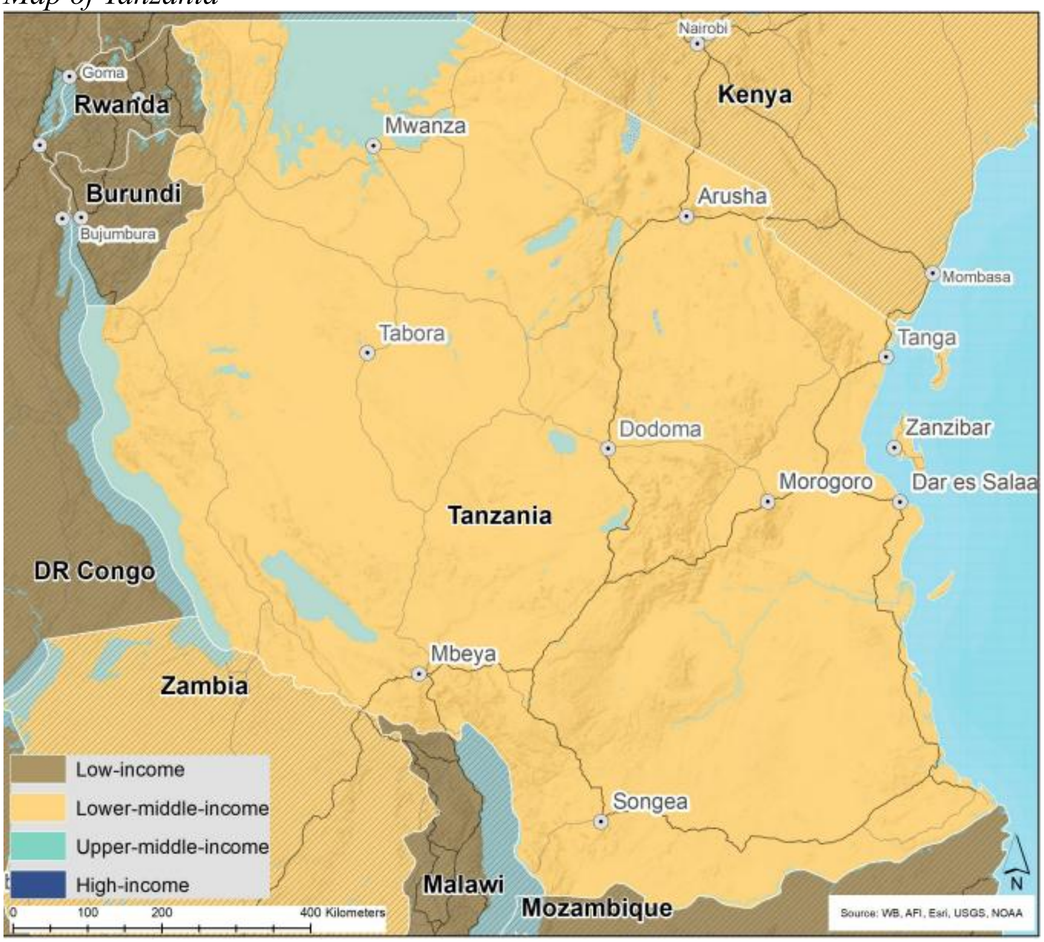
Annex 1 Tanzania – Geography, Demography and the Economy

Geography

The United Republic of Tanzania is the 13th largest country in Africa (947,303 km²). It has the 11th largest economy and the 5th largest population on the continent (Cilliers 2024). However, it ranks only 31st in GDP per capita based on purchasing power parity (PPP). Tanzania borders Uganda to the north, Kenya to the northeast, Comoros and the Indian Ocean to the east, Mozambique and Malawi to the south, Zambia to the southwest, and Rwanda, Burundi, and the Democratic Republic of the Congo (DR Congo) to the west (see the Map below). The capital Dodoma is located in the geographic centre of the country, and 309 km west of Dar es Salaam, Tanzania's largest city and commercial capital. Other major urban centres include Arusha, Moshi, Tanga, Mwanza, Morogoro, Mbeya, Iringa, Tabora, Kigoma, Shinyanga, and Stone Town, Zanzibar.

