

revenues and local content. The latest report covering 2018-2019 was published in June 2021. Tanzania is also a member of the Financial Action Task Force (FATF). According to the latest FATF Mutual Evaluation Report June 2021, measuring effectiveness and technical compliance rating, Tanzania was compliant for 3 and Largely Compliant for 11 of the FATF 40 Recommendations. In terms of level of effectiveness rating, Tanzania had 2 moderate and 8 low, with none of the variables rated high.

Tanzania does not have a separate policy for domestic revenue mobilisation or tax revenues beyond the chapter on policy financing in the FYDP III. Tax policy changes are introduced annually through the Finance Bill. The existing policy framework is rather unpredictable in the eyes of investors. Some policy changes have been effective, whereas others did not have the intended impact and were reversed shortly after. The government headed by President Samia Suluhu Hassan is leaning towards a more medium term outlook with a stronger emphasis on widening the tax base, improving voluntary compliance and addressing tax evasion, as highlighted in the budget speech of June 2021. These priorities reflect the Government's commitment to a more conducive investment climate.

The latest Finance Bill for 2021/22 intended to promote economic recovery and balanced the need to improve the business environment and increase domestic revenues. Measures include a 1% reduction of income tax for the lowest band, introduction of a lower income tax rate of 3% for small-scale miners, a levy on mobile money transactions and sim cards, exemption for income tax on interest derived from government bonds and increased duty rates on various imported products to protect local industries.

Tanzania is implementing reforms to modernise the tax administration with the goal of increasing voluntary compliance. For example, Tanzania Revenue Authority (TRA) increased scanning capacity and launched a centralised scanner system to increase efficiency at the ports. TRA also launched an electronic filing system, and in the near future, it plans to implement an integrated revenue administration system. TRA is enhancing its infrastructure to accommodate the shift to a digital tax authority. The reform progress has been positive but slow, mostly due to competing priorities and weaknesses in planning, budgeting and procurement. The new leadership at TRA is more reform-oriented and has started to implement changes to move away from harmful collection practices used in the past.

The Government has shown a continued commitment to PFM and Domestic Revenue Mobilisation (DRM) reforms under President Samia Suluhu Hassan. The Government is currently undergoing a new PEFA assessment. The report will be publicly available Quarter 2 of 2022 and will inform the PFM reform priorities of the GoT beyond June 2022. GoT also announced a review of its domestic revenue system. The review will also assess opportunities to improve the budget process to allow for more inclusive and productive consultations between government, private sector and civil society on proposed tax policy changes. The Government is expected to maintain its current open and cooperative attitude towards the private sector and CSOs in the review process. Both processes confirm the GoT's openness and commitment to evidence-based PFM and DRM reforms.

In conclusion, the public finance management reform strategy is sufficiently relevant and credible, including on domestic revenue mobilisation, and the eligibility criterion is met.

### 2.3.5 Transparency and Oversight of the Budget

Tanzania has a well-structured budget process with a sound legal base. The GoT follows the provisions of the Budget Act 2015 in a satisfactory manner, and meets the entry requirement for this eligibility criteria. The budget preparation process scored an A in the latest 2017 PEFA. Since 2019, the GoT has consistently published budget guidelines, which provide the fiscal framework and high level budget ceilings to inform budget preparation. The executive, up to cabinet level, scrutinises the budget before submission to parliament. Compared to other countries in the region, Tanzania tends to submit the proposal relatively late leaving less time for parliamentary scrutiny.

After presenting the executive's budget proposal, parliamentary sessions take place between April and June before the start of the fiscal year on 1st July. The GoT has started publishing volumes II-IV of the Executive's Budget Proposal online since FY 2021/22, but not volume I<sup>23</sup> and only after enactment of the budget which does not meet the OBS and PEFA criteria. Upon parliamentary approval, the GoT publishes the Enacted Budget and a Citizen version on the website of the Ministry of Finance and Planning. In recent years, all budget volumes were made available within weeks from its enactment, which is an improvement as timely online publication used to be a

<sup>23</sup> The budget books have 4 volumes. Volume I covers the financial statements and revenue estimates, Volume II and II covers public expenditure estimates (recurrent) and Volume IV Public expenditure estimates for the development budget.