

THE UNITED REPUBLIC OF TANZANIA



**PRESIDENT'S OFFICE
PUBLIC SERVICE MANAGEMENT**

**MEMORANDUM OF UNDERSTANDING
BETWEEN
THE GOVERNMENT OF THE UNITED REPUBLIC OF
TANZANIA
AND
BASKET FUNDING DEVELOPMENT PARTNERS
CONCERNING**

**IMPLEMENTATION OF THE PUBLIC SERVICE
REFORM PROGRAMME: MEDIUM TERM
STRATEGY, WORK PLANS AND COST ESTIMATES**

JANUARY 2008

PREAMBLE

1. Whereas the Government of the United Republic of Tanzania (hereinafter referred to as "the Government") has requested support from the undersigned development partners (hereinafter referred to as "the Basket Funding Development Partners") to contribute towards the funding of the Public Service Reform Programme (PSRP II): Medium Term Strategy, Work Plans and Cost Estimates for the period 2007/08 - 2011/12 as may be extended by the parties thereto (hereinafter referred to as "the Programme"), by pooling their contributions toward endorsed Programme activities into a dedicated basket fund (hereinafter referred to as "the PSRP II Basket Fund");
2. **Whereas** the Government has committed itself to provide an agreed level of funding to the Programme. The Basket Funding Development Partners have committed themselves to provide financial and technical support to the Programme;
3. **Whereas** the technical and financial support will be decided within the bilateral agreements/arrangements to be signed between the Government and respective Basket Funding Development Partners;
4. **Whereas** the Basket Funding Development Partners are willing to adhere to the principles of harmonisation as in this Memorandum of Understanding (hereinafter referred to as the "MOU") and strive for the highest degree of alignment with the budgetary and accountability system provided by the governing legislation to enhance effective implementation, reduced administrative burden on the Government and to minimise transactional costs;
5. **Whereas** the Government and the Basket Funding Development Partners having reached a common understanding on procedures for consultation and decision making, disbursement mechanism, monitoring and reporting, review and evaluation, audit, financial management, procurement procedures and the exchange of information and cooperation among the parties to this MOU;
6. **Whereas** the MOU sets out the basic principles and procedures for the PSRP II Basket Fund accepted by the Government and the Basket Funding Development Partners;
7. **Whereas** the Government and the Basket Funding Development Partners, to the extent compatible with their statutory mandates, consider commitment to poverty reduction, continuing peace and respect for human rights, the rule of law, democratic principles, the independence of the judiciary and sound financial management, procurement practices and transparency to be underlying principles for this MOU; and
8. **Whereas** the following documents and annexes form an integral part of this MOU:

**Memorandum of Understanding:
Public Service Reform Programme: Medium Term Strategy, Action Plan and Budget**

(a) Documents

- A: The Public Service Reform Programme II: Medium Term Strategy 2007/08- 2011/12 (Volume I)
- B: The Public Service Reform Programme: Results Framework (Volume II)
- C: The Public Service Reform Programme: Budget (Volume III)
- D: PSRP II Basket Fund Financial Management and Procurement Manual.

(b) Annexes:

- A: Key Result Areas and Intermediate Outcomes.
- B: Public Service Reform Programme: Annualised Summarised Costs.
- C: List of MDAs.
- D: Indicative Contributions by GOT and Development Partners.
- E: PER-MKUKUTA dialogue structure.

Now therefore, the Government and the undersigned Basket Funding Development Partners have reached the following understandings:

1.0 GENERAL PROVISIONS

- 1.1 This Memorandum of Understanding sets out the responsibilities of the Government Ministries, Departments and Agencies (MDAs) implementing the Programme and the Basket Funding Development Partner's contributing to endorsed Programme activities as specified in this MOU through the PSRP II Basket Fund. The arrangements set out by the MOU are further detailed in the PSRP II Medium Term Strategy and PSRP II Basket Fund Financial Management and Procurement Manual.
- Scope of the MOU*
- 1.2 This MOU sets out the arrangements and procedures for cooperation between the individual MDAs and Basket Funding Development Partners. It is expected that each Basket Funding Development Partner will sign a separate bilateral agreement or arrangement with the Government. The MOU is neither a binding legal agreement nor does it constitute an international treaty. Any matter that is not expressly provided for in this MOU will be governed by the bilateral agreements/arrangements. In the event of any conflict between the provisions of this MOU and the bilateral agreements/arrangements, the latter will prevail.
- Status of the MOU*
- 1.3 This MOU together with the Annexes thereto will come into effect on the date of signature by the Government and at least two Basket Funding Development Partners. The Parties to this MOU will cooperate in the implementation of the Public Service Reform Programme, Medium Term Strategy for the period 2007/08 – 2011/12, unless this MOU is earlier terminated or extended by the parties.
- MOU validity period*
- 1.4 Parties to this MOU are the Government represented by the Presidents Office – Public Service Management on one hand and the undersigned Basket Funding Development Partners on the other.
- Parties to the MOU*
- 1.5 Any entity that is not currently a party to this MoU and wishes to fund the Programme through the PSRP II Basket Fund may, with the consent of the Government, and in consultation with the Basket Funding Development Partners, become an additional Basket Funding Development Partner and a party to this MOU upon confirming in writing its acceptance of the provisions of the MOU.
- Entry to the MOU*
- 1.6 Any Basket Funding Development Partner hereto may withdraw from this MOU, following consultation with the Government and other Basket Funding Development
- Withdrawal from the MOU*

Partners by providing a three month written notice to the Government and the other Basket Funding Development Partners. This should apply to both GOT & DPs.