Map of Tanzania



Population

Tanzania has a young (median age 17.5 years) and rapidly growing population. At independence in 1961, its population was estimated at 11 million. By 2000, it had increased to 34.5 million and, by 2024, to 68.6 million, growing at a rate of 2.9% per year. By 2040, the population is expected to reach 104 million. Source: Tanzania Population (2025) - Worldometer.

Almost two-thirds (64%) of Tanzania's population lived in rural areas in 2024, comparable to Sudan, Zimbabwe, Guinea and Mozambique. In 2040, it is expected that more than 50% of the population will be classified as urban.

Economy

Since 2000, the economy has grown at an average annual rate of 6.1%, leading to the country's transition from Low-Income Country (LIC) status to Lower Middle-Income Country (LMIC) status in 2020. During the same period, life expectancy increased from 52 to 67 years, compared to a rise from 60 to 69 years in other LMICs. Source: Onder, H., Mungunasi, E.A., and Prasad, A. (2023). *Privatizing Growth: A Country Economic Memorandum for the United Republic of Tanzania*. World Bank. http://documents.worldbank.org/curated/en/099120523172572316

In Mainland Tanzania, the economy grew by 5.6% and 5.3% in the first and second quarters of 2024. The main contributors to this growth were agriculture, finance and insurance, transport, construction, and trade. This steady performance continued in the third and fourth quarters of 2024. In Zanzibar, economic growth reached 6.4% and 7.2% in the first and second quarters of 2024. Key drivers of growth included manufacturing, tourism (accommodation and food services), real estate, and construction. Source: Bank of Tanzania Monetary Policy Framework, January 2025

While the country has experienced strong economic growth over many years, poverty reduction has lagged behind expectations. Several factors have limited the impact of economic growth on poverty reduction, including slow structural transformation, stagnant agricultural productivity, limited coverage of social safety nets to cushion economic shocks, and high population growth. A significant portion of the population relies on agriculture, including livestock, which employs about two-thirds of Tanzanian workers.[25] This sector is particularly vulnerable to climate change-related shocks and continues to suffer from low productivity growth. Source: World Bank (2024). Tanzania Economic Update. Harnessing the opportunity for a climate-smart and competitive livestock sector in Tanzania. Issue 21.

Income per capita in 2024 is estimated to USD 1230 in current prices (compared to USD 590 in Malawi, USD 630 in Mozambique, and USD 735 in Somalia). Sources: IMF (2025). World Economic Outlook (April 2025) - GDP per capita, current prices
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Despite efforts to strengthen the competitiveness of the economy, improve the business and investment environment, and reduce the cost of regulatory compliance, the World Bank's Global Competitiveness Report 2022-2023 ranked Tanzania 147th out of 180 countries, scoring below the average for sub-Saharan Africa and the world average. According to the World Bank, one of the main challenges to Tanzania's competitiveness is its high infrastructure costs, including its extensive and underdeveloped road network and unreliable electricity supply. Source: World Bank. 2025. Global Economic Prospects, January 2025. Washington, DC: World Bank.

Inflation in Mainland Tanzania remained stable, averaging 3 percent in October and November 2024. In Zanzibar, inflation eased to 5.8 percent in October and 4.5 percent in November 2024. Source: Bank of Tanzania Monetary Policy Framework, January 2025

[25] The size of informal sector employment varies between different sources. For instance, Thonstad (2025: 30) writes that in 2020, informal employment in Tanzania was about 92% of the labour force. This figure reflects the significant role of the agricultural sector, and the limited development of the formal sector outside agriculture. The informal sector's prevalence indicates challenges in creating high-quality high-quality jobs, low productivity, and a low tax base.