- 1.7 This MOU together with its annexes may be revised as need be, by written acceptance of such revision by the parties to this MOU, provided that such a revision will not contradict the bilateral agreements and the Laws of the United Republic of Tanzania.

*Modification
of the MOU
or the PSRP
II Financial
Management
and
Procurement
Manual*

- 1.8 The Government and Basket Funding Development Partners participating in the PSRP II financing will cooperate fully to ensure that the Medium Term Strategy (MTS) is successfully implemented and that it achieves the intended results. To this effect, each party will make available to the other parties all such information as may reasonably be required pertaining to the PSRP II.

*Information
Sharing*

- 1.9 The Government will require that its staff and consultants involved in the implementation of the Programme refrain from offering third parties, or seeking, accepting or being promised from or by third parties, for themselves or for any other party, any gift, remuneration, compensation or benefit of any kind whatsoever, which could be interpreted as an illegal or corrupt practice. The Government will promptly inform the Basket Funding Development Partners of any instances of corruption as referred to in this paragraph.

Corruption

2.0 OVERVIEW OF THE PUBLIC SERVICE REFORM PROGRAMME: MEDIUM TERM STRATEGY

- 2.1 Tanzania Public Service has undergone a number of reforms. The first reforms started in the 1960's after Independence and were focused on implementing the policy of socialism and self reliance, and the government as the primary producer and distributor of goods and services. In terms of the public service, this led to a rapid expansion in both the scope and size of Government.

*Background to
the PSRP II*

- 2.2 The second reforms took place in the early 1990's and were intended to align the public service with a view to shifting towards a free-market economy with the private sector as the engine of growth. The 1990's reforms were carried out under the Civil Service Reform Programme (CSRP), and focused on cost containment and restructuring and succeeded in redefining the role of government while reducing public sector employment from 355,000 in 1992 to 265,000 in 1998.

- 2.3 In 1999 the Public Service Reform Programme (PSRP) was developed and launched during 2000 so as to build upon the Successes of the CSR by focusing more intensively on service delivery improvements through improving the management capacity of the public service. The PSRP was designed around the following three phases: (a) Instituting Performance Management Systems; (b) Enhancing Performance and Accountability; and (c) Instituting Quality Improvement Cycles.
- 2.4 The rationale for designing the PSRP around three phases was that each phase would focus on particular deliverables, which would then be used by successive phases. In the systems phase, managers would be provided with the tools required to support their performance and service delivery improvements. In PSRP II, Public Service managers would adopt a mind-set to serve customers with efficiency, effectiveness and a high standard of accountability, responsibility, courtesy, and integrity through use of the systems supplied to them during the first phase and spurred by an increasing public demand for accountability and effectiveness. The final "improvement" phase, organisations would learn and innovate. They would adapt systems to their own needs and priorities.
- 2.5 The Government updated the Medium Term Strategy in consultation with the key stakeholders and undertook a joint appraisal in collaboration with the key Basket Funding Development Partners. The main objective of the appraisal was to assess its technical efficacy and adequacy in addressing priority needs for enhancing management capacity for public service delivery.
- 2.6 The Government in consultation with public service reform Stakeholders including non governmental organizations and Development Partners revised the PSRP strategy, in line with the results of PSRP I. To this effect, a Public Service Reform Programme: Medium Term Strategy, Results Framework, Action Plan and Budget 2007108 – 2010111 was adopted in December 2007 and launched on 28th January 2008. The Programme has a vision of the public Service as a national institution of excellence that plays a pivotal role in achieving sustained economic growth and prosperity, and eradication of poverty during the 21st Century. The Programme is organised around the following seven (7) Key Result Areas, which together with related intermediate outcomes are specified in **Annex A:**

- KRA 1: SYSTEMS TO SUPPORT SERVICE DELIVERY

The Public Service Reform Programme Medium Term Programme, Work Plans, and Cost Estimates

- KRA 2: POLICY DEVELOPMENT
- KRA 3: PAY, INCENTIVES AND REWARDS
- KRA 4: ACCOUNTABILITY AND RESPONSIVENESS TO THE PUBLIC
- KRA 5: SYSTEMS TO MANAGE PUBLIC SERVANTS
- KRA 6: LEADERSHIP DEVELOPMENT
- KRA 7: CHANGE MANAGEMENT AND REFORM COORDINATION

2.7 The Government has in consultation with the Basket Funding Development Partners adopted a PSRP II Financial Management and Procurement Manual. The Manual is intended to guide personnel charged with the responsibility for financial and procurement management in the Public Service institutions on how to ensure effective resource management, recording and accounting. In this regard the Manual will provide guidance on how to ensure effective financial budgeting, recording and accounting, procurement, mitigation of related fiduciary risk and ensure accountability by all stakeholders.