Economic sectors

In 2023, agriculture contributed 26% to Tanzania's GDP, and the country could be a significant agricultural exporter. Yet, Tanzania struggles to meet its domestic food requirements due to low productivity of predominant subsistence farming. Source: Cilliers (2024)

In addition to its extensive tracts of agricultural land, forests and national parks, Tanzania is rich in metals, industrial and fuel minerals. Deposits include gold, iron ore, nickel, copper, cobalt, silver, diamond, tanzanite, limestone, soda ash, gypsum, helium, phosphate, gravel and sand, graphite, coal and uranium (Fjeldstad, Mmari and Dupuy, 2019: 4). By mid-2018, minerals constituted 35% of Tanzania's total export value, of which the lion's share comes from gold (ibid.). The country is the fourth largest producer of gold in Africa after South Africa, Ghana and Mali. But, so far, Tanzania has benefitted very little from its wealth of resources. In particular, the gold mining boom, which began around 1999, has failed to produce significant structural change and diversification of the economy (Roe, 2017: 1).

Exploration of petroleum resources in Tanzania began in 1952 when the British colonial administration awarded concessions for the entire coastal basin, including the islands of Zanzibar, Pemba and Mafia to British Petroleum (BP) and Shell. After fruitless drillings, BP and Shell relinquished the concessions in 1964, the same year that Tanganyika and Zanzibar formed a political union to become the United Republic of Tanzania. Source: Fjeldstad, Mmari and Dupuy (2019). Governing petroleum resources: Prospects and challenges for Tanzania.

Two close-to-shore fields, Songo Songo in Lindi Region and Mnazi Bay in Mtwara. The Songo Songo plant came on-stream in 2004 and Mnazi Bay in 2015. The gas from these sources is transported in pipelines to Dar es Salaam and used for power generation at the Ubungo power plant and for industrial use, including for cement production. In addition, huge deposits of natural gas have been discovered offshore the southern coast of Tanzania. The proven natural gas reserves are estimated to be around 57 trillion cubic feet (TCF) Its proven gas reserves are comparable to Libya and the largest in East Africa.

The size of these offshore deposits has attracted the interest of international oil companies (IOCs), and substantial investments have already been made in drilling exploratory wells (Fjeldstad et al, 2019). The Government of Tanzania (GoT) is in the process of putting in place policies, laws and regulations to manage the petroleum sector. However, the prospects for developing the country's offshore gas are, at present, uncertain. The Government and the involved international oil companies (IOCs) are negotiating terms to build an LNG plant in Lindi that will be central to the development of the entire offshore gas sector. The final decision to invest in extraction facilities will depend on the results of these negotiations and expectations about future gas prices.

Trade arrangements

Tanzania is a member of the Southern African Development Community (SADC), the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA). Its level of engagement with the latter has declined in recent years, with attention shifting to the EAC which has been more successful in liberalizing agricultural trade which is important for the country.

The EAC has negotiated an Economic Partnership Agreement with the European Union, a comprehensive trade agreement that aims to promote economic cooperation and development between the two regions. The Agreement was finalized in October 2014 but has not been fully implemented due to concerns (and disagreements) by some EAC member states about the economic impact of the agreement. As a result, Tanzania (along with Uganda, Rwanda, and Burundi) have not yet ratified.

Tanzania maintains a trade relationship with the EU under the Everything-But-Arms scheme that removes tariffs and quotas for all imports of goods (except arms and ammunition), coming into the EU from least developing countries. It also benefits from the preferential access to the USA market through the African Growth and Opportunity Act (AGOA). AGOA is a 25-year-old US legislation guaranteeing duty-free access to American consumers for certain goods from Africa. Tanzania is eligible for AGOA (and so are Malawi and Mozambique, but Somalia not, though the government expressed interest in consideration for AGOA eligibility in 2023). However, for Tanzania it is trade relations with Asia that is growing most rapidly, facilitated by the China-Africa Forum, the TICAD process led by Japan, and the Africa-India Partnership Forum.

Annex 2 Tax Acts – United Republic of Tanzania

Below is a structured overview of key tax / revenue legislation (Acts) in Tanzania, with some commentary on their roles, evolution, and recent changes.

1. Institutional foundation: Tanzania Revenue Authority Act (Cap. 399)

- The Tanzania Revenue Authority (TRA) was created by **Act No. 11 of 1995**, with operations starting on 1 July 1996.
- In its revised form (Cap. 399, R.E. 2019), the Act provides that TRA is to be the **central body** for assessment and collection of specified revenue, and to administer and enforce the laws relating to those revenues. T
- Key features include:
    - Definition of "revenue" broadly: taxes, duties, fees, rates, fines, etc., under laws listed in the First Schedule.
    - Establishment of a Board, appointment of Commissioner-General and Deputy, and power delegation.
    - Mandate to monitor, coordinate, and improve tax compliance and administration, as well as advise the Minister of Finance.
    - Accountability: audit, quarterly reporting, internal controls, etc. Ministry of Finance+1
    - Exemptions: TRA itself is exempted from paying import duties, taxes, levies in respect of its operations.
    - Offenses and enforcement (e.g., for false declarations) are also covered.

Thus, the TRA Act is the backbone — it does *not* itself impose taxes, but it empowers TRA to administer those tax laws.

2. Overarching procedural law: Tax Administration Act (Cap. 438)

- The **Tax Administration Act** (most recent version: Cap. 438, R.E. 2023) sets out general rules for how tax laws are to be administered, procedural rights and obligations, powers of TRA officers, appeals, etc.
- Some of its key provisions include:
    - Definition of tax liability, self-assessment, and the scope of the Act with respect to various tax laws.
    - The ability for the Commissioner General to issue **private and class rulings**, with conditions and possible revocation.
    - Authorization and identity of tax officers, delegation, and constraints on delegation.
    - Confidentiality of information, but with exceptions (e.g. for courts, audits).
    - Objection and appeal framework: procedures for taxpayer objections, amendments, final decisions, appeals to the Board or tribunal.
    - Recovery measures, dealing with defaults, liability of third parties, etc.
    - Provisions on official communications, documentation, limitation periods, etc.

In effect, the **Tax Administration Act** ensures consistency and fairness in how all the substantive tax laws are applied and enforced.

3. Substantive tax revenue Acts

Beyond the institutional and procedural Acts, Tanzania has a number of substantive tax or revenue Acts. Some of the important ones include (see the TRA "Tax Laws" listing):

- **The Income Tax Act** — governing corporate tax, personal income tax, withholding tax, etc.
- **The Value Added Tax Act** — governing VAT, input-output rules, zero-rated goods, exemptions, etc.
- **The Excise (Management and Tariff) Act** — for excise duties on local and imported goods.
- **The Customs (Management and Tariff) Act** — import duty, customs procedures, valuation, etc.
- **The Stamp Duty Act** — for stamp duties on instruments, contracts, etc.
- **The Tax Revenue Appeals Act (Cap. 408)** - governing appeals and dispute resolution.
- **The Provisional Collection of Taxes and Duties Act** - to allow collection of taxes/duties even in the absence of full enabling legislation in certain cases.
- **Motor Vehicles (Tax on Registration and Transfer) Act**
- **The Road and Fuel Tolls Act**
- **The Import Control Act**
- **The Port Service Charge Act**
- **Tourism Act**, **Airport Service Charge Act**, among others dealing with sector-specific levies/charges.

Each of these Acts addresses the details of how a particular tax or levy is defined, rates, exemptions, procedures, and enforcement in their domain.