*PSRP II
Financial
Management
and
Procurement
Manual*

2.8 The Government is responsible to ensure effective implementation of the PSRP II. In this regard the Government will contribute about US\$ 3 million towards the implementation of the Programme. At the same time it will employ or deploy adequate personnel to implement the reforms and sustain reform achievements.

*PSRP II
Financing*

2.9 The PSRP II MTS specifically focuses on the needs of the public sector and defines mechanisms and modalities which allow public sector institutions to influence programme design and implementation within normal government frameworks. To that effect, the MTS promotes a participatory approach to programme design and implementation that is expected to lead to increased buy-in and improved results for the programme. Under PRSP II the implementing agencies will be directly accountable for their respective activity funds. This arrangement is anticipated to reduce transaction costs while improving ownership and efficacy. The basket fund financial management will use the Exchequer systems and procedures as specified in the PSRP II Basket Financial Management and Procurement Manual.

*Decentralized
Approach*

2.10 The institutional arrangements for PRSP II have been designed to address the complexity of the reform program to facilitate effective implementation of the Program. In addition, the PSRP II is among the key public administration reform programmes supporting the Poverty Reduction initiatives in the country. The other programmes

*The Context of
the Reform*

include, Legal Sector Reform Programme (LSRP), the Local Government Reform Programme (LGRP) and the Public Financial Management Reform Programme (PFMRP).

3.0 OVERVIEW OF INSTITUTIONAL ARRANGEMENTS

3.1 Chapter 10, Volume I of the PSRP II Programme describes the institutional arrangements for implementation of the Programme. The institutional arrangements may therefore be summarised as follows:

**High Level
Institutional
Arrangements**

- The Overall Coordinating Ministry or Agency is the President's Office – Public Service Management;
- Implementing Agencies: All Ministries, Departments and Agencies (See Annex C).
- Governance and Management Organs: The PSRP Management Committee (PMC) and the PMC sub committee on Resources

3.2 The PSRP Management Committee (PMC), chaired by the Permanent Secretary, PO PSM and consisting of the Deputy Permanent secretaries of all Ministries and Departments and Development Partners is the highest strategic and policy making body for the programme. The PMC will meet half yearly to review and approve progress reports and AWP.

**PSRP
Management**

3.3 The PMC will be supported by PMC Sub committee on Resources composed of the Deputy Permanent Secretary, PO PSM and select members from Ministries, Departments and Development Partners will meet quarterly to review progress and approve cash forecasts and disbursements.

3.4 Additional consultation meetings or extraordinary meeting may be requested by the GOT or the DPs on any subject relevant to the implementation of the PSRP II.

4.0 PLANNING AND DISBURSEMENT PROVISIONS

4.1 The Programme provides a basis for PSRP II planning and resource allocation. Each Implementing Agency is responsible for highlighting PSRP activities it seeks to implement within the normal Government framework and preparing a corresponding Procurement plan for such activities. These highlighted activities and corresponding Procurement Plans will be compiled as elaborated in the PSRP II Financial Management and Procurement Manual for consolidation by PO PSM into the Annual Implementation Plan and Annual Procurement Plan for

**An
Integrated
Budgeting
Process**

consideration by the PMC. In addition, each Implementing Agency must prepare quarterly progress reports and disbursement requests to be collated by PO PSM for the entire Programme, for consideration and endorsement by the PMC. The above process is expected to facilitate commitment of funds in March of each year to facilitate incorporation of the anticipated donor contributions in the MTEF budget. Thereafter, Basket Funding Development Partners disburse their contribution to the PSRP II Basket Fund account maintained at the Central Bank (Bank of Tanzania) on semi annual and/or annual basis in accordance with 2001 Treasury Circular 'Channelling Project Funds Through the Exchequer System', and in accordance with the disbursement procedures of the respective Basket Funding Development Partner as in **Annex D**.

- 4.2 Quarterly disbursements from the PSRP II Basket Fund account will be done upon approval by the Sub Committee on resources of quarterly action plans and cost estimates and quarterly progress and expenditure reports and formal request from PO PSM to the Accountant General. Detailed quarterly plans for activities, procurement and associated progress and financial reports and budgets will be compiled in the structured formats contained in the PSRP II Financial Management and Procurement Manual. PMC Sub-committee on Resources will only endorse quarterly disbursement of funds when there is a substantial progress in accordance with the endorsed Plan of Work (PoW).