4. Dispute resolution: Tax Revenue Appeals Act / Tribunal

- The **Tax Revenue Appeals Act** (Cap. 408, R.E. 2019) provides the statutory basis for appeals from decisions of the Commissioner General or TRA to a tax appeals tribunal or board.
- There is a **Tax Revenue Appeals Board / Tribunal** (TRAB) which hears and determines civil tax disputes between taxpayers and TRA.
- TRAB also maintains rules and procedures for appeal, and publishes legislation relevant to appeals.

Thus, this provides the "checks and balances" in the system to ensure taxpayers can challenge administrative decisions.

5. Changes and Developments: recent Finance Acts and reforms

Tax law in Tanzania evolves frequently through **Finance Acts**, which amend existing tax statutes, introduce new measures, or adjust rates. Some recent and notable changes:

- **Finance Act 2025**: Assented 30 June 2025, effective from 1 July 2025 (with some staggered effective dates). This Act introduces, among others:
    - A **10% withholding tax on undistributed profits** after 12 months (to curb retention of profits).
    - A 1% **alternative minimum tax** for loss-making entities (to broaden tax base).
    - Amendments to the definition of "Equity" to include positive retained earnings (impacting thin-capitalization rules).

    - Various other tax and customs changes. pkfea.com+1
- Other Finance Acts (e.g. 2024) also periodically adjust rates, thresholds, exemptions, etc.

Because these Finance Acts amend multiple substantive tax laws (Income Tax Act, VAT Act, Customs / Excise Acts, etc.), the tax landscape is dynamic.

6. Interaction among levels and other actors

- Tanzania's tax administration is **multi-tiered**:
    - **Central Government** taxes are handled by TRA.
    - In **Zanzibar**, domestic consumption taxes may be administered by the Zanzibar Revenue Board (for those specific taxes) in addition to TRA for union taxes.
    - **Local governments** also levy certain rates, fees, and local taxes under local government finance laws.
- Because many Acts relate to sector-specific levies (e.g. port charges, tourism levies, fuel tolls), TRA often coordinates across ministries and departments to implement and enforce those.
- The TRA website lists a "First Schedule" under the TRA Act which enumerates the laws under which TRA may collect revenue.

7. Strengths, challenges, and trends (brief remarks)

- **Strengths / advantages**:
    - A unified administration (TRA) helps reduce fragmentation and improve compliance.
    - Procedural standardization via the Tax Administration Act helps in predictability and fairness.
    - The appeal tribunal offers recourse for taxpayers.
    - Frequent updating via Finance Acts allows the tax system to adapt to economic conditions.
- **Challenges**:
    - Keeping up with frequent amendments can be burdensome for taxpayers and administrators alike.
    - Enforcement and collection in informal or rural sectors.
    - Balancing revenue needs with incentives for investment.
    - Coordination among central, Zanzibar, and local tax jurisdictions.
- **Recent trends**:
    - Broader tax base measures (e.g. alternative minimum tax) to capture more taxpayers.
    - Withholding on undistributed profits suggests a push against profit retention as a tax avoidance method.
    - Greater use of rulings (private / class) to provide certainty to taxpayers under the Tax Administration Act.

Annex 3 Donor Support on DRM, PFM, Statistics and AC

There is **strong donor engagement** across all four areas in mainland Tanzania, but also **high fragmentation**. The shift away from basket funding (PFMRP/TMP) toward bilateral projects **and SBS/TA** increases the risk of **duplication** unless GOT/RGOZ and DPs strengthen coordination (via PFM DPG, tax subgroups, etc.). In Zanzibar donor engagement is less extensive.

Overlaps look different on **Mainland** vs. **Zanzibar**. Below is a split heatmap, showing where donor support (and overlaps) are concentrated in Mainland Tanzania and Zanzibar, respectively.[26]

We use 🟩 **(strong/high involvement)**, 🟧 **(moderate involvement / niche)**, and ⬜ **(none/very limited)** to show the intensity of each donor's engagement in the four thematic areas.