*Quarterly
Disbursement
from
Development
Account to
Implementing
Agencies*

- 4.3 The Programme's financing plan and expenditures will be reviewed under the current new dialogue structure that integrates to the greatest extent all existing processes (MKUKUTA, PER, JAST and GBS), thus combining dialogue on policy and budgetary expenditure issues, in order to reduce overlaps and transaction costs. The PER-MKUKUTA dialogue structure is illustrated in **Annex E**.

*Public
Expenditure
Review*

- 4.4. Joint annual reviews will be conducted in August each year. The annual review will be made on the implementation of the Programme to assess progress and constraints and identify changes required to the PSRP II Medium Term Strategy, Work Plans and Cost Estimates for submission to the PMC, which will endorse an updated Annual Implementation Plan specifying the annual activities and budget. All changes in the plans will be incorporated in the remaining quarterly action plans as well as in the subsequent years. The joint annual review will involve all the Key Stakeholders, Lead and

Annual Review

Implementing Agencies and the Basket Funding Development Partners. The outcome of the review will be considered at the PMC. The PMC will then endorse the prioritised Annual Implementation Plan for the following Government fiscal year to enable the Basket Funding Development Partners indicate their ongoing commitment to support Programme activities with indicative figures for the following two years for incorporation in the MTEF budget and in budget guidelines. The Government budget allocated to the Programme will also be reflected in the Annual Implementation Plan.

- 4.5 A structured process for forecasting and managing cash flows will be established commencing with each Implementing Agency preparing a six monthly cash flow and plan of work in a prescribed format. These will be collated by PO PSM and forwarded to the PMC for endorsement after which the Ministry of Finance will draw funds to the various Implementing Agencies. The Accountant General will provide PO PSM with an account of the transactions that have taken place with respect to PSRP II funds on a quarterly basis. PO PSM will include this information in quarterly PSRP implementation reports.

*Cash Flow
Forecasting
and
Management*

- 4.6 (a) Funds provided by the parties to this MOU will be used exclusively to finance eligible expenditures specified in the respective Annual Implementation Plan. Eligible expenditures may include works, goods, consultant's services, training and workshop expenses and incremental operating costs required for the carrying out of Programme activities specified in the Annual Implementation Plan.

*Eligible
Expenditures*

- 4.6 (b) Funds provided by the parties to this MOU will not be used to finance any expenditures related to salaries and remunerative allowances of civil servants, prosecution, prisons or human rights activities.

- 4.6 (c) Funds under the terms of this MOU will not be used to pay the cost of any import duties, custom duties or domestic taxes imposed directly or indirectly by the Government.

- 4.7 Prior to procurement, regulations require that commitment for goods, services and works funded from the PSRP II Basket Fund or otherwise totalling the estimated value of works or goods or services on the IFMS Vote Control Register should generate a Local Purchase Order (LPO).

*Disbursement
for goods,
services and
works*

4.7 Subsequent payments to suppliers are made on receipt by Chief Accountant, PO PSM and Accountants for each Implementing Agency receiving funds of a correct invoice and supporting documentations including the LPO and the verification procedures described in the PSRP II Financial Management and Procurement Manual.

5.0 FINANCIAL MANAGEMENT

5.1 Chapter 5 of the PSRP II Financial Management and Procurement Manual provides a comprehensive description of the role of each Implementing Agency in managing PSRP II funds. All agencies receiving the funds are legally mandated and required to comply with all public finance management procedures. Chapter 10, Volume 1 of the Medium Term Strategy and Section 5.3 of the PSRP II Financial Management and Procurement Manual describes the Presidents Office – Public Service Management (PO PSM) as the Lead and Coordinating Agency for the Programme. Also the Permanent Secretary, PO PSM as the accounting officer and chief executive officer and the overall accounting officer of the Programme. In this regard PO PSM will have the overall responsibility of mobilising adequate resources and ensuring proper utilisation and accounting of the Programme resources.

*Capacity of the
Presidents
Office-Public
Service
Management*

5.2 PO PSM will receive and manage all Programme funds based on records maintained by the Implementing Agencies receiving PSRP II funds as stipulated in the Financial Management and Procurement Manual.

*Role of
Presidents
Office-Public
Service
Management*

5.3 The PSRP II Financial Management arrangements comply with all the laws of the United Republic of Tanzania and their regulations. All transactions will be processed through the Integrated Financial Management System (IFMS) using the Government Accounting System codes to record transactions and generate reports.

*Financial
Management
Procedures*

5.4 Government Officers can apply for temporary imprests to meet travel, accommodation and workshop/seminar expenses. These are managed in strict accordance with the procedures detailed in the PSRP II Financial Management and Procurement Manual.

*Imprest
Accounts*

5.5 PSRP II management will comply with the requirements in respect to maintenance of books of account under Public Finance Act 2001 and its regulations, that is to say Regulations 137(2) and 139(2) of the Public Finance Regulations 2001 which requires the Treasury to securely

*Maintenance of
Books of
Account*

bundle all receipts and payment vouchers lodged by PO PSM or other Implementing agencies and that books and records of accounts be retained for specified period. For instance original payment vouchers and used cheques must be retained for five years. This is inclusive of instructions issued by the Accountant General with respect to the preservation of accounting records.

5.6 All furniture, equipment, vehicles and other tools procured under the Programme will be reflected in the stores inventory when received from the supplier and issued to various officers. In addition, it will be the responsibility of each Implementing Agency Supplies Officer to ensure vehicle logbooks are handed over to the Accountant for storage in the safe and furniture and equipment are clearly labelled to facilitate proper identification.

**Management of
Assets**

5.7 The Government and Basket Funding Development Partners have committed to an accountability arrangement specifically for the PSRP II Basket Fund. Reports generated for submission to the PMC and for audit purposes will relate exclusively to the PSRP II Basket Fund and the reporting entity. Therefore the reporting entity will be PO PSM, and financial reports will reflect all sources and uses of funds (i.e. both Government and Development Partners). PO PSM will be responsible for generating periodic reports on PSRP II activities and transactions to gauge implementation progress, support policy development and planning, track disbursements and report fund balances at the year-end. The IFMS will generate a comprehensive range of routine reports as well as ad hoc reports on request. These are described in the PSRP II Financial Management and Procurement Manual. Where appropriate, PO PSM will supplement these reports with additional explanatory commentary to provide a clear picture of transaction history and the status of the basket fund.

**Transaction
Reporting**

5.8 The Chief Internal Auditors for each Implementing Agency receiving funds from the PSRP II Basket Fund on the basis of a plan endorsed by the PMC Sub-committee on Resources will carry out operational, compliance and financial audits. The National Audit Office has responsibility under law to undertake, finalize and report on external financial and performance audits within six months of the financial year end. The Controller and Auditor General may discharge this responsibility by authorising registered private sector audit firms to undertake audits on its behalf in consultation with the PMC Sub-Committee. The auditors report to the PMC

**Auditing
Arrangements**

Sub-committee on Resources on PSRP II's receipts and statements will be in accordance with International Standards on Auditing and the Government's accounting policies and standards. Auditors will be required to give an opinion on all aspects of account operations including physical verification that goods procured have been distributed to the appropriate place and that funds have been used in accordance with the conditions of the relevant grant/financing arrangements.

- 5.9 Notwithstanding the above, any Basket Funding Development Partner may either individually or in conjunction with other Basket Funding Development Partners commission at their own expenses independent audits of the MTS/PSRP II. Such an intention will first be discussed at PMC Sub-committee on Resources. Findings of these should be made available to the PMC Sub-committee on Resources.

6.0 PROCUREMENT

- 6.1 The PSRP II Financial Management and Procurement Manual guides the procurement process under the Programme. The PSRP II procurement of works, goods and services will therefore be in accordance with the Public Procurement Act (2004) and related regulations (2005), procedures and guidelines within the limits of the value thresholds agreed with the DPs as outlined in the PSRP II Basket Financial Management and Procurement Manual and in line with IDA guidelines.

*The Public
Procurement
Act, 2004*

- 6.2 Procurement will be guided by Annual Procurement Plans (APPs) prepared on the basis of the Prioritized Annual Plans (PAPs) of the Implementing Agencies and associated budgets. The procurement plans will be prepared annually in collaboration with all Implementing Agencies for each output under a targeted outcome and key result area. PO PSM will provide appropriate technical support and consolidate the Annual Procurement Plan for the Programme in line with the Annual Implementation Plan. The Annual Procurement Plan will follow the format provided in the PSRP II Financial Management and procurement Manual and contain the following minimum basic information: package/lot numbers; contract description; procurement or selection; cost estimates; prior review thresholds; and proposed start and completion dates. The Annual Procurement Plan will be submitted to the PMC Sub-committee on Resources for review and endorsement and, as necessary, revised quarterly in the light of the availability of funds, and submitted to the PMC for final endorsement.

*Annual
Procurement
Plans*

6.3 MDAs will submit procurement reports on a quarterly and annual basis in accordance with the requirements of the procurement regulations. The PO PSM will be responsible for preparing consolidated procurement reports for submission to the PMC Sub committee on PSRP resources.

6.4 Chapter 4 of the PSRP II Financial Management and Procurement Manual provides a description of procurement arrangements. Goods and services procured by PO-PSM and other Implementing Agencies will be in accordance with the Public Procurement Act No. 21 of 2004 and its associated regulations, the Public Procurement Regulations 2005 and the World Bank Guidelines. A prior review and a no objection from the IDA will be required for goods contract of US\$250,000 or above equivalent; for works contract of US\$500,000 or above equivalent; and for consulting services contract of US\$200,000 (firms) or above equivalent and US\$100,000 (Individual Consultants) or above equivalent. Each MDA will be responsible for its procurement management. Prior review and a no objection requests will be channelled through PO PSM for coordination purposes. PO PSM will provide the necessary guidance and ensure that each agency effectively fulfils its responsibility.