Mainland Tanzania

Foreign Donor Agencies	DRM	PFM	Statistics	Anti-Corruption/AML
World Bank	🟩	🟩	🟧	🟧
IMF	🟩	🟩	🟧	🟩
EU	🟩	🟩	🟧	🟩
AfDB	🟧	🟩	⬜	⬜
Germany / Switzerland / EU (GFG)	🟩	🟩	🟩	🟩
UK (FCDO, HMRC, NAO)	🟩	🟩	⬜	🟩
Finland (with EU)	🟩	🟩	⬜	⬜
Norway (NTA, IMF, PEFA, UNU Wider, CSOs, BUFDIR and others)	🟩	🟩	🟩	🟩
USAID (before 2025: PS3+, OTA)	🟩	🟩	🟩	🟩
UNICEF	⬜	🟧	🟩	🟧
JICA (Japan)	🟩	🟧	⬜	⬜
UNDP	🟧	🟧	⬜	⬜
Civil Society / Media / Research	🟩	🟧	🟩	🟩
FATF / ESAAMLG	⬜	⬜	⬜	🟩
UNODC	⬜	⬜	⬜	🟧

[26] The mapping is based on an overview of external support developed by the World Bank (March 2025) and shared by the Norwegian Embassy in Dar es Salaam.

Zanzibar (RGoZ)

Foreign donor agencies	DRM	PFM	Statistics	Anti-Corruption/AML
World Bank	🟧 (through PFMRP VI)	🟧 (PFMRP VI)	☐	☐
IMF	🟧 (MTRS, ZanPBRS modules)	🟧 (budget formulation)	🟧 (budget transparency)	☐
EU	🟧 (SBS includes Zanzibar)	🟧	☐	☐
AfDB	☐	🟧	☐	☐
Germany/ Switzerland/EU (GFG)	🟧 (local tax policy, Ombudsman)	🟧 (audit, procurement in ZNZ)	🟧	🟧
UK (FCDO, HMRC, NAO)	🟧 (HMRC cooperation via TRA may have ZNZ spillover)	☐	☐	☐
Finland (with EU)	🟧 (SBS covers Zanzibar)	🟧	☐	☐
Norway (NTA, multilateral initiatives CSOs, BUFDIR and others)	🟩 (NTA–ZRA MOU, VAT audit, ICT)	🟧	🟧 (CMI/REPOA - applied research with NTA/ZRA)	🟧 (WAJIBU; previously: FIU/AML work)
USAID (before 2025: PS3+)	🟩 (ZanPBRS revenue modules, training)	🟩 (ZanPBRS planning/budget.)	🟩 (ZanPBRS data, NHAs)	🟧 (oversight, financial management training)
UNICEF	☐	🟩 (gender-responsive budgeting, MTEF support)	🟩 (budget /sector expenditure data)	🟧 (equity monitoring)
JICA (Japan)	☐	☐	☐	☐
UNDP	☐	🟧 (DPG subgroup)	☐	☐
Civil Society / Media / Research	🟧 (REPOA/CMI projects with ZRA)	🟧	🟧	🟧 (WAJIBU/other CSOs active but smaller presence)
FATF / ESAAMLG	☐	☐	☐	🟧 (AML framework covers also Zanzibar)
UNODC	☐	☐	☐	🟧

Key Observations:

- **Mainland is the main donor focus**: Most of the main bilateral and multilateral donor agencies (WB, IMF, GFG, Finland, Norway, UK, etc.) have programs on Mainland.
- **Zanzibar has narrower donor coverage**, with depth in:
  - **DRM/Tax:** Norway (ZRA MOU), GFG (local tax policy).
  - **PFM:** UNICEF (gender budgeting), IMF/WB (via PFMRP VI).
  - **Statistics:** UNICEF (budget/expenditure analysis), Norway research.
  - **Anti-Corruption:** More limited — mainly GFG support (audit/oversight), Switzerland (smaller AML/CSO elements), FATF coverage.
- **Overlap hotspots in Zanzibar**:
  - **ZanPBRS** (IMF involved; UNICEF also linked via budgeting).
  - **Audit/oversight** (GFG + Norway + CSOs).
  - **Gender-responsive budgeting** (IMF, UNICEF, GFG all active).

In short:

- **Mainland** has **many overlaps** → tax audits, budget planning, procurement, oversight.
- **Zanzibar** has **fewer actors**, but **overlaps** in **ZanPBRS (budget/revenue system)** and **audit/oversight**.

Below is a short "coordination map" suggesting which partners are best placed to convene / lead donor coordination in each pillar — based on their mandates, current roles, and comparative advantages.

Possible Donor Coordination Map for Tanzania and Zanzibar

1. Domestic Revenue Mobilization (DRM / Tax)

- **Lead convener:** IMF (tax diagnostics, MTRS, TADAT, LNG taxation)
- **Co-leads:** Norway (NTA institutional cooperation with TRA/ZRA; CMI/REPOA/ZRA research) and UK (HMRC cooperation, IGC research)
- **Why:** IMF sets technical benchmarks; Norway & UK bring long-term institutional cooperation; both Mainland and Zanzibar authorities engaged.
- **Risk reduction:** Prevents duplication in **tax audits** (JICA, GFG, IMF, Norway, UK) by aligning diagnostics, training, and audit pilots.

2. Public Financial Management (PFM)

- **Lead convener:** PFM Development Partners Group (DPG) (currently chaired by Norway & EU)
- **Co-leads:** World Bank & AfDB (large-scale PFM budget support); Germany/Switzerland (GFG) (procurement, audit, transparency)
- **Why:** WB/AfDB anchor large DPOs; GFG brings technical TA depth; DPG provides formal coordination.
- **Risk reduction:** Consolidates fragmented **budget planning reforms** (IMF, UNICEF, GFG, WB).

3. Statistical Capacity (Fiscal / Budget Data)

- **Lead convener:** World Bank (PEFA, fiscal reporting)
- **Co-leads:** GIZ/GFG **(data sharing CG & LGAs)** and UNICEF **(sectoral expenditure data)**
- **Why:** WB sets global PFM data standards; UNICEF focuses on operational data use at sector/LGA/Zanzibar levels.
- **Risk reduction:** Avoids parallel fiscal data systems (PlanRep, ZanPBRS, UNICEF expenditure tracking, GFG analytics).

4. Anti-Corruption / AML / Oversight

- **Lead convener:** Norway (chairing PFM DPG; strong track in AC, CSO support, and integrity agenda)
- **Co-leads:** EU/Germany (via GFG – audit follow-up, Ombudsman) and IMF (AML/CFT framework at BoT)
- **Why:** Norway has credibility with both government and CSOs; GFG covers audit/oversight; IMF leads on AML technical standards.
- **Risk reduction:** Brings together **audit support** (GFG, UK NAO, Norway CSOs) and AML support (IMF, FATF) under one coordination forum.

Geographic tailoring

- **Mainland:** IMF (DRM), WB (PFM), WB (Stats), Norway/EU (AC).
- **Zanzibar:** Norway (ZRA cooperation, CSO research), UNICEF (budgeting), GFG (audit oversight).
  → Suggestion: establish a **Zanzibar sub-working group** under the PFM DPG to ensure donor support (ZanPBRS, MTEF, audit reforms) doesn't fragment.

Summary

- **IMF + Norway** for DRM/tax → align audits, diagnostics, and tax reforms.
- **PFM DPG (WB/EU)** for PFM → consolidate budget planning support.
- **World Bank & GIZ/GFG** for statistics → standardize fiscal reporting & data.
- **EU/Germany + IMF** for anti-corruption/AML → merge audit integrity & AML tracks.

Annex 4 Methodological Note: The A–D Assessment Scale

The study applies a four-point **A–D qualitative assessment scale** to evaluate each of the four case countries' governance performance across four thematic areas: Domestic Resource Mobilisation (DRM), Public Financial Management (PFM), Statistical Capacity, and Anti-Corruption. The purpose of the scale is to provide a **simple, transparent, and repeatable** method for assessing institutional strength, reform momentum, and vulnerability to political economy constraints. The scale is **inspired by** international diagnostic tools such as PEFA and TADAT but is **not a replication** of their scoring systems.

1. Purpose and Rationale of the Scale

The A–D scale serves four main methodological purposes:

1. **Comparability across sectors:** It provides a common language for assessing four governance areas that differ in mandates, institutional setups, and maturity levels.
2. **Analytical clarity:** It avoids false precision and recognises that governance performance cannot be reduced to exact numerical scores.
3. **Focus on reform dynamics:** The methodology captures both *current institutional performance* and *direction of change*, including momentum, sustainability, and political constraints.
4. **Repeatability over time:** The scale can be applied in future studies to track reform progress and setbacks.

2. What the Scale Measures

Each rating reflects a **holistic judgement** drawing on quantitative data, institutional diagnostics, political economy analysis, and expert assessment. It focuses on:

- **Institutional strength** (legal framework, systems, procedures, capacities, enforcement)
- **Operational performance** (execution, service delivery, compliance, audit follow-up)
- **Governance and independence** (autonomy, transparency, resistance to political interference)
- **Reform momentum** (ongoing reforms, donor alignment, leadership commitment)
- **Risks and vulnerabilities** (political cycles, fragmentation, implementation gaps)

The assessments are **area-level ratings**, not a compilation of indicator scores.

3. Definition of the Four Rating Categories

A – Strong
Institutions function reliably and largely in line with good international practice. Processes are clear and consistently applied. Political interference is limited, and reform momentum is strong and sustained. Performance is robust even under stress.
Used sparingly; denotes a high level of maturity.

B – Moderately Strong
Core systems are well established and generally effective, but performance varies across sub-areas. Reform momentum is present but implementation may be uneven or dependent on external support. Risks exist but do not fundamentally undermine system performance.
Indicates a system that works, but not yet reliably or comprehensively.

C – Moderately Adequate
Basic institutional elements are in place, and the system meets minimum functional requirements. However, weaknesses are significant - such as inconsistent implementation, coordination failures, limited independence, or slow reforms. Performance is vulnerable to political cycles and capacity constraints.
This category also captures systems with strong potential but weak implementation.

D – Weak
Key system elements are missing, non-functional, or severely constrained. Political interference, low capacity, or governance shortcomings undermine credibility and performance. Reform momentum is low, stalled, or purely formal.
Denotes structural problems rather than temporary setbacks.

4. How Judgements Are Formed

Ratings are based on triangulation of:

- official statistics and administrative data;
- published assessments (CAG, PEFA, TADAT, IMF, WB, Afrobarometer);
- interviews and secondary literature;
- institutional and political economy analysis;
- evidence of reform progress or stagnation.

The rating process prioritises **narrative justification** over the letter grade itself. Each rating is accompanied by a concise explanation summarising the evidence and rationale.

5. Distinction from PEFA, TADAT, and Other Formal Diagnostics

While the A–D categories mirror the logic of international tools, this methodology differs in key ways:

- It is **not** a compliance audit.
- It does **not** score indicators or use weighted formulas.

- It incorporates **political economy**, which PEFA/TADAT do not.
- It allows **cross-sector comparison** across DRM, PFM, Statistics, and Anti-Corruption.
- It is designed for **portfolio monitoring**, not formal ratings of government performance.

6. Future Application

The scale is intended to be used in subsequent monitoring reports to:

- track changes in institutional performance;
- identify reform windows or emerging risks;
- inform Norad's strategic engagement and portfolio adjustments;
- support dialogue with government and foreign donor agencies/development partners.

The simplicity and transparency of the scale ensure that future assessments remain comparable even if conducted by different teams.