*Assignment of
Procurement
Responsibilities*

6.5 The Public Procurement Regulatory Authority will be responsible for monitoring all procurement activities to ensure compliance with regulations and complaints from bidders against a procuring entity will be handled in accordance with the provisions of the Public Procurement Act No. 21,2004.

*The Public
Procurement
Regulatory
Authority*

6.6 Annually, PO PSM will consult the Public Procurement Regulatory Authority (PPRA) to carry out an annual procurement audit or hire an independent firm to do so. The PO PSM will be responsible for preparation of TORs and will share with Development Partners to solicit inputs from them. The PPRA or an independent firm will prepare a comprehensive procurement audit of PSRP II contracts in the period of review and prepare a report, which will be shared by the Development Partners. The report will identify areas of concern that require remedial action or mis-procured contracts. As may be necessary a Basket Funding Development Partner may also undertake its own review of PSRP II procurement and will provide the Government with the results for remedial action.

*Procurement
Audit*

6.7 All procurement carried out by PO-PSM/MDAs and which is below the agreed thresholds will be subject to post review by the Development Partners.

7.0 CONSULTATION, MONITORING AND EVALUATION

- 7.1 The Government will establish comprehensive consultation, monitoring and evaluation systems to ensure the PSRP II achieve its desired vision and mission and that Basket Funding Development Partners are fully integrated into the management information processes. These will be reflected in both the institutional framework established and in the detailed programme monitoring and evaluation systems to be established as described under Para 8.4, Volume I, Medium Term Strategy and procedures described in the PSRP II Financial Management and Procurement Manual.
- Government's
Commitment to
Consultation,
Monitoring and
Evaluation*
- 7.2 The Government will commission a comprehensive evaluation of the Programme after two years and preferably before the end of three years of implementation of the Programme. The PMC will select the evaluation panel and define the evaluation criteria and procedures. However, a Basket Funding Development Partner where necessary and upon consultation with the PMC and other Partners may instigate an independent evaluation. The costs of this evaluation however will be borne by the requesting Partner(s).
- Independent
Evaluation*
- 7.3 The Government will promptly consult with each of the Basket Funding Development Partners whenever it proposes to modify materially its proposals for any part of the entire Programme and the Annual Implementation Plan. The Government and Basket Funding Development Partners commit to fully cooperate with each other on all matters relating to the execution of the PSRP II with a view of achieving a full and free exchange of all relevant information.
- PSRP II
Consultations*
- 7.4 Any dispute or controversy that arises in relationship to the PSRP II will be settled through dialogue and consultation and unilateral actions should be avoided. The PMC should, in the first instance, be used as the forum for such discussion. In the unlikely event that a problem cannot be resolved at the PMC, the Government will convene a special meeting at any higher level needed to achieve a satisfactory outcome for both Government and Basket Funding Development Partners.
- Dispute
Resolution*

8.0 REMEDIES

8.1 Within three (3) months in the event of non-compliance with the terms of this MOU or violation of the fundamental principles set out in this MOU on the part of the Government, or in the event that extraordinary circumstances have arisen which make it improbable that the Programme or a significant part of it will be carried out, the Basket Funding Development Partners may, in accordance with their respective bilateral agreements or arrangements with the Government, suspend or terminate in full or in part further disbursements to the Programme, and reclaim any funds already transferred that have been used in a manner inconsistent with the provisions of this MOU. If a Basket Funding Development Partner intends to suspend or terminate disbursements, the Basket Funding Development Partner will call for a meeting of the PMC in order to reach a joint position on the measures, remedial or otherwise, required or to inform the other parties of its intentions regarding the continuation or discontinuation of support. Suspensions of disbursements by the Basket Funding Development Partners will be lifted when the circumstances that gave rise to the suspension have ceased to exist and/or appropriate actions satisfactory to the Basket Funding Development Partners have been implemented by the Government.

*Remedies
Generally*

8.2 Without limitation to the provision of paragraph 8.1, in the event of violation of the procurement rules or arrangements specified or referred to in this MOU, a Basket Funding Development Partner may decide, after consultation with the PMC, to cancel an amount equivalent to the contract amount multiplied by its percentage participation in the PSRP II Basket Fund. The other Basket Funding Development Partners may make the same determination in respect of their respective financing of that same contract.

Misprocurement

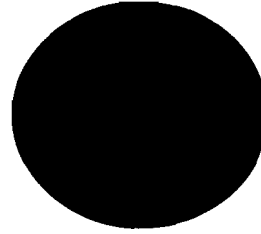
SIGNED BY:

**FOR DANISH INTERNATIONAL DEVELOPMENT ASSISTANCE
(DANIDA)**

By: _____

Title: _____

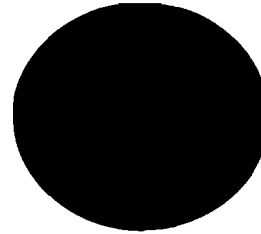
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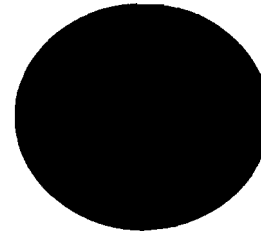
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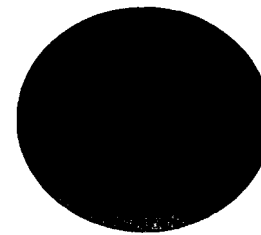
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Annex A: Definition of Key Result Areas and Expected Intermediate Outcomes

Key Result Area	Intermediate Outcomes
1. SYSTEMS TO SUPPORT SERVICE DELIVERY	<ul style="list-style-type: none"> a Reduced bureaucracy and red tape in the delivery of services a Systems and structures are in place to enhance access and the efficiency of service delivery a More efficient delivery of internal administrative and operational services a Improved management of information that supports service delivery
2. POLICY DEVELOPMENT	<ul style="list-style-type: none"> a Policies are effective, feasible and consistent within and across sectors • MDAs proactively develop and oversee implementation of policies that support national development goals and strategies
3. PAY, INCENTIVES AND REWARDS	<ul style="list-style-type: none"> a A motivated, disciplined and ethical public service a Ability of Government to recruit and retain a high level of competence and talent • Public servants have a smooth transition to retirement a Effective and efficient use of wage bill resources a MDAs better motivate their staff
4. ACCOUNTABILITY AND RESPONSIVENESS TO THE PUBLIC	<ul style="list-style-type: none"> a Citizens and clients are increasingly aware of the availability of public services and their rights to access them • Louder voices in demanding for better access and quality of services a Public Servants listen better; they are courteous and responsive a Increased propensity by Public Service managers to share information • Increased propensity by Public Servants to be accountable for service delivery results
5. MANAGEMENT OF PUBLIC SERVANTS	<ul style="list-style-type: none"> a Optimal and adequate staffing levels to effectively support service delivery • Efficient and effective use of Human Resources • A public service with state of the art skills and competence • HIV- AIDS Infection rates reduced in the public service • Public Servants with HIV treated with dignity and fairness • Welfare of Public Servants with HIV improved

Annex A: Definition of Key Result Areas and Expected Intermediate Outcomes

Key Result Area	Intermediate Outcomes
	<ul style="list-style-type: none"> • Recruitment processes result in the selection of the best available candidates • Training interventions result in improved knowledge, skills, and job performance • Public Service composition reflects the diverse character of the nation • Recruitment, appointment, appraisals, and promotions based on merit
<p>6. LEADERSHIP DEVELOPMENT</p>	<ul style="list-style-type: none"> • Leaders who envision and initiate strategic changes, are entrepreneurial and enable the realisation of the national development goals, promulgated in MKUKUTA and the ruling party manifesto • Leaders who inspire, guide, and manage their organisations to improve service delivery • Leaders who demonstrate accountability, integrity and transparency
<p>7. CHANGE MANAGEMENT AND REFORM COORDINATION</p>	<ul style="list-style-type: none"> • PSRF' implementation process owned and predominantly driven by MDAs • Synergies and coordination realised amongst Public Sector reforms • Awareness and appreciation of the PSRF' across all levels of Government • PSRF' efficiently managed • Support to Public Service Reforms in Zanzibar

Annex B: Public Service Reform Programme- Annualized Summarized Costs (in US\$)

KEY RESULT AREA	2007/08	2008/09	2009/10	2010/11	2011/12	TOTAL
1. Systems to Support Service Delivery	6,654,210	9,054,440	9,278,920	5,097,760	5,165,470	35,250,800
2. Policy Development	1,298,590	1,028,330	1,038,880	1,174,020	992,580	5,532,400
3. Pay, Incentives and Rewards	777,520	923,260	594,660	565,960	465,340	3,326,740
4. Accountability and Responsiveness to the Public	2,431,730	2,112,510	1,604,380	1,426,100	1,086,320	8,661,040
5. Management of Public Servants	4,889,410	5,609,000	5,263,930	4,272,260	3,296,290	23,330,890
6. Leadership Development	2,341,400	3,399,900	3,293,900	3,805,610	3,663,650	16,504,460
7. Change Management and Reform Coordination	2,985,010	2,281,130	2,024,340	2,133,140	1,795,240	11,218,860
TOTAL	21,377,870	24,408,570	23,099,010	18,474,850	16,464,890	103,825,190

SN	MINISTRY/DEPARTMENT/AGENCY
1.	State House
2.	President's Office Public Service Management
3.	Vice President's Office
4.	Prime Minister's Office
5.	Prime Minister's Office – Regional Administration and Local Government
6.	Ministry of Agriculture and Cooperatives
7.	Ministry of Community Development, Gender and Children
8.	Ministry of Defence and National service
9.	Ministry of East African Cooperation
10.	Ministry of Education and Vocational Training
11.	Ministry of Energy and Minerals
12.	Ministry of Finance
13.	Ministry of Foreign Affairs and International Cooperation
14.	Ministry of Health and Social Welfare
15.	Ministry of Higher Education, Science and Technology
16.	Ministry of Home Affairs
17.	Ministry of Industry, Trade and Marketing
18.	Ministry of Information, Culture and Sports
19.	Ministry of Infrastructure Development
20.	Ministry of Justice and Constitutional Affairs
21.	Ministry of Labour, Employment and Youth Development
22.	Ministry of Lands, Housing and Human Settlements Development
23.	Ministry of Livestock Development
24.	Ministry of Natural Resources and Tourism
25.	Ministry of Planning and Economic Empowerment
26.	Ministry of Public Safety and Security
27.	Ministry of Water
28.	Registrar Court of Appeal -The Judiciary
29.	Industrial Court of Tanzania
30.	Tanzania Commission for AIDS (TACAIDS)
31.	National Electoral Commission
32.	Public Service Commission
33.	Ethics Commission
34.	National Audit Office
35.	Law Reform Commission
36.	Commission for Human Rights and Good Gov
37.	Tanzania Judiciary Services Commission
38.	Tanzania Parliament
39.	Registrar of Political Party
40.	Prevention and Combating of Corruption Bureau
41.	Joint Financial Commission
42.	Drugs Control Commission
43.	Agency for Educational Management
44.	Tanzania Building Agency

45.	National Housing and Building Research Agency
46.	Business Registration and Licensing Agency
47.	Drilling and Dam Construction Agency
48.	Eastern Africa Statistical Training Centre
49.	Government Chemist Laboratory
50.	Tanzania Institute of Accountancy
51.	National Bureau of Statistics
52.	National College of Tourism
53.	Occupational Safety and Health Agency
54.	Tanzania Airport Authority
55.	Tanzania Civil Aviation Authority
56.	Tanzania Food and Drug Agency
57.	Tanzania Geological Survey
58.	Tanzania Meteorological Agency
59.	Tanzania National Road Agency
60.	Tanzania Public Service College
61.	Tanzania Tree Seed Agency
62.	Tanzanian Government Flight Agency
63.	Weights and Measures Agency
64.	Registration Insolvency and Trusteeship Agency
65.	Agricultural Seed Agency
66.	Tanzania Electrical, Mechanical and Electronics Services Agency
67.	Dar es Salaam Rapid Transit Agency

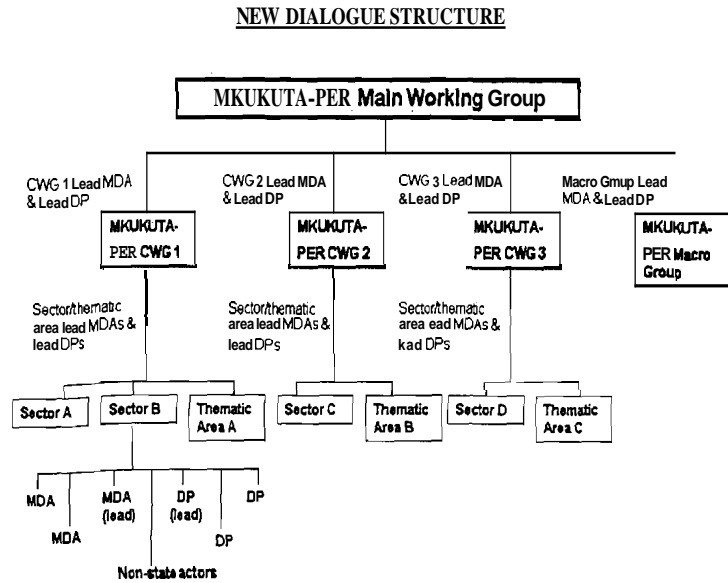
Annex D: Indicative Contributions by GOT and Development Partners

Financing Plan (US\$m)

Source	Local	Foreign	Total
BORROWER/RECIPIENT	1.5	0.5	2.0
International Development Association (IDA)	17.6	22.4	40.0
CANADA: Canadian International Development Agency (CIDA) (CAD 20m)	8.3	9.7	18.0
DENMARK: Danish International Development Assistance (DANIDA)	1.5	1.7	3.2
UK: British Department for International Development (DFID) (GBP 20 million)	18.5	22.1	40.6
Total	47.4	56.4	103.8

ANNEX E: PER-MKUKUTA DIALOGUE STRUCTURE¹

Oct	Work on budget guidelines
Nov	
Dec	Issue budget Guidelines
Jan	
Feb	
Mar	Prepare budget
Apr	Prepare budget and MTEF Submission
May	
Jun	Submit budget to Parliament
Jul	Discuss the budget in Parliament
Aug	
Sept	



¹ The new Structure is still under preparation for adoption